

Code: 5830

web page: [www.cotabank.com.tw](http://www.cotabank.com.tw)

Taiwan Stock Exchange M.O.P.S web page:  
[mops.twse.com.tw](http://mops.twse.com.tw)

# ANNUAL REPORT 2022

**COTA COMMERCIAL BANK**



**COTA Commercial Bank**





COTA Commercial Bank

ANNUAL REPORT  
2022



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1

To Our  
Shareholders



## 1-1. Year 2022 Business Report

### 1-1-1. Financial Environment

As people progressively get used to coexisting with the Covid19, it seems that they have entered a new life method in the post-epidemic era, but they are affected by the inflation behemoth. Under the cycle of rising interest rates in the United States to reduce inflation, It's let companies to think about how to re-arrange industrial planning. The challenges facing the banking industry are more difficult, including the difficulty of adding new lending targets, the lack of independence of financial product targets, changes in mass consumer behavior, the maturity of the digital generation, and the expansion of overseas markets, pushing banks to accelerate their transformation.

Every company emphasizes the concept of ESG sustainable management in 2023. Traditional banks can take advantage of this opportunity to accelerate transformation, launch new products related to ESG issues, and develop new customers. At the same time, Share the bank's concept of sustainable management with customers, cultivate customers' sense of identity, and make the spirit of corporate sustainability deeply rooted in the hearts of customers.

Facing the post-epidemic era, Financial institutions create warm services by digital devices and maintain a certain sense of trust with customers. Cota bank has been operating stably for a hundred years in Taichung. It has deeply cultivated the local area, has deep relationship with customers, has abundant local contacts, and has comprehensive financial system. These are the biggest advantages of Cota bank. Cota Bank will take advantage of this advantage and pay attention to domestic and foreign financial situations and related monetary policies at any time, Timely adjust the Cota bank's operating strategy and deepen the various business areas to expand the scale of operation and profitability, so as to gain the support of all shareholders and customers. To become a trustworthy commercial bank.

### 1-1-2. Organization Development

None



## 1-1-3. Business Plans and Strategies Performance

### 1-1-3-1. Main Achievements

- Develop a new version of the mobile billing system to replace the original outsourced version.
- Develop the central bank API declaration window.
- Integrate internal and external data, build and develop a complete credit system, and improve the efficiency of credit business operations.
- Strengthen the online identity recognition of mobile online banking, and introduce the mobile ID (Mobile ID) identity authentication mechanism to take into account transaction security and convenience.
- SWIFT standardization sending message format to transform from MT to MX with ISO20022.
- In response to the social problems of aging and decreasing birthrates, collaborate with the competent authority's trust 2.0 comprehensive trust plan to promote the trust business for the elderly and people with disabilities, and spread the "concept of nursing trust" through various channels to respond of inclusive finance so that people can have equal access to good financial services.
- Launch eDDA automatic transfer electronic authorization service, provide online credit card account automatic transfer service, simplify the original paper authorization work for customers, and allow customers to easily handle automatic account deduction services through the Internet.

### 1-1-3-2. Budget Execution

As of Dec. 31, 2022, our deposits balance with sum of TWD169.5 billion (excluding deposits from banks) increased by TWD15 billion compared with previous year, our loans balance with sum of TWD133.2 billion increased by TWD10.6 billion compared with previous year. COTA would be commit to strengthen the Fintech services, expansion e-banking services, provide diversified products to satisfy the requirement of the customer, to develop new financial products, to achieve better structure of quality between deposits and loans and higher multi-source income.

Main business budget executions reported as follows:

- Final account of average deposits balance amounted to TWD167.3 billion, achieved 98.7% budgeting goal of TWD169.5 billion.
- Final account of average loans balance amounted to TWD126.3 billion, achieved 99.06% budgeting goal of TWD127.5 billion.
- Final net profit before tax amounted to TWD1,050,307 thousand dollars, achieved 105.01% budgeting goal of TWD1,000,166 thousand dollars.

### 1-1-3-3. Financial Structure and Profitability

In 2022, COTA solo financial report earnings before income-tax figured as TWD1,050,307 thousand dollars, the net profit after tax was TWD853,562 thousand dollars, turned into EPS after income-tax as TWD0.87. Our BIS ratio maintained at a level of 13.04% and net worth of per share stood at TWD13.74. Our non-performing loan coverage ratio to 780.9%. and the NPL ratio was 0.17%. Cota bank will continue to improve business efficiency and risk control In order to strengthen the management system and enhance the Bank's competitive advantage.

### 1-1-3-4. Research and Development

Continue to pay attention to the pulse of the global market, combine the overall economic reports of major research institutions and asset management companies, and refer to market factors such as policies, chips, and technologies to judge the market direction, and provide diversified asset allocation suggestions; cooperate with competent authorities to promote financial technology Development and revision of laws and regulations, continuous development and refinement of the electronic channel service system, expansion of the digitization of various business transaction functions, and provision of more convenient and diversified financial services to facilitate the promotion of Cota bank's business.

## 1-2. Year 2023 Business Plans Outline

We have always held the spirit of "Integrity, Accountabilities, Altruism, Technology, Environmental care", and fulfilling corporate social responsibility (CSR) and attaching importance to legal compliance, preventing money laundering and combating terrorism in the future, COTA will strengthen environmental, social and corporate governance (ESG) sustainable development, guide customers to pay attention to sustainable issues and promote green finance related issues business, committed to balancing asset quality and risk-reward, and creating the competitiveness of COTA long-term development. Main business plans are described as follows.

### 1-2-1. Business Operating Policy

- To cooperate with the FSC to launch the "Corporate Governance 3.0 - Blueprint for Sustainable Development" to implement corporate governance, enhance the sustainable development of enterprises, and create ESG financial environment.
- To monitor the management of various credit limits, exert risk management functions, improve the structure of risky assets, and strengthen the Bank's capital adequacy ratio.
- Cooperating with the development of digital banks, using e-commerce to develop potential online banking customers, select excellent target customer groups, and provide exclusive discounts and services to expand business.
- Continue to expand demand deposits, consumer finance, corporate credit, wealth management, trust, foreign exchange, international finance and electronic finance businesses, adjust the profit structure of banking business, expand the economic scale, and improve operating efficiency to reduce costs and increase profitability.
- Strengthen the promotion of operating rules and compliance and implement various laws and regulations, cooperate with the policy of treating the elderly customers fairly, and formulate relevant norms to protect the rights and interests of the elderly consumers.
- Make full use of the internal credit rating system of credit-granting accounts, appropriately adjust the rating factors and their weights after statistically sufficient quantitative data, and use the post-loan default database to summarize the timing of the default and the reasons for the overdue of the rated account.
- To cooperate with the implementation of the precautions for preventing money laundering and combating the financing of terrorists, integrate the country-wide risk identification, assessment, and management process system in real time, and strengthen blacklist control and inspection.
- To introduce wealth management products and focus on main products, steadily expand high-asset customer groups, provide diversified wealth management services, and create maximum value with customers.
- Actively promote enterprise credit business, assist enterprises in the allocation of funds, and meet the capital needs of enterprises in various periods during development. For example: short-term, temporary or seasonal operating turnover funds of enterprises, capital expenditures and medium-long term funds required for enterprises to implement investment and establish medium-long term business plans.

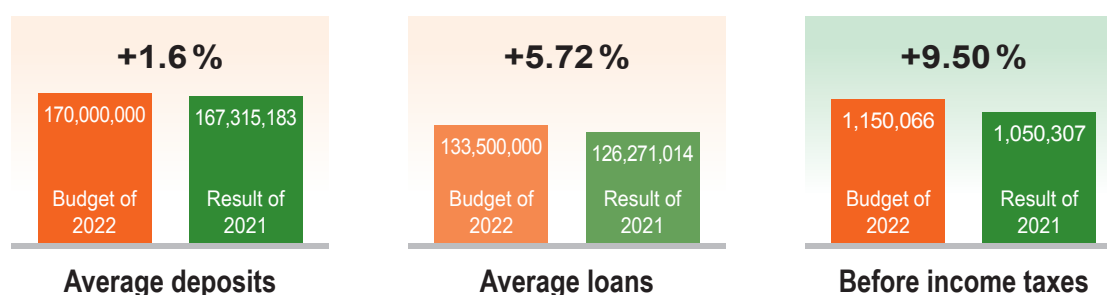




## 1-2-2. Business Target

Unit: TWD thousand: %

| Main Business         | Budget of Year 2023 | Result of Year 2022 | Increase volume |      |
|-----------------------|---------------------|---------------------|-----------------|------|
|                       |                     |                     | Amount          | %    |
| Average deposits      | 170,000,000         | 167,315,183         | 2,684,817       | 1.60 |
| Average loans         | 133,500,000         | 126,271,014         | 7,228,986       | 5.72 |
| Net profit before tax | 1,150,066           | 1,050,307           | 99,759          | 9.50 |



## 1-3. Long-term Development Strategy

1. Regularly review the operating status and asset quality of the consumer finance credit business, adjust product pricing and credit policy at any time, and improve the management structure of the product line to truly reflect product performance.
2. In line with the development of digital banking, develop E-based applications to facilitate deep cultivation of old customers and develop new potential Internet banking customers, and use the convenience of the Internet to increase business volume.
3. Cooperation with the policies of the competent authority, continue to promote credit extension for small-medium sized enterprises, keep close to customer needs, expand the customer base and economic scale, and increase the market share of Cota bank's SMEs credit extension.
4. Select high-quality overseas bonds, selected funds and insurance products in line with market conditions, and provide financial management customers with more diversified product choices via cooperation with funds, insurance companies, securities companies and other access channels.
5. To hold lectures related to Elder Care Trust in the campus, cultivate students with relevant trust knowledge, and promote industry-university cooperation to provide internship opportunities. Let students learn the knowledge of trust business by the combination of practice.
6. Monitor credit limit management to exhibit the risk management function, improve the structure of risky assets, and strengthen the bank's BIS.
7. The long-term investment position strengthens the operating performance of the investment business, improves the level of profitability, injects investment income, and increases bond investment to improve the performance of capital utilization and interest income.
8. COTA all staff accelerates the growth of employees' career ability and performance via the personal performance management and development system plan (PDP), as well as successfully implement the company's operating strategy to create a double-win situation.

## 1-4. Impact of Competitive, Regulative and Banking Environments

The global economic climate is refrigeration, the inflation rate remains high, Moreover, the Russia-Ukraine war has a stalemate impact, pushing up the international energy and grain prices. Food and other prices, the central banks of many countries have initiated a cycle of raising interest rates and tightening monetary policies to ease the upward pressure on prices. However, the rise in interest rates has put pressure on the prices of global financial assets, and the stock and bond markets have also corrected downwards. Emerging markets are also facing challenges such as capital outflows and currency depreciation. The global economic and trade outlook is still full of uncertainties.

In response to the extensive use of financial technology, non-banking and pure online banking have gradually entered the consumer finance market. In the future, the banking industry is bound to face stricter competition and challenges with the digitization, virtualization and homogenization of financial products.

With reference to current international trends, the FSC will continue to establish to improve the quality and transparency of ESG information disclosure, establish a prototype of sustainable classification standards, guide support for green and sustainable development, and cultivate the resilience of financial institutions in response to climate change risks. Hence, FSC will list the development of sustainable finance as an important policy to promote, actively implement the “Green Finance Action Plan 3.0”, and continue to review financial policy tools on a rolling basis, meanwhile, actively integrate with the world, and build a more complete and sustainable financial system and guidelines, meanwhile, Cultivate the power of financial markets due to the resilience of financial institutions in response to the risks of climate change. To continue to guide and support the development of physical industries and take into account the low-carbon transformation, driving a sustainable financial ecosystem with a positive cycle. We will continue to cooperate with the policies of the competent authority, optimize financial services, and keep going the long-term goal of sustainable operation, improve profit performance, and enhance the company value and competitiveness.



## 1-5. Corporate Rating

| Category | Rating Agent            | Rating    |            | Outlook | Released Date |
|----------|-------------------------|-----------|------------|---------|---------------|
|          |                         | Long-term | Short-term |         |               |
| Local    | Taiwan Rating Corporate | twBBB+    | twA-2      | Stable  | Dec.19, 2022  |

In the face of external challenges and potential opportunities, we must be more proactive and continue to grow and expedite transformation in order to seize new market opportunities. Also we provide more agile and professional financial services by the operating scale at the present time. At last, we would like to express sincere appreciations to our shareholders, directors, and the elites in all fields. We look forward to obtaining continued support and advice from all of you.

Chairman **Song-Yie Liao**

# 2

## Corporate Profile



## 2-1. Bank Features

|                                      |  |
|--------------------------------------|--|
| <b>Bank Name</b>                     | COTA Commercial Bank, Ltd.                                   |
| <b>Chairman</b>                      | Song-Yie Liao  |
| <b>President</b>                     | Chih-Sheng Hsiao   |
| <b>Date of Business Registration</b> | Jan. 01, 1999  |
| <b>Date of Inauguration</b>          | Jan. 01, 1999  |
| <b>Location of Head Office</b>       | No.32-1, Gongyuan Road,<br>Taichung City 400, Taiwan, R.O.C. |
| <b>Number of Employee</b>            | 1,151  |
| <b>Paid-in Capital</b>               | TWD9,785,840,530   |
| <b>Capital Shares</b>                | Common Stock in 978,584,053<br>Shares                        |



## 2-2. Historical Highlights

COTA Bank was formerly named “Liability Taichung Third Credit Cooperative”. Founded in 1915, we have consistently conveyed the corporate philosophy featuring, well-sustained to combat in the financial environment characterized by severe competition, as “Integrity, Innovation, Cordiality and Service”, in response to the increasingly competitive financial market. In accordance with the promulgation of “Regulations and Criteria Governing Reorganization of Credit Cooperative into Commercial Banks”, COTA Bank started the reorganization task and launched reorganization in Dec. 1995. On Jul. 27, 1998, COTA Bank was officially approved by Ministry of Finance to be transformed into “COTA Commercial Bank”.

In 2005, COTA Bank invited Fengyuan Credit Cooperative to consider a merger proposal for mutual benefits to enhance competitive capacity by expanding business scale. After sincere bilateral negotiation and consideration, COTA Bank decided to wholly acquire Fengyuan Credit Cooperative. Approved by shareholders’ meeting of both parties, Fengyuan Credit Cooperative was formally merged into COTA Bank on Jan. 01, 2006.

The Bank’s mission is to be the most sought-after bank by practicing sustainability, driving the future, and fulfilling social responsibility. We uphold the core values of “Integrity, Accountabilities, Altruism, Technology, and Environmental Care” and strive to grow into a full-service bank. COTA Bank is determined to become a full-array commercial bank in spite of quick-changing financial market. Under the support of shareholders and members of board, and the endeavor of all staffs, introduce a broader range of online application service. We are committed to providing all-aspect services for our customers by constant business growth, scale expansion and product diversification. In addition, when facing internet digital rapid growth of the generation, COTA Bank will strengthen the research and development of online real financial transactions, and cooperate with the competent authorities to promote the digital financial environment to provide customers with a full range of financial services.



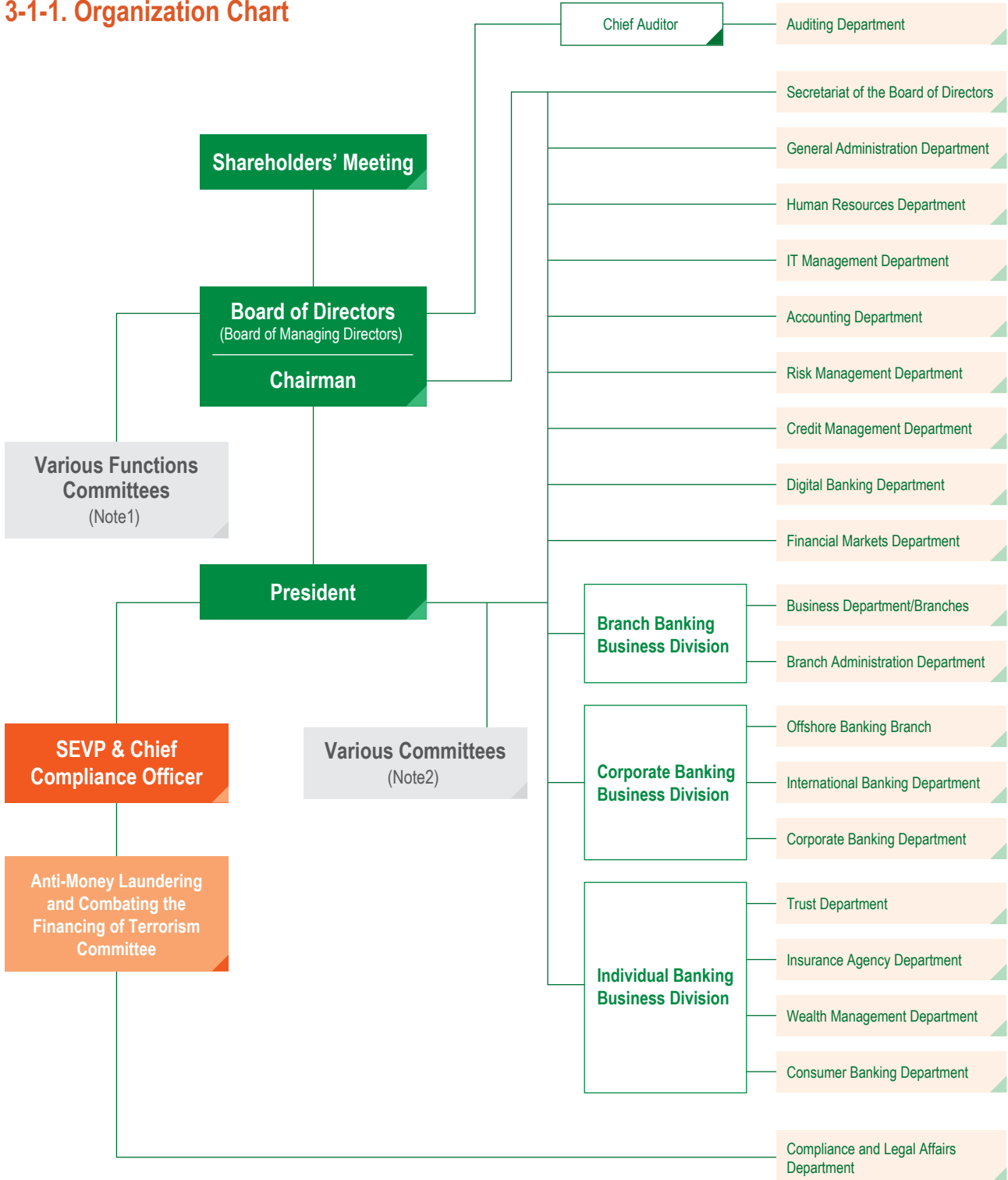
# 3

## Corporate Governance



## 3-1. Organization

### 3-1-1. Organization Chart



NOTE1. Audit Committee, Remuneration Committee, Nomination of Directors Committee, etc.

NOTE2. Credit Review Committee, Human Resources Evaluation Committee, Trust Property Review Committee, Information Security Committee, Product Review Group of the Wealth Management Business, Asset & Liability Management Committee, Risk Management Committee, Security Maintenance Steering Group, TWD Securities Investment Group, Foreign Securities Investment Group, etc

## 3-1-2. Major Business of Each Division

### 3-1-2-1. Secretariat of the Board of Directors

In charge of the Board of Directors' mechanism and maintenance of seal, administration, corporate governance, convening meetings of the shareholders and the Board of Directors, and the election of directors.

### 3-1-2-2. General Administration Department

The Department is in charge of the seal, paperwork, operation, procurement, property management, public relations, common affairs, stock affairs, and other matters that do not fall under other departments.

### 3-1-2-3. Human Resources Department

The Department is responsible for bank-wide organizational development, staff hiring and employment, performance appraisal, training and development, compensation and employee benefits, employee relations and internal communication.

### 3-1-2-4. Credit Management Department

The Department is responsible for credit planning, credit review, review and management of personal finance, corporate finance and digital finance businesses.

### 3-1-2-5. Financial Markets Department

The Department is responsible for financial market operations, funding management, foreign exchange and derivative trading, securities investment and trading, financial consulting, and investment policy formulation, implementation, performance and evaluation management.

### 3-1-2-6. Audit Department

The Department is in charge of the bank's business, accounts, finance, banking affairs and the audit of all inventory items.

### 3-1-2-7. Accounting Department

The Department is responsible for bank-wide operational performance analysis, compilation, control and reporting of financial information of each unit, and it is also in charge of the accounting and tax affairs of the whole bank.

### 3-1-2-8. IT Management Department

The Department manages the bank's information operation strategy and system planning, development, and maintenance, etc. It responds for the development and implementation of bank-wide information security strategies, establishment of relevant information security technical standards, and provision of related consulting services.

### 3-1-2-9. Risk Management Department

The Department is responsible for bank-wide risk management policy development, revision, system design, regulations, and monitoring the implementation status; planning, management and execution of bank-wide collection business.

### 3-1-2-10. Compliance and Legal Affairs Department

The Department established Compliance and Legal Affairs Section and Money Laundering Prevention Section. The Compliance and Legal Affairs Section is responsible for the planning, management, and implementation of the compliance system and legal affairs. The Money Laundering Prevention Section is responsible for the prevention of money laundering and combating money laundering in the Bank. The Section does not be allowed doing other business.

### 3-1-2-11. Digital Banking Department

The Department develops, promotes and operates digital and intelligent technologies and applications in order to promote the full integration of digital technology and financial services, as well as digital financial cooperation with external alliance partners. It integrates digital finance business strategy and execution, including digital branding, digital financial products, digital financial services, digital application scenarios, digital channels, digital experience for customers, digital marketing and operation.

### 3-1-2-12. Individual Banking Business Division

The Division is in charge of personal finance business policy formulation, marketing planning, business promotion, sales performance management, counseling, credit, operation management and optimization, etc. The personal finance business includes consumer finance, wealth management, credit cards, trusts and personal and property insurance agency business. Division includes four departments as follows:

#### 3-1-2-12-1. Consumer Banking Department

The Department is responsible for overall policy development, strategy planning, design, and marketing of the consumer product, credit review, performance management and counseling, customer relationship management, operation management and optimization, etc.

#### 3-1-2-12-2. Wealth Management Department

The Department manages wealth management business, the planning, development, and training of the financial product for non-wealth management clients, and the management of the financial planners, etc.

#### 3-1-2-12-3. Trust Department

The Department is responsible for trust business operations, planning, promotion, management, and trust products training.

#### 3-1-2-12-4. Insurance Agency Department

The Department manages the whole bank's life and property insurance agent business, planning, promotion, training and sales management.

### 3-1-2-13. Corporate Banking Business Division

The Division is responsible for policy formulation, marketing planning, business promotion, the performance management and counseling of the sales, credit collection, operation management and optimization, etc. The corporate finance products and services business includes corporate loans, loans to business owners, domestic syndicated loans, structured finance and other ad hoc loans. Division includes three departments as follows:

#### 3-1-2-13-1. Corporate Banking Department

The Department is responsible for the overall policy development, the planning, design, promotion of the corporate finance products and services, performance management and counseling, customer relationship management, operation management and optimize the business, and cooperate with the corporate finance staff of each branch to finish the cases, maintenance and control of follow-up business, counseling corporate finance staffs of branches to improve the operational capability of corporate finance business.

#### 3-1-2-13-2. International Banking Department

The Department is in charge of the bank's foreign currency funding, foreign exchange operations, planning, management, and promotion.

#### 3-1-2-13-3. Offshore Banking Branch

The Branch is responsible for offshore banking operation, management, and investment.

### 3-1-2-14. Branch Banking Business Division

The Division is in charge of the overall policy formulation of the Division, the strategy planning of the branch management, the performance management and counseling of the branch sales, the relationship management of the branch clients, the financial trends and practical research of the branch, the implementation of the government financial policies, and operation management optimization.

#### 3-1-2-14-1. Branch Administration Department

The Division manages overall policies, strategy planning, sales performance management and counseling, and the regulations of the branches business. It also manages the bank's deposits, remittances, cashier, warehouse, custodian, agent, security maintenance and operational optimization.

#### 3-1-2-14-2. Business Department/Branches

The Department and branches conduct various commercial banking services approved by the central authorities and also conduct trust business.

Above-mentioned divisions or departments may base on business need to request the Board of Directors to establish, abolish or merge by their resolution. Units of head office may set up joint offices in the northern and southern regional centers.

## 3-2. Major Information of Directors, President, Senior Executive Vice Presidents, Executive Vice Presidents, and Department General Managers

### 3-2-1. List of Directors

| Title<br>(Nationality)                          | Name<br>(Gender) Age   | Elected Date<br>(Tenure, yrs)                   | First Elected | Elected Shares Owned<br>Current Shares Owned |                  | Shares Owned by Spous-<br>es and Minor Children |        |
|---|--|---|---------------|--|------------------|---|--------|
|   |  |   |               | No. of Shares                                | %                | No. of Shares                                   | %      |
| Chairman<br>(R.O.C.)                            | Song-Yie Liao<br>(Male) 61-70  | 2020.12.29<br>(Director<br>2020.12.19)<br>(2.5) | 2005.05.25    | 88,717,250<br>97,577,167                     | 9.5900<br>9.9713 | 2,728,617                                       | 0.2788 |
| Managing<br>Independent<br>Director<br>(R.O.C.) | Kun-Hsien Lin<br>(Male) 61-70  | 2020.12.29<br>(Director<br>2020.12.19)<br>(2.5) | 2014.12.29    | 2,376,447<br>2,513,829                       | 0.2569<br>0.2569 |   |        |
| Managing<br>Independent<br>Director<br>(R.O.C.) | Hong-Chi Chang<br>(Male) 61-70   | 2020.12.29<br>(Director<br>2020.12.19)<br>(2.5) | 2020.12.19    |  |                  |   |        |
| Managing<br>Director<br>(R.O.C.)                | Chuan Cheng Hat Co., Ltd.  | 2020.12.29<br>(Director<br>2020.12.19)<br>(2.5) | 2014.12.29    | 17,324,563<br>17,792,326                     | 1.8727<br>1.8727 |   |        |
|   | Chuan Cheng Hat Co., Ltd.<br>Assigned Representative:<br>Chin-Yuan Lai<br>(Male) 71-80 |   |               | 323<br>340                                   | 0.0000<br>0.0000 |   |        |
| Managing<br>Director<br>(R.O.C.)                | Jung-Hsien Chiu<br>(Male) 61-70  | 2020.12.29<br>(Director<br>2020.12.19)<br>(2.5) | 2020.12.19    | 1,745,574<br>1,846,485                       | 0.1887<br>0.1887 |   |        |
| Independent<br>Director<br>(R.O.C.)             | Tsung-Ta Kuo<br>(Male) 51-60   | 2020.12.19<br>(2.5)                             | 2017.12.23    |  |                  |   |        |
| Director<br>(R.O.C.)                            | Ying-Che Chang<br>(Male) 71-80   | 2020.12.19<br>(2.5)                             | 2002.01.01    | 3,058,449<br>3,235,257                       | 0.3306<br>0.3306 | 43,265  | 0.0044 |



As of Dec. 31, 2022 Shares Held (%)

| Education & Key Work Experience   | Current Positions for the Bank or other companies  |
|---|--|
| <p>Department of Economics, Hosei University of Tokyo, Japan<br/>Chairman of Chuan Cheng Hat Co., Ltd.</p>  | <p>Director of Chuan Cheng Hat Co., Ltd.<br/>Director of Chuan Chi Co., Ltd.<br/>Independent Director of Formosan Union Chemical Corp.<br/>Director of Sin Trend Video Co., Ltd</p>  |
| <p>Collage of Law, National Taiwan University<br/>Master's Program, Graduate Institute of Financial and Economic Law, Feng Chia University<br/>Director of the 8th Crime Victims Protection Association<br/>Director of Taichung Bar Association<br/>Member of Taiwan Bar Committee on the Discipline<br/>Chairman of Taichung NTU Alumni Association<br/>Member of the Prosecutor's Evaluation Committee<br/>Member of Taichung City Building Regulations Subcommittee</p> | <p>Owner of Chan Hsin Law Firm<br/>Independent Director of Yung Shin Global Holding Co. Ltd.<br/>Director of Kunhe Industrial Co., Ltd.<br/>Director of Dexian Industrial Co., Ltd.<br/>Chairman of Themis Law Magazine, Inc.<br/>Independent Director of United Integrated Services CO., Ltd.</p> |
| <p>Master Program of Agricultural Economics, National Chung Hsing University<br/>President of Chang Hwa Bank<br/>Chief Auditor and Vice President of Bank of Taiwan<br/>Director of Mega Bills Finance Co., Ltd.<br/>Director of Taiwan Life Insurance Co., Ltd.<br/>Director of Taiwan Futures Exchange<br/>Director of Taiwan Business Bank<br/>Supervisor of BankTaiwan Securities Co., Ltd.<br/>Director of BankTaiwan Life Insurance Co., Ltd.</p>                     |  |
| <p>Department of Economics, Tunghai University<br/>Vice President of Mega International Commercial Bank<br/>President Shin Kong Bank<br/>Chairman of Taichung Bank</p>  | <p>Chairman of Tanfa Enterprise Co.,Ltd.<br/>Managing Director of the NTCUST Alumni Foundation</p>   |
| <p>Graduate Institute of Industrial Management, National Cheng Kung University<br/>President of COTA Commercial Bank</p>  |  |
| <p>Graduate Institute of Accounting and Public Finance, Feng Chia University<br/>Tax auditor of the National Taxation Bureau of the Central District of the Ministry of Finance</p>   | <p>Chief Accountant of Chien-Yao Asia Pacific CPA Firm</p>   |
| <p>Department of International Business ,Feng Chia University<br/>President of COTA Bank<br/>Chairman of COTA Bank Insurance Broker Co., Ltd. (Representative of a legal entity)</p>  | <p>Director of COTA Culture and Education Foundation</p>   |

| Title<br>(Nationality) | Name<br>(Gender) Age   | Elected Date<br>(Tenure, yrs) | First Elected | Elected Shares Owned<br>Current Shares Owned |                  | Shares Owned by Spous-<br>es and Minor Children |        |
|------------------------|--|-------------------------------|---------------|--|------------------|---|--------|
|                        |  |                               |               | No. of Shares                                | %                | No. of Shares                                   | %      |
| Director<br>(R.O.C.)   | Xian-De Lai<br>(Male) 61-70  | 2020.12.19<br>(2.5)           | 2005.05.25    | 4,626,963<br>4,894,447                       | 0.5002<br>0.5002 | 12,177  | 0.0012 |
| Director<br>(R.O.C.)   | Chun-Chieh Wang<br>(Male) 61-70  | 2020.12.19<br>(2.5)           | 2014.12.29    | 12,960,287<br>13,746,435                     | 1.4010<br>1.4047 |   |        |
| Director<br>(R.O.C.)   | Chien-Chung Lai<br>(Male) 61-70  | 2020.12.19<br>(2.5)           | 2017.12.23    | 3,390,708<br>3,236,250                       | 0.3665<br>0.3307 | 2,814,932                                       | 0.2877 |
| Director<br>(R.O.C.)   | Ting-Lieh Huang<br>(Male) 61-70  | 2020.12.19<br>(2.5)           | 2020.12.19    | 2,032,988<br>2,173,250                       | 0.2198<br>0.2221 | 928,654   | 0.0949 |
| Director<br>(R.O.C.)   | Chao-Ching Hsu<br>(Male) 51-60   | 2020.12.19<br>(2.5)           | 2020.12.19    |  |                  |   |        |
| Director<br>(R.O.C.)   | Pei-Chen Wang<br>(Female) 41-50  | 2020.12.19<br>(2.5)           | 2020.12.19    |  |                  |   |        |
| Director<br>(R.O.C.)   | Juo-Ping Lin<br>(Female) 41-50   | 2020.12.19<br>(2.5)           | 2020.12.19    |  |                  |   |        |
| Director<br>(R.O.C.)   | Chuan Chi Co., Ltd.  | 2020.12.19<br>(2.5)           | 2020.12.19    | 31,582,189<br>33,407,955                     | 3.4139<br>3.4139 |   |        |
|                        | Yuan-Chung Huang<br>(Male) 51-60<br>Representative:<br>Chuan Chi Co., Ltd. |                               |               | 9,629<br>10,184                              | 0.0010<br>0.0010 |   |        |

NOTE: When the chairman of the board and the chairman or the person with equivalent position (the top manager) are the same person, each other's spouse or relatives, they shall explain the reasons, rationality, necessity and reasons such as increasing the number of independent directors, and more than half of the directors are not concurrently serving as employees or managers, etc.

| Education & Key Work Experience   | Current Positions for the Bank or other companies   |
|---|---|
| Department of Public Finance and Taxation, National Chung Hsing University<br>President of Tung Yang Business Co., LTD.<br>Chairman of Taiwan Barley Products Industry Association  | Chairman of Tung Yang Business Co., Ltd.<br>Chairman of Tung Yang Investment Co., Ltd.<br>Managing Director of Taiwan Flour Mills Associate<br>Director of Hsiuping University of Science and Technology  |
| Mingdao High School   | Chairman of Mingdao Private High School   |
| Department of French, Chinese Culture University<br>Overseas Chinese Affairs Committee of Overseas Community Affairs Council, R.O.C.<br>Vice President of The Council of Asia Taiwanese Chambers Of Commerce<br>President of The Council of Taiwan Chambers of Commerce In Vietnam<br>President of Chiao Sang Footwears Inc.<br>Supervisors of Lu Yueh Enterprise Co., Ltd.<br>Advisory Committee of Overseas Community Affairs Council, R.O.C.<br>Consultant of Taiwan Association of Machinery Industry –Machinery for Shoe<br>Advisory Committee of Asia Taiwanese Chambers Of Commerce<br>Consultant of Overseas Chinese Culture and Education Foundation | Director of Overseas Taiwan Commercial Travel Agency Ltd Co.  |
| Mingdao High School   | Director of Taiwan Jundan Co., Ltd.<br>Supervisor of Yummy Catering Co., Ltd.<br>Director of Tiansheng Broadcasting Co., Ltd.<br>Director of Yan Sheng Broadcast Corporation<br>Director of Sheng Feng Tang Pharmaceutical Co., Ltd.  |
| Doctor of Law degree, National Chung Cheng University<br>Judge of Chiayi District Court, Taiwan<br>Partner Lawyer of International Commercial Law Firm<br>Visiting Scholar, Duke University School of Law<br>Senior Visiting Scholar, University of California, Berkeley<br>Chairman of Taiwan Property Law and Economic Law Research Association   | Presiding Lawyer of Lex Pro Attorneys-at-Law<br>Director of Lex Pro Consulting Co., Ltd.<br>Independent Director of SyneuRx International (Taiwan) Corp.<br>Independent Director of Topoint Technology Co., Ltd.<br>Director of Taiwan Law Foundation<br>Director of Hwa Kang Law Foundation                    |
| The Department of Finance, National Taiwan University   | Manager of Management Department of Famous International Beauty Co., Ltd.   |
| Master of Information Management, National Chung Cheng University<br>President of Topoint Technology Management Center<br>Chairman's Special Assistant of Topoint Technology Management Center<br>Consultant of i2 Technologies Inc.  | President of Topoint Technology Co., Ltd.<br>Director of Topoint Technology Co., Ltd.<br>Chairman of Drill-Tek Corporation (Representative)<br>Chairman of Moneyou Company Limited<br>Chairman of Unipoint Technology Co., Ltd. (Representative)<br>Director of Cosmos Vacuum Technology Corp. (Representative) |
|   |   |
| College Degree  | President of Chuan Cheng Hat Co., Ltd.  |

## 3-2-1-1. Major Institutional Shareholder:

As of Dec. 31, 2022

| Institutional Shareholder (Note 1) | Major Shareholders of Institutional Shareholders (Note 2)                                   |
|------------------------------------|---|
| Chuan Cheng Hat Co., Ltd.          | Song-Yie Liao (68.35%), Ching-Ling Liu (12.36%), Po-Chi Liao (9.83%), Po-Chun Liao (9.46%)  |
| Chuan Chi Co., Ltd.                | Song-Yie Liao (51.26%), Ching-Ling Liu (24.40%), Po-Chi Liao (9.97%), Po-Chun Liao (14.37%) |

NOTE 1: If the director or supervisor is a representative of a corporate shareholder, he/she should fill in the name of the corporate shareholder.

NOTE 2: Fill in the names of the major shareholders of the corporation (the top ten shareholders in terms of shareholding) and their shareholding percentages. If the major shareholder is a corporation, the following table should be completed Table 2

## 3-2-1-2. Disclosure of Professional Qualifications of Directors and Independence of Independent Directors

| Qualifications<br>Name   | Professional Qualifications   | Experiences  | Independent Circumstances   | Number of Independent Directors with Other Public Offering Companies |
|--|---|--|---|--|
| Song-Yie Liao  | Approved by the FSC to meet the requirements of Article 9(1)(4) of the "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters of Compliance by the Responsible Persons of Banks" | With the company's operating background<br>Former Chairman of of Chuan Cheng Hat Co., Ltd. |   | 1  |
| Kun-Hsien Lin<br>Audit Committee Member<br>Remuneration Committee Member       | Approved by the FSC to meet the requirements of Article 9(1)(4) of the "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters of Compliance by the Responsible Persons of Banks" | With legal background<br>Owner of Chan Hsin Law Firm                                       | Numbers and percentage of shares held by personal, spouse, relatives (or by others):<br>2,513,829 shares, 0.2569% | 2  |
| Hong-Chi Chang<br>Chairman of Audit Committee<br>Remuneration Committee Member | Approved by the FSC to meet the requirements of Article 9(1)(4) of the "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters of Compliance by the Responsible Persons of Banks" | With banking background<br>Former President of Chang Hwa Bank                              | Numbers and percentage of shares held by personal, spouse, relatives (or by others):<br>0 shares, 0%              |  |
| Chin-Yuan Lai<br>(Chuan Cheng Hat Co., Ltd.)                                   | Approved by the FSC to meet the requirements of Article 9(1)(4) of the "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters of Compliance by the Responsible Persons of Banks" | With banking background<br>Former Chairman of Taichung Bank                                |   |  |
| Jung-Hsien Chiu  | Approved by the FSC to meet the requirements of Article 9(1)(4) of the "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters of Compliance by the Responsible Persons of Banks" | With banking background<br>Former President of COTA Commercial Bank                        |   |  |
| Tsung-Ta Kuo<br>Audit Committee Member<br>Chairman of Remuneration Committee   | Approved by the FSC to meet the requirements of Article 9(1)(4) of the "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters of Compliance by the Responsible Persons of Banks" | With accounting background<br>Chief Accountant of Chien-Yao Asia Pacific CPA Firm          | Numbers and percentage of shares held by personal, spouse, relatives (or by others):<br>0 shares, 0%              |  |



| Qualifications<br>Name                    | Professional Qualifications   | Experiences  | Independent Circumstances | Number of Independent Directors with Other Public Offering Companies |
|---|---|--|---------------------------|--|
| Ying-Che Chang                            | Approved by the FSC to meet the requirements of Article 9(1)(4) of the "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters of Compliance by the Responsible Persons of Banks" | With banking background<br>Former President of COTA Commercial Bank  |                           |  |
| Xian-De Lai                               | Approved by the FSC to meet the requirements of Article 9(1)(4) of the "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters of Compliance by the Responsible Persons of Banks" | With the company's operating background<br>Chairman of Tung Yang Business Co., Ltd.                                  |                           |  |
| Chien-Chung Lai                           |   | With the company's operating background<br>President of Chiao Sang Footwears Inc                                     |                           |  |
| Chun-Chieh Wang                           |   | With the company's operating background<br>Chairman of Mingdao Private High School                                   |                           |  |
| Ting-Lieh Huang                           |   | With the company's operating background<br>Director of Taiwan Jundan Co., Ltd.                                       |                           |  |
| Chao-Ching Hsu                            |   | With legal background<br>Presiding Lawyer of Lex Pro Attorneys-at-Law  |                           | 2  |
| Pei-Chen Wang                             |   | With the company's operating background<br>Manager of Management Department of Famous International Beauty Co., Ltd. |                           |  |
| Juo-Ping Lin                              |   | With the company's operating background<br>President of Topoint Technology Co., Ltd.                                 |                           |  |
| Yuan-Chung Huang<br>(Chuan Chi Co., Ltd.) |   | With the company's operating background<br>President of Chuan Cheng Hat Co., Ltd.                                    |                           |  |

Note 1: None of the directors of the Bank is subject to the provisions of Section 30 of the Companies Act.

Note 2: None of the Company's independent directors is a director, supervisor or employee of the Bank or its affiliates, including personal, spouse or second degree relatives. None of the Company's independent directors who is a director, supervisor or employee of the specific relation with the Company (refer to Article 3, Paragraphs 1, 5-8 of the Regulations Governing the Establishment and Compliance of Independent Directors of Public Companies). None of the Company's independent directors provided any business, legal, financial or accounting services to the Company or its affiliates in the last two years.

## 3-2-2. Diversity and Independence of the Board of Directors

### 3-2-2-1. Diversity of the Board of Directors

The Company advocates and respects the policy of diversity of directors. In order to strengthen corporate governance and promote the sound development of the composition and structure of the Board of Directors, the Company's Board of Directors is elected in accordance with the Company's Articles of Incorporation and relevant laws and regulations, and adopts a "candidate nomination system". They are not limited to gender, age, race and nationality and have a wide range of professional fields and backgrounds in economics, law, accounting, business, finance, insurance, information management, corporate management and business administration, and have the ability to complement each other across industries. The Company also continues to arrange a variety of continuing education programs for its board members to enhance their decision-making quality and supervisory responsibilities, thereby strengthening the functions of the board of directors.

Article 27 of the Company's "Code of Corporate Governance" specifies that the Board of Directors as a whole should have the following competencies:

(a)Operational judgment (b)Accounting and financial analysis (c)Operational management (d)Risk management (e)Crisis management (f) Industry knowledge (g) International market perspective (h)Leadership (i)Decision-making ability

The diversity policy of the current members of the Company's Board of Directors and its implementation are as follows:

| Title            | Basic Composition |        |                   |       |       |       |       |  | Industrial Experience |                            |                                       |                         | Professional Competence |       |            |                 |
|------------------|-------------------|--------|-------------------|-------|-------|-------|-------|--|-----------------------|----------------------------|---------------------------------------|-------------------------|-------------------------|-------|------------|-----------------|
|                  | Nationality       | Gender | With Staff Status | Age   |       |       |       | Years of service on Independent Director |                       | Finance/ Accounting/ Legal | Financial Holding/ Banking/ Insurance | Information/ Technology | Business/ Manufacturing | Legal | Accounting | Risk Management |
|                  |                   |        |                   | 41-50 | 51-60 | 61-70 | 71-80 | Under 3 years                            | 3-9 years             |                            |                                       |                         |                         |       |            |                 |
| Song-Yie Liao    | ROC               | Male   |                   |       | ✓     |       |       |  |                       | ✓                          |                                       | ✓                       |                         |       | ✓          |                 |
| Kun-Hsien Lin    | ROC               | Male   |                   |       | ✓     |       |       | ✓  | ✓                     | ✓                          |                                       |                         | ✓                       |       | ✓          |                 |
| Hong-Chi Chang   | ROC               | Male   |                   |       | ✓     |       | ✓     |  |                       | ✓                          |                                       |                         |                         |       | ✓          |                 |
| Chin-Yuan Lai    | ROC               | Male   |                   |       |       | ✓     |       |  |                       | ✓                          |                                       |                         |                         |       | ✓          |                 |
| Jung-Hsien Chiu  | ROC               | Male   |                   |       | ✓     |       |       |  |                       | ✓                          |                                       |                         |                         |       | ✓          |                 |
| Tsung-Ta Kuo     | ROC               | Male   |                   | ✓     |       |       |       | ✓  | ✓                     | ✓                          |                                       |                         |                         | ✓     | ✓          |                 |
| Ying-Che Chang   | ROC               | Male   |                   |       |       | ✓     |       |  |                       | ✓                          |                                       |                         |                         |       | ✓          |                 |
| Xian-De Lai      | ROC               | Male   |                   |       | ✓     |       |       |  |                       | ✓                          |                                       | ✓                       |                         |       | ✓          |                 |
| Chien-Chung Lai  | ROC               | Male   |                   |       | ✓     |       |       |  |                       |                            |                                       | ✓                       |                         |       | ✓          |                 |
| Chun-Chieh Wang  | ROC               | Male   |                   |       | ✓     |       |       |  |                       |                            |                                       | ✓                       |                         |       | ✓          |                 |
| Ting-Lieh Huang  | ROC               | Male   |                   |       | ✓     |       |       |  |                       |                            |                                       | ✓                       |                         |       | ✓          |                 |
| Chao-Ching Hsu   | ROC               | Male   |                   | ✓     |       |       |       |  | ✓                     |                            |                                       |                         | ✓                       |       | ✓          |                 |
| Pei-Chen Wang    | ROC               | Female | ✓                 |       |       |       |       |  |                       |                            |                                       | ✓                       |                         |       | ✓          |                 |
| Juo-Ping Lin     | ROC               | Female | ✓                 |       |       |       |       |  |                       |                            | ✓                                     | ✓                       |                         |       | ✓          |                 |
| Yuan-Chung Huang | ROC               | Male   |                   | ✓     |       |       |       |  |                       |                            |                                       | ✓                       |                         |       | ✓          |                 |

The 15 members of the ninth session of the Board of Directors (including three independent directors) have the ability of operational judgment, business management, international market view and crisis management. They also possess industry knowledge and professional capabilities. Chairman Song-Yie Liao, Independent Director Kun-Hsien Lin, Independent Director Hong-Chi Chang, Director Chin-Yuan Lai, Director Jung-Hsien Chiu, Independent Director Tsung-Ta Kuo, Director Ying-Che Chang, and Director Xian-De Lai have been approved by the Financial Supervisory Commission to meet the requirements of Article 9(1)(4) of the "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters of Compliance by the Responsible Persons of Banks". Independent Director Kun-Hsien Lin and Director Chao-Ching Hsu are practicing lawyers. Independent Director Tsung-Ta Kuo is a certified public accountant.

The average years of service on directors of the Company is 7 years, among which, the year of service on independent directors of Hong-Chi Chang is less than 3 years, that of Independent Director Tsung-Ta Kuo is 5 years and that of Independent Director Kun-Hsien Lin is 8 years. All of the independent directors have not served more than three consecutive terms.

The nationality of the all Directors is ROC and Director Jung-Hsien Chiu served as the President of the Bank until his retirement in March 110. The age distribution of directors is 2 directors aged 41-50, 3 directors aged 51-60, 8 directors aged 61-70 and 2 directors aged 71-80.

In addition, the Company also places emphasis on gender equality in the composition of the Board of Directors. We will continue to strive to increase the percentage of female directors in the future.

### 3-2-2-2. Independence of the Board of Directors

The number of independent directors of the Company is three, representing 20% of the total number of directors on the Board. The Company has obtained written statements from each of the independent directors and none of them are prohibited from acting as independent directors as listed in the "Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies" and Article 26-3, Items 3 and 4 of the Securities and Exchange Act; none of the directors are related to each other as spouses and relatives within the second degree.



## 3-2-3. List of Executives and Principal Officers

| Title                           | Name               | Date of Inauguration | Shares Owned  |       | Shares Owned by Spouses and Minors |       | Shares Held under Surrogate A/C |   |
|---------------------------------|--------------------|----------------------|---------------|-------|------------------------------------|-------|---------------------------------|---|
|                                 |                    |                      | No. of Shares | %     | No. of Shares                      | %     | No. of Shares                   | % |
| President                       | Chih-Sheng Hsiao   | Jul. 26, 2021        | 1,373,588     | 0.140 | 415,187                            | 0.042 | -                               | - |
| Chief Auditor                   | Chien-Cheng Hsu    | Jan. 06, 2021        | 916,374       | 0.094 | 146,840                            | 0.015 | -                               | - |
| Senior Executive Vice President | Huan-Mou Cheng     | Jul. 01, 2021        | 349,471       | 0.036 | 205,593                            | 0.021 | -                               | - |
| Senior Executive Vice President | Wen-Lung Chen      | Jul. 01, 2021        | 660,333       | 0.067 | 138,836                            | 0.014 | -                               | - |
| Senior Executive Vice President | Richard C.C. Chang | Jul. 01, 2021        | 15,867        | 0.002 | -                                  | -     | -                               | - |
| Executive Vice President        | Shi-Zhao Lee       | Apr. 01, 2022        | 291,203       | 0.030 | 163,874                            | 0.017 | -                               | - |
| Executive Vice President        | Hung-Tsang Chiang  | Apr. 01, 2022        | 400,203       | 0.041 | 193,631                            | 0.020 | -                               | - |
| Executive Vice President        | Wei-Bin Lin        | Apr. 01, 2018        | 310,051       | 0.032 | -                                  | -     | -                               | - |
| Executive Vice President        | Tzu-Hsiu Liang     | Apr. 01, 2022        | 230,907       | 0.024 | 93,062                             | 0.010 | -                               | - |
| Executive Vice President        | Wen-Sheng Lai      | Apr. 01, 2022        | 220,371       | 0.023 | 138,416                            | 0.014 | -                               | - |
| Executive Vice President        | Yung-Hsieh Chen    | Apr. 01, 2022        | 34,628        | 0.004 | -                                  | -     | -                               | - |
| Executive Vice President        | Chang-Chieh Lin    | Nov. 16, 2020        | 370,240       | 0.038 | -                                  | -     | -                               | - |
| Department General Manager      | Li-Hui Huang       | Sep. 01, 2022        | 434,635       | 0.044 | 205,364                            | 0.021 | -                               | - |
| Department General Manager      | Ding-Wang Yang     | Sep. 01, 2022        | 70,187        | 0.007 | 4,561                              | -     | -                               | - |
| Department General Manager      | Chun-Chieh Chien   | Sep. 16, 2021        | 86,337        | 0.009 | -                                  | -     | -                               | - |
| Department General Manager      | Jun-Long Tsai      | Jul. 01, 2016        | 237,714       | 0.024 | 301,322                            | 0.031 | -                               | - |
| Department General Manager      | Chi-Nan Huang      | Jul. 01, 2016        | 109,983       | 0.011 | -                                  | -     | -                               | - |

As of Dec. 31, 2022, Shares Held (%)

| Education & Key Past Positions  | Other Positions Held Current | Note (Note3) |
|---|------------------------------|--------------|
| Department of Public Finance and Taxation, Feng Chia University<br>Senior Executive Vice President of COTA Bank   | -                            | -            |
| Department of Business Administration, Tunghai University,<br>Executive Vice President of COTA Bank, General Manager of Pei Tun Branch  | -                            | -            |
| Department of Applied Commerce, National Open College of Continuing Education Affiliated to NTIT<br>Senior Executive Vice President of COTA Bank  | -                            | -            |
| Department of Business Administration, Chaoyang University of Technology<br>Executive Vice President of COTA Bank, General Manager of Taichung Branch   | -                            | -            |
| Department of Banking and Finance, Tamkang University, Master<br>Executive Vice President of Cathay United Bank, Minchuang Branch   | -                            | -            |
| Department of Business Administration, Chung Yuan University<br>Branch General Manager of COTA Bank, Xinzhuang Branch   | -                            | -            |
| Department of Public and Management, Supplementary Junior College of the National Open University<br>Department General Manager of COTA Bank, Credit Card Center and Wealth Management Center | -                            | -            |
| Graduate School of Management, University of California at Riverside, Master<br>Department General Manager of COTA Bank, International Banking Department and Offshore Banking Branch         | -                            | -            |
| Department of Business Administration, Feng Chia University, Master<br>Branch General Manager of COTA Bank, Taipei Branch   | -                            | -            |
| Department of Computer Science and Information Engineering, Chung Yuan University<br>General Manager of COTA Bank, Information Department   | -                            | -            |
| Department of Computer Science and Information Engineering (CSIE), National Taiwan University, Master<br>Department General Manager of COTA Bank, Digital Banking Department                  | -                            | -            |
| Department of Economics, Tunghai University<br>Department General Manager of COTA Bank, Consumer Banking Department   | -                            | -            |
| Department of Applied Commerce, National Taichung Institute of Technology<br>Deputy General Manager of COTA Bank, Secretariat of the Board of Directors                                       | -                            | -            |
| Department of Accounting, Tunghai University<br>Deputy General Manager of COTA Bank, Accounting Department  | -                            | -            |
| Department of Business Administration, National Chengchi University,<br>Deputy General Manager of COTA Bank, Risk Management Department   | -                            | -            |
| Department of Business Administration, National Chung Cheng University, Master<br>Deputy General Manager of COTA Bank, Business Department  | -                            | -            |
| Department of Public Administration, National Chung Hsing University<br>Deputy General Manager of COTA Bank, International Banking Department and Offshore Banking Branch                     | -                            | -            |



| Title  | Name              | Date of Inauguration | Shares Owned  |       | Shares Owned by Spouses and Minors |       | Shares Held under Surrogate A/C |   |
|--|-------------------|----------------------|---------------|-------|------------------------------------|-------|---------------------------------|---|
|  |                   |                      | No. of Shares | %     | No. of Shares                      | %     | No. of Shares                   | % |
| Department General Manager                           | Chen-Chuan Kuo    | May. 01, 2017        | 18,956        | 0.002 | -                                  | -     | -                               | - |
| Department General Manager                           | Jia-Si Yan        | Sep. 01, 2022        | 249,231       | 0.025 | 273,948                            | 0.028 | -                               | - |
| Executive Vice President<br>(Branch General Manager) | Tien-Long Yang    | Sep. 01, 2022        | 272,174       | 0.028 | 57,382                             | 0.006 | -                               | - |
| Executive Vice President<br>(Branch General Manager) | Shih-Chien Chin   | Sep. 04, 2017        | 1,041,267     | 0.106 | 242,110                            | 0.025 | -                               | - |
| Executive Vice President<br>(Branch General Manager) | Hong-Yi Chen      | Jan. 06, 2021        | 300,283       | 0.031 | 409,896                            | 0.042 | -                               | - |
| Executive Vice President<br>(Branch General Manager) | Tseng-Yi Huang    | Sep. 01, 2022        | 91,612        | 0.009 | -                                  | -     | -                               | - |
| Branch General Manager                               | Chuan-Hung Yang   | Sep. 16, 2021        | 223,337       | 0.023 | -                                  | -     | -                               | - |
| Branch General Manager                               | Chih-Hung Huang   | Jan. 01, 2018        | 525,411       | 0.054 | 167,318                            | 0.017 | -                               | - |
| Branch General Manager                               | Cheng-Hsien Hsieh | Aug. 01, 2014        | 612,059       | 0.063 | 142,219                            | 0.015 | -                               | - |
| Branch General Manager                               | Mei-Ling Shih     | Jul. 01, 2016        | 393,275       | 0.040 | 44,298                             | 0.005 | -                               | - |
| Branch General Manager                               | Zong-Long Tu      | Sep. 01, 2022        | 184,080       | 0.019 | 242,804                            | 0.025 | -                               | - |
| Branch General Manager                               | Qing-Sheng Xiao   | Apr. 01, 2022        | 125,378       | 0.013 | 2,185                              | -     | -                               | - |
| Branch General Manager                               | Chi-Shen Huang    | Jan. 08, 2014        | 781,842       | 0.080 | 86,155                             | 0.009 | -                               | - |
| Branch General Manager                               | Chung-Yi Hsu      | Apr. 08, 2021        | 392,003       | 0.040 | 141,518                            | 0.014 | -                               | - |
| Branch General Manager                               | Hung-Chi Tung     | Jan. 01, 2012        | 550,514       | 0.056 | 397,326                            | 0.041 | -                               | - |
| Branch General Manager                               | Chang-Cheng Chen  | Jan. 09, 2016        | 287,458       | 0.029 | 1,045                              | 0.000 | -                               | - |
| Branch General Manager                               | Chia-Wen Ke       | Dec. 08, 2014        | 371,673       | 0.038 | -                                  | -     | -                               | - |
| Branch General Manager                               | Qing-Yu Xu        | Apr. 01, 2022        | 116,753       | 0.012 | -                                  | -     | -                               | - |
| Branch General Manager                               | His-Hsien Wang    | Jan. 09, 2016        | 303,809       | 0.031 | -                                  | -     | -                               | - |

| Education & Key Past Positions  | Other Positions Held Current | Note (Note3) |
|---|------------------------------|--------------|
| Department of Risk Management & Insurance , Feng Chia University, Master<br>Deputy General Manager of COTA Bank, Business Department                            | -                            | -            |
| Department of Finance, Da-Yeh University<br>Deputy General Manager of COTA Bank, Corporate Banking Department   | -                            | -            |
| Department of Finance, Chaoyang University of Technology<br>Branch General Manager of COTA Bank, Taichung Branch  |                              |              |
| Department of Applied Math., University of North Texas, USA, Master<br>Executive Vice President of COTA Bank, General Manager of Credit Management Department   | -                            | -            |
| Department of Applied Commerce, National Taichung Institute of Technology<br>Branch General Manager of COTA Bank, Tainan Branch                                 | -                            | -            |
| Department of International Business, Tunghai University<br>General Manager of COTA Bank, Qiaotou Branch  | -                            | -            |
| Department and Graduate Institute of Finance, Chaoyang University of Technology<br>Department General Manager of COTA Bank, Risk Management Center              | -                            | -            |
| Department of Applied Commerce, National Open College of Continuing Education Affiliated to NTIT<br>Department General Manager of COTA Bank, Credit Card Center | -                            | -            |
| Department of Business, The National Open University<br>Branch General Manager of COTA Bank, Dazhi Branch   | -                            | -            |
| Department of International Business, National Open College of Continuing Education<br>Department General Manager of COTA Bank, Trust Department                | -                            | -            |
| Department of International Trade, Overseas Commercial College<br>Deputy General Manager of COTA Bank, Dazhi Branch   | -                            | -            |
| Department of International Trade, National Chang-Hua Senior High School of Commerce<br>Deputy General Manager of COTA Bank, Cheng Kung Branch                  | -                            | -            |
| Department of Banking and Insurance, National Taichung Institute of Technology<br>Branch General Manager of COTA Bank, Banciao Branch                           | -                            | -            |
| Department of Applied Commerce, National Open College of Continuing Education Affiliated to NTIT<br>Branch General Manager of COTA Bank, Taiping Branch         |                              |              |
| Department of Applied Commerce, National Open College of Continuing Education Affiliated to NTIT<br>Branch General Manager of COTA Bank, Fengxin Branch         | -                            | -            |
| Department of Extension Business Vocational School, National Taichung Institute of Technology<br>Branch General Manager of COTA Bank, Fengxin Branch            | -                            | -            |
| Department of Technology Management, Chung Hua University, Master<br>Commissioner of COTA Bank, Credit Management Department                                    | -                            | -            |
| Department of Finance, Takming University of Science and Technology<br>Deputy General Manager of COTA Bank, Taipei Branch                                       |                              |              |
| Department of Law, Soochow University<br>Branch General Manager of COTA Bank, Taipei Branch   | -                            | -            |

| Title                  | Name              | Date of Inauguration | Shares Owned  |       | Shares Owned by Spouses and Minors |       | Shares Held under Surrogate A/C |   |
|------------------------|-------------------|----------------------|---------------|-------|------------------------------------|-------|---------------------------------|---|
|                        |                   |                      | No. of Shares | %     | No. of Shares                      | %     | No. of Shares                   | % |
| Branch General Manager | Cheng-Hao Wu      | Jan. 08, 2014        | 178,867       | 0.018 | -                                  | -     | -                               | - |
| Branch General Manager | Shu-Chen Shih     | Jan. 09, 2016        | 640,656       | 0.065 | -                                  | -     | -                               | - |
| Branch General Manager | Shih-Tsung Liu    | Jun. 24, 2013        | 465,510       | 0.048 | 412,545                            | 0.042 | -                               | - |
| Branch General Manager | Mei-Chuan Lee     | Jan. 06, 2021        | 426,287       | 0.044 | -                                  | -     | -                               | - |
| Branch General Manager | Kuo-Mao Wu        | Jan. 01, 2017        | 34,232        | 0.003 | -                                  | -     | -                               | - |
| Branch General Manager | Sheng-Jie Lin     | Apr. 01, 2022        | 50,833        | 0.005 | -                                  | -     | -                               | - |
| Branch General Manager | Mao-Sheng Huang   | Apr. 01, 2022        | 381,550       | 0.039 | 83,577                             | 0.009 | -                               | - |
| Branch General Manager | Hsien-Hsun Chiang | Jun. 24, 2013        | 382,305       | 0.039 | 24,442                             | 0.002 | -                               | - |
| Branch General Manager | Yung-Hung Tsao    | Jul. 01, 2021        | 160,905       | 0.016 | -                                  | -     | -                               | - |
| Branch General Manager | Po-Hsun Chang     | Oct. 01, 2015        | 67,378        | 0.007 | -                                  | -     | -                               | - |
| Branch General Manager | Chuan-Ming Ou     | Apr. 08, 2021        | 125,436       | 0.013 | 201,476                            | 0.021 | -                               | - |
| Branch General Manager | Cheng-Chien Ho    | Jul. 01, 2021        | 393,752       | 0.040 | -                                  | -     | -                               | - |
| Branch General Manager | Yan-Wun Huang     | Apr. 08, 2021        | 139,745       | 0.014 | 88,976                             | 0.009 | -                               | - |
| Branch General Manager | Steven Yeh        | Apr. 08, 2021        | 131,147       | 0.013 | 150,097                            | 0.015 | -                               | - |

Note3.

The general manager or equivalent (the top manager) and the chairman are the same person, or are relatives such as spouse or first-degree relatives, and should explain the reason, rationality, necessity and relevant information about the measures (For example, to increase the number of independent directors, more than half of the directors must not serve as employees or managers)

| Education & Key Past Positions   | Other Positions Held Current | Note (Note3) |
|--|------------------------------|--------------|
| Department of Business Administration, Fujen Catholic University<br>Deputy General Manager of COTA Bank, Banciao Branch                                | -                            | -            |
| Department of Social Science, The National Open University<br>Branch General Manager of COTA Bank, Fengdong Branch                                     | -                            | -            |
| Department of Business, The National Open University<br>Branch General Manager of COTA Bank, Fengle Branch   | -                            | -            |
| Department of Finance, Chung Hua University<br>Deputy General Manager of COTA Bank, Tainan Branch  | -                            | -            |
| Department of International Business, Tatung College of Business<br>Project Manager of COTA Bank, Ciaotou Branch                                       | -                            | -            |
| Department of International Business, College of Design, Shih Chien University<br>Deputy General Manager of COTA Bank, XinZhuang Branch                |                              |              |
| Department of Finance, Chung Hua University<br>Branch General Manager of COTA Bank, Lin Sen Branch   | -                            | -            |
| Department of Cooperative Economics, Tamkang University<br>Branch General Manager of COTA Bank, Zhongshan Branch                                       | -                            | -            |
| Department of Finance, Feng Chia University, Master<br>Branch General Manager of COTA Bank, Tianzhong Branch   | -                            | -            |
| Department of Finance, Chaoyang University of Technology, Master<br>Project Manager of COTA Bank, Zhongshan Branch                                     | -                            | -            |
| Department of Applied Foreign Languages, Chung Chou University of Science and Technology<br>Deputy General Manager of COTA Bank, Management Department | -                            | -            |
| Department of Applied Foreign Languages, Taichung Institute of Technology<br>Branch General Manager of COTA Bank, Xinzhu Branch                        | -                            | -            |
| Executive Master of Business Administration, International University of Monaco<br>Assistant Manager of COTA Bank, Taoyuan Branch                      | -                            | -            |
| Department of Accounting, National Chung Hsing University<br>Deputy General Manager of COTA Bank, Jinhua Branch  | -                            | -            |

## 3-3. Directors (including, Supervisors, President and Executive Vice Presidents) Remuneration in Recent Year

### 3-3-1. Directors' Remuneration

| Title                           | Name   | Compensation |                |                                |                |                          |                |                           |                |
|---------------------------------|--|--------------|----------------|--------------------------------|----------------|--------------------------|----------------|---------------------------|----------------|
|                                 |  | Rewards (A)  |                | Pension and Superannuation (B) |                | Earning Distribution (C) |                | Professional Practice (D) |                |
|                                 |  | Bank         | Con-Solidation | Bank                           | Con-Solidation | Bank                     | Con-Solidation | Bank                      | Con-Solidation |
| Chairman                        | Song-Yie Liao  | 11,640       | 11,640         | -                              | -              | 18,266                   | 18,266         | 972                       | 972            |
| Managing Director               | Jung-Hsien Chiu  |              |                |                                |                |                          |                |                           |                |
| Managing Director               | Chuan Cheng Hat Co., Ltd.<br>Assigned Representative:<br>Chin-Yuan Lai |              |                |                                |                |                          |                |                           |                |
| Director                        | Ying-Che Chang   |              |                |                                |                |                          |                |                           |                |
| Director                        | Xian-De Lai  |              |                |                                |                |                          |                |                           |                |
| Director                        | Chun-Chieh Wang  |              |                |                                |                |                          |                |                           |                |
| Director                        | Chien-Chung Lai  |              |                |                                |                |                          |                |                           |                |
| Director                        | Ding-Lie, Huang  |              |                |                                |                |                          |                |                           |                |
| Director                        | Andrew C. Hsu  |              |                |                                |                |                          |                |                           |                |
| Director                        | Pei-Chen, Wang   |              |                |                                |                |                          |                |                           |                |
| Director                        | Jo-Ping, Lin   |              |                |                                |                |                          |                |                           |                |
| Director                        | CCH Plus Inc.<br>Assigned Representative:<br>Yuan-Chung, Huang         |              |                |                                |                |                          |                |                           |                |
| Managing (Independent) Director | Kun-Hsien Lin  | 2,760        | 2,760          | -                              | -              | 4,567                    | 4,567          | 564                       | 564            |
| Managing (Independent) Director | Hong-Chi Chang   |              |                |                                |                |                          |                |                           |                |
| Independent Director            | Tsung-Ta Kuo   |              |                |                                |                |                          |                |                           |                |

Note 1:

Please explain the policy, system, standards and structure of independent directors' remuneration payment, and explain the relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors: the remuneration of independent directors of the Bank is in accordance with the Bank's "Articles of Association" and "Directors and employees compensation policy" and other relevant regulations, according to their level of participation in the Bank's operations and with reference to industry standards, with the approval of the Salary and Remuneration Committee to the Board of Directors for discussion and approval.

Note 2:

In addition to the disclosures in the above table, the remuneration received by the company's directors for all services provided in the financial report (such as serving as a consultant for non-employees) in the most recent year: 0

Remarks: 1. Earnings after income tax amount to TWD853,562 thousand.



As of Dec. 31, 2022, Unit: TWD thousand

| Sum of A, B, C and D<br>/after- tax profit (%) |                    | Compensations received by part-time employees    |                    |                                      |                    |                                    |                    |                  |                    | Sum of A,<br>B,C,D,<br>E,F AND G / after-tax<br>profit (%) |                    | Whether or not any<br>compensation is<br>received from other<br>reinvested businesses<br>than subsidiaries or<br>parent company |
|--|--------------------|--|--------------------|--------------------------------------|--------------------|------------------------------------|--------------------|------------------|--------------------|--|--------------------|---|
|  |                    | Salary, Bonus and<br>Special Disbursement<br>(E) |                    | Pension and<br>Superannuation<br>(F) |                    | Employee Bonus Distribution<br>(G) |                    |                  |                    |  |                    |   |
| Bank   | Con-<br>Solidation | Bank   | Con-<br>Solidation | Bank                                 | Con-<br>Solidation | COTA                               |                    | Consolidation    |                    | COTA   | Con-<br>Solidation |   |
|  |                    |  |                    |                                      |                    | Cash<br>Dividend                   | Stock<br>Dividends | Cash<br>Dividend | Stock<br>Dividends |  |                    |   |
| 3.62%  | 3.62%              | -  | -                  | -                                    | -                  | -                                  | -                  | -                | -                  | 3.62%  | 3.62%              | NIL   |
| 0.92%  | 0.92%              | -  | -                  | -                                    | -                  | -                                  | -                  | -                | -                  | 0.92%  | 0.92%              | NIL   |

## Classification of Remuneration

Unit: TWD

| Classification of Remuneration for Directors | Name of Directors  |  |  |  |
|--|--|--|--|--|
|  | Aggregate amount of A, B, C and D  |  | Aggregate amount of A, B, C, D, E, F and G   |  |
|  | Bank   | Consolidation  | Bank   | Consolidation  |
| below 1,000,000                              | Chien-Chung Lai<br>Yuan-Chung, Huang   | Chien-Chung Lai<br>Yuan-Chung, Huang   | Chien-Chung Lai<br>Yuan-Chung, Huang   | Chien-Chung Lai<br>Yuan-Chung, Huang   |
| 1,000,000 - 2,000,000                        | -  | -  | -  | -  |
| 2,000,000 - 3,500,000                        | Kun-Hsien Lin<br>Hong-Chi Chang<br>Jung-Hsien Chiu<br>Tsun-Ta Kuo<br>Ying-Che Chang<br>Xian-De Lai<br>Chun-Chieh Wang<br>Chien-Chung Lai<br>Ding-Lie, Huang<br>Andrew C. Hsu<br>Pei-Chen, Wang<br>Jo-Ping, Lin<br>Chuan Cheng Hat Co., Ltd.<br>CCH Plus Inc. | Kun-Hsien Lin<br>Hong-Chi Chang<br>Jung-Hsien Chiu<br>Tsun-Ta Kuo<br>Ying-Che Chang<br>Xian-De Lai<br>Chun-Chieh Wang<br>Chien-Chung Lai<br>Ding-Lie, Huang<br>Andrew C. Hsu<br>Pei-Chen, Wang<br>Jo-Ping, Lin<br>Chuan Cheng Hat Co., Ltd.<br>CCH Plus Inc. | Kun-Hsien Lin<br>Hong-Chi Chang<br>Jung-Hsien Chiu<br>Tsun-Ta Kuo<br>Ying-Che Chang<br>Xian-De Lai<br>Chun-Chieh Wang<br>Chien-Chung Lai<br>Ding-Lie, Huang<br>Andrew C. Hsu<br>Pei-Chen, Wang<br>Jo-Ping, Lin<br>Chuan Cheng Hat Co., Ltd.<br>CCH Plus Inc. | Kun-Hsien Lin<br>Hong-Chi Chang<br>Jung-Hsien Chiu<br>Tsun-Ta Kuo<br>Ying-Che Chang<br>Xian-De Lai<br>Chun-Chieh Wang<br>Chien-Chung Lai<br>Ding-Lie, Huang<br>Andrew C. Hsu<br>Pei-Chen, Wang<br>Jo-Ping, Lin<br>Chuan Cheng Hat Co., Ltd.<br>CCH Plus Inc. |
| 3,500,000 - 5,000,000                        | Song-Yie Liao  | Song-Yie Liao  | Song-Yie Liao  | Song-Yie Liao  |
| 5,000,000 - 10,000,000                       | -  | -  | -  | -  |
| 10,000,000 - 15,000,000                      | -  | -  | -  | -  |
| 15,000,000 - 30,000,000                      | -  | -  | -  | -  |
| 30,000,000 - 50,000,000                      | -  | -  | -  | -  |
| 50,000,000 - 100,000,000                     | -  | -  | -  | -  |
| Above 100,000,000                            | -  | -  | -  | -  |
| TOTAL  | 17 (Persons)   | 17 (Persons)   | 17(Persons)  | 17(Persons)  |



## 3-3-2. President and Senior Executive Vice President Remuneration

As of Dec. 31, 2022, Unit: TWD thousand

| Title                           | Name               | Supervisors' Remuneration |                       |                                |                       |                                  |                       |                                   |       |                       |       | Sum of A, B, C and D /after-tax profit (%) (Note8) | Whether or not any compensation is received from other reinvested businesses than subsidiaries or parent company (Note9) |     |
|---------------------------------|--------------------|---------------------------|-----------------------|--------------------------------|-----------------------|----------------------------------|-----------------------|-----------------------------------|-------|-----------------------|-------|--|--|-----|
|                                 |                    | Rewards (A) (Note2)       |                       | Pension and Superannuation (B) |                       | Earning Distribution (C) (Note3) |                       | Professional Practice (D) (Note4) |       |                       |       |  |  |     |
|                                 |                    | Bank                      | Consolidation (Note5) | Bank                           | Consolidation (Note5) | Bank                             | Consolidation (Note5) | Bank                              |       | Consolidation (Note5) |       |  |  |     |
| President                       | Chih-Sheng Hsiao   |                           |                       |                                |                       |                                  |                       | Cash                              | Stock | Cash                  | Stock |  |  | NIL |
| Chief Auditor                   | Chien-Cheng Hsu    |                           |                       |                                |                       |                                  |                       |                                   |       |                       |       |  |  |     |
| Senior Executive Vice President | Huan-Mou Cheng     | 8,896                     | 8,896                 | 0                              | 0                     | 7,851                            | 7,851                 |                                   |       |                       |       | 2.0593%  | 2.0593%  |     |
| Senior Executive Vice President | Wen-Lung Chen      |                           |                       |                                |                       |                                  |                       | 829                               | 0     | 829                   | 0     |  |  |     |
| Senior Executive Vice President | Richard C.C. Chang |                           |                       |                                |                       |                                  |                       |                                   |       |                       |       |  |  |     |

Note: Not applied as the Bank is not a listed company.

## Classification of Remuneration

Unit: TWD

| Classification of Remuneration for President and Senior Executive Vice President | Name of President and Senior Executive Vice President |   |
|--|---|---|
|  | Bank (Note 6)   | Consolidation (Note7)                               |
| below 1,000,000  | -   | -   |
| 1,000,000 - 2,000,000  | -   | -   |
| 2,000,000 - 3,500,000  | Huan-Mou Cheng, Chien-Cheng Hsu                       | Huan-Mou Cheng, Chien-Cheng Hsu                     |
| 3,500,000 - 5,000,000  | Chih-Sheng Hsiao, Wen-Lung Chen, Richard C.C. Chang   | Chih-Sheng Hsiao, Wen-Lung Chen, Richard C.C. Chang |
| 5,000,000 - 10,000,000   | -   | -   |
| 10,000,000 - 15,000,000  | -   | -   |
| 15,000,000 - 30,000,000  | -   | -   |
| 30,000,000 - 50,000,000  | -   | -   |
| 50,000,000 - 100,000,000   | -   | -   |
| Above 100,000,000  | -   | -   |
| TOTAL  | 5 (Persons)   | 5 (Persons)   |

\* Remuneration shown under the chart is for disclosure purpose. It is not subject to "income" under the Income Tax Act, and thereby is not taxable.

## 3-3-3. List of Compensation Paid to President, Executive Vice Presidents and General Managers

As of Dec. 31, 2022; Unit: TWD thousand

|                        | Title   | Name               | Stock dividends | Cash Dividends | Total Amount | Total Amount/Net Income (%) |
|------------------------|---|--------------------|-----------------|----------------|--------------|-----------------------------|
| Manager                | President   | Chih-Sheng Hsiao   | -               | 6,896          | 6,896        | 0.81%                       |
|                        | Chief Auditor                                     | Chien-Cheng Hsu    |                 |                |              |                             |
|                        | Senior Executive Vice President                   | Huan-Mou Cheng     |                 |                |              |                             |
|                        | Senior Executive Vice President                   | Wen-Lung Chen      |                 |                |              |                             |
|                        | Senior Executive Vice President                   | Richard C.C. Chang |                 |                |              |                             |
|                        | Executive Vice President                          | Shi-Zhao Lee       |                 |                |              |                             |
|                        | Executive Vice President                          | Hung-Tsang Chiang  |                 |                |              |                             |
|                        | Executive Vice President                          | Wei-Bin Lin        |                 |                |              |                             |
|                        | Executive Vice President                          | Tzu-Hsiu Liang     |                 |                |              |                             |
|                        | Executive Vice President                          | Wen-Sheng Lai      |                 |                |              |                             |
|                        | Executive Vice President                          | Yung-Hsieh Chen    |                 |                |              |                             |
|                        | Executive Vice President                          | Chang-Chieh Lin    |                 |                |              |                             |
|                        | Department General Manager                        | Li-Hui Huang       |                 |                |              |                             |
|                        | Department General Manager                        | Ding-Wang Yang     |                 |                |              |                             |
|                        | Department General Manager                        | Chun-Chieh Chien   |                 |                |              |                             |
|                        | Department General Manager                        | Jun-Long Tsai      |                 |                |              |                             |
|                        | Department General Manager                        | Chi-Nan Huang      |                 |                |              |                             |
|                        | Department General Manager                        | Chen-Chuan Kuo     |                 |                |              |                             |
|                        | Department General Manager                        | Jia-Si Yan         |                 |                |              |                             |
|                        | Executive Vice President (Branch General Manager) | Tien-Long Yang     |                 |                |              |                             |
|                        | Executive Vice President (Branch General Manager) | Shih-Chien Chin    |                 |                |              |                             |
|                        | Executive Vice President (Branch General Manager) | Hong-Yi Chen       |                 |                |              |                             |
|                        | Executive Vice President (Branch General Manager) | Tseng-Yi Huang     |                 |                |              |                             |
|                        | Branch General Manager                            | Chuan-Hung Yang    |                 |                |              |                             |
|                        | Branch General Manager                            | Chih-Hung Huang    |                 |                |              |                             |
|                        | Branch General Manager                            | Cheng-Hsien Hsieh  |                 |                |              |                             |
|                        | Branch General Manager                            | Mei-Ling Shih      |                 |                |              |                             |
|                        | Branch General Manager                            | Zong-Long Tu       |                 |                |              |                             |
|                        | Branch General Manager                            | Qing-Sheng Xiao    |                 |                |              |                             |
|                        | Branch General Manager                            | Chi-Shen Huang     |                 |                |              |                             |
| Branch General Manager | Chung-Yi Hsu                                      |                    |                 |                |              |                             |

|  | Title                  | Name              | Stock dividends | Cash Dividends | Total Amount | Total Amount/Net Income (%) |
|--|------------------------|-------------------|-----------------|----------------|--------------|-----------------------------|
|  | Branch General Manager | Hung-Chi Tung     |                 |                |              |                             |
|  | Branch General Manager | Chang-Cheng Chen  |                 |                |              |                             |
|  | Branch General Manager | Chia-Wen Ke       |                 |                |              |                             |
|  | Branch General Manager | Qing-Yu Xu        |                 |                |              |                             |
|  | Branch General Manager | His-Hsien Wang    |                 |                |              |                             |
|  | Branch General Manager | Cheng-Hao Wu      |                 |                |              |                             |
|  | Branch General Manager | Shu-Chen Shih     |                 |                |              |                             |
|  | Branch General Manager | Shih-Tsung Liu    |                 |                |              |                             |
|  | Branch General Manager | Mei-Chuan Lee     |                 |                |              |                             |
|  | Branch General Manager | Kuo-Mao Wu        |                 |                |              |                             |
|  | Branch General Manager | Sheng- Jie Lin    |                 |                |              |                             |
|  | Branch General Manager | Mao-Sheng Huang   |                 |                |              |                             |
|  | Branch General Manager | Hsien-Hsun Chiang |                 |                |              |                             |
|  | Branch General Manager | Tseng-Yi Huang    |                 |                |              |                             |
|  | Branch General Manager | Yung-Hung Tsao    |                 |                |              |                             |
|  | Branch General Manager | Po-Hsun Chang     |                 |                |              |                             |
|  | Branch General Manager | Chuan-Ming Ou     |                 |                |              |                             |
|  | Branch General Manager | Cheng-Chien Ho    |                 |                |              |                             |
|  | Branch General Manager | Yan-Wun Huang     |                 |                |              |                             |
|  | Branch General Manager | Steven Yeh        |                 |                |              |                             |

Note: Not applied as the Bank is not a listed company.





### 3-3-4. The consultant information of chairman and general manager of the retirement of a bank or its affiliates

| Title | Name | Pre-retirement position |                    | Date of Consultant | Employment purpose | Segregation of Duties | Remuneration | After-tax profit |
|-------|------|-------------------------|--------------------|--------------------|--------------------|-----------------------|--------------|------------------|
|       |      | Institution and Title   | Date of Retirement |                    |                    |                       |              |                  |
| NIL   |      |                         |                    |                    |                    |                       |              |                  |

### 3-3-5. Analysis of Remuneration Paid to Directors, Supervisors, and Executive Officers of the Bank and All Companies in the Consolidated Financial Statements as a Percentage of Net Profit after Tax during the Past Two Years

| Item   | Total Amount / Net Income After Tax |           |        |
|--|-------------------------------------|-----------|--------|
|  | Year 2022                           | Year 2021 | %      |
| Director<br>(Including independent director) | 4.54%                               | 6.33%     | -1.79% |

**Remarks:**

Remuneration of director is calculated based on bank's performance and regular gross profit and is paid in accordance with guidelines of the Bank's articles of incorporate and the resolution of shareholders' general meeting.

| Item   | Total Amount / Net Income After Tax |           |         |
|--|-------------------------------------|-----------|---------|
|  | Year 2022                           | Year 2021 | %       |
| President and Senior Executive<br>Vice President | 2.0593%                             | 2.5153%   | -0.456% |

**Remarks:**

1. Remuneration for president and vice-president is paid in accordance with rules approved by the board of directors.
2. Payment of employee salary is calculated by related by-laws.
3. Annual profit should be paid 6% to employees and paid in stock or cash, it shall be decided by a resolution to be adopted by a majority vote of the directors at a meeting of the board of directors attended by at least a two-thirds of the entire directors of the company, and report to shareholder meeting.
4. Performance bonus is paid according to year earning status and rules of performance evaluation.



## 3-4. Operation of Corporate Governance

### 3-4-1. Operation of board of directors

#### 3-4-1-1.

4 meetings were convened last year; and the records of attendance of directors and supervisors at the meetings are as below:

| Title                           | Name   | Attendance in Person(B) | Attendance by Proxy | Actual Attendance Rate (%) | Annotations |
|---------------------------------|--|-------------------------|---------------------|----------------------------|-------------|
| Chairman                        | Song-Yie Liao  | 4                       | 0                   | 100                        | -           |
| Managing (Independent) Director | Kun-Hsien Lin  | 4                       | 0                   | 100                        | -           |
| Managing (Independent) Director | Hong-Chi Chang   | 4                       | 0                   | 100                        | -           |
| Managing Director               | Chuan Cheng Hat Co., Ltd.<br>Duty holder: Ching-Yuan Lai | 4                       | 0                   | 100                        | -           |
| Managing Director               | Jung-Hsien Chiu  | 4                       | 0                   | 100                        | -           |
| Independent Director            | Tsung-Ta Kuo   | 4                       | 0                   | 100                        | -           |
| Director                        | Ying-Che Chang   | 4                       | 0                   | 100                        | -           |
| Director                        | Xian-De Lai  | 4                       | 0                   | 100                        | -           |
| Director                        | Chun-Chieh Wang  | 4                       | 0                   | 100                        | -           |
| Director                        | Chien-Chung Lai  | 4                       | 0                   | 100                        | -           |
| Director                        | Ting-Lieh Huang  | 4                       | 0                   | 100                        | -           |
| Director                        | Chao-Ching Hsu   | 4                       | 0                   | 100                        | -           |
| Director                        | Jo-Ping Lin  | 4                       | 0                   | 100                        | -           |
| Director                        | Pei-Chen Wang  | 4                       | 0                   | 100                        | -           |
| Director                        | Chuan Chi Ltd.<br>Duty holder: Yuan-Chung Huang          | 4                       | 0                   | 100                        | -           |

Other matters to be noted:

1. In the event of any following circumstances occurring while the board meeting is convened, please state the date, session, motion, the opinion of independent directors and how the opinions are handled by the bank:

a. Matters specified in Article 14-3 of the Securities Exchange Act:

| Date and Order of Board Meeting  | Motion  | Opinion from Independent Directors and how it was handled |
|--|---|---|
| 6 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on Mar.23, 2022<br>8 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on Aug.24, 2022 | Annual and Semi-annual financial report.  | N/A   |
| 6 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on Mar.23, 2022  | Capital increase from retained earnings of 2021.  | N/A   |
| 6 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on Mar.23, 2022  | The Bank's 2021 Annual statement of overall information security Implementation.                                | N/A   |
| 6 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on Mar.23, 2022  | Effective statement on The Bank's personal data protection and Design and Operation of Internal Control Systems | N/A   |

| Date and Order of Board Meeting   | Motion   | Opinion from Independent Directors and how it was handled |
|---|--|---|
| 6 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on Mar.23, 2022 | The Bank's 2021 Annual Statement of Internal Control System.   | N/A   |
| 6 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on Mar.23, 2022 | Audit report from accountant, The Bank reports on the issues raised in the audit report.                           | N/A   |
| 6 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on Mar.23, 2022 | COTA Commercial Bank (including concurrent Insurance Agent business) Annual Statement on Internal AML/CFT Control. | N/A   |
| 6 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on Mar.23, 2022 | Amendment to the Asset Acquisition or Disposition Pcedures   | N/A   |
| 7 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on Jun.29, 2022 | Appointment and Remuneration of CPA  | N/A   |
| 8 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on Aug.24, 2022 | Amendments to the "Internal Control System".   | N/A   |
| 8 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on Aug.24, 2022 | Appointment of a New General Manager in the Accounting Department.   | N/A   |
| 9 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on Dec.28, 2022 | Donation to Third Credit Cooperative Educational Foundation.   | N/A   |
| 9 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on Dec.28, 2022 | Credit application for Hondao Senior Citizen's Welfare Foundation.   | N/A   |
| 9 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on Dec.28, 2022 | Audit plan declaration form of 2023  | N/A   |

b. Other than matters hereinabove, resolutions which were objected or kept qualified opinion by independent board directors:  
None.

2. Recusal of directors based upon conflicts of interest:

◆ 9<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors on Dec. 28, 2022:

■ Motion: Donation to Third Credit Cooperative Educational Foundation

Name of director: Ying-Che Chang

Reason for recusal: Ying-Che Chang is a director of Third Credit Cooperative Educational Foundation.

Voting participation situation: Interested person Director Ying-Che Chang abstained from the meeting and did not participate in the discussion and resolution of this case.

■ Motion: Credit application for Hondao Senior Citizen's Welfare Foundation.

Name of director: Chun-Chieh Wang

Reason for recusal: Jing-Hui Wang, a director of Hondao Senior Citizen's Welfare Foundation, is a blood relative of Director Chun-Chieh Wang.

Voting participation situation: Interested person Director Chun-Chieh Wang abstained from the meeting and did not participate in the discussion and resolution of this case.

3. Listed banks should disclose information on the evaluation cycle and period, the scope, method and content of the self (or peer) evaluation of the Board of Directors, and complete Table 2(2) in Schedule 2, which shows the implementation of the evaluation by the Board of directors. (Not applicable)

4. The objective of strengthening the functions of the Board of Directors and the execution status in the current and most recent year: Cooperate with the competent authority's laws and regulations to hold various new types of business and legal training courses (such as: Board of Directors and Supervisors Operation and Corporate Governance Workshop - Risk Oriented Money Laundering Prevention Trend and Impact, Financial Consumer Protection Law and Fair Treatment Principle) invite directors to participate actively to enhance professional knowledge and legal literacy.

Note 1: If the directors and supervisors are legal entities, the names of the legal shareholders and their representatives should be disclosed.

Note 2: (1) If a director or supervisor vacates his or her position before the end of the year, the date of vacancy shall be indicated in the Remarks column, and the actual attendance rate (%) shall be calculated based on the number of meetings of the Board of Directors and the actual number of attendance during his or her term of office.

(2) If a director or supervisor is re-elected before the end of the year, both the new and old director or supervisor should be listed, and the date of re-election should be indicated in the Remarks column. The actual attendance rate (%) is calculated based on the number of meetings of the Board of Directors and the actual number of meetings attended during the term of office.

### 3-4-1-2. Implementation of the evaluation of the Board of directors

| Evaluation Cycle<br>(Note 1) | Evaluation Period<br>(Note 2) | Evaluation Scope<br>(Note 3) | Evaluation Method<br>(Note 4) | Evaluation Content<br>(Note 5) |
|------------------------------|-------------------------------|------------------------------|-------------------------------|--------------------------------|
| N/A                          | N/A                           | N/A                          | N/A                           | N/A                            |

Note 1: Evaluation Cycle of the Board of Directors. (EX. Once a year)

Note 2: Evaluation period of the Board of Directors. (EX. Evaluate the performance of the Board of Directors from 1/1/2019 to 12/31/2019)

Note 3: Evaluation scope covers the evaluation of the Board of Directors, individual directors and functional committees.

Note 4: Methods of evaluations include the internal evaluation of the Board of Directors, self-evaluation by individual board members, peer evaluation, and evaluation by pointed external professional institutions, experts, or other appropriate methods.

Note 5: Evaluation content shall include at least the following items according to the evaluation scope:

(1) Board of Directors performance evaluation: include at least the Participation in the operation of the company; Improvement of the quality of the Board of Directors' decision making, Composition and structure of the board of directors, Election and continuing education of the directors, and internal control.

(2) Board members performance evaluation: Alignment of the goals and missions of the company; Awareness of the duties of a director, Participation in the operation of the company, Management of internal relationship and communication, The director's professionalism and continuing education, and Internal control.

(3) Functional committees performance evaluation: Participation in the operation of the company, Awareness of the duties of the functional committee, Improvement of quality of decisions made by the functional committee, Makeup of the functional committee and election of its members and Internal control.

### 3-4-2. Operation of the auditing committee:

5 Meetings were convened last year; and the records of attendance of independent directors at the meetings are as below:

| Title                | Name           | Attendance in Person (B) | Attendance by Proxy | Actual Attendance Rate (%) (Note1, Note2) | Annotations |
|----------------------|----------------|--------------------------|---------------------|---|-------------|
| Independent Director | Hong-Chi Chang | 5                        | -                   | 100                                       |             |
| Independent Director | Kun-Hsien Lin  | 5                        | -                   | 100                                       |             |
| Independent Director | Tsung-Ta Kuo   | 5                        | -                   | 100                                       |             |

Other matters to be noted:

1. In the event of any of the circumstances occurring while the Board of Directors conducts its activities, details including the date, session, and agenda of the board meeting, all opinions of the independent directors, and the Company's responses to the independent directors' opinions should be provided.

a. Matters specified in Article 14-5 of the Securities Exchange Act:

| Date and Order of Board Meeting   | Proposal   | Resolution        | Opinion from bank to the resolution                |
|---|--|-------------------|--|
| 7 <sup>th</sup> meeting of the 3 <sup>rd</sup> Board of Directors on Mar.09, 2022<br>10 <sup>th</sup> meeting of the 3 <sup>rd</sup> Board of Directors on Aug.08, 2022 | Annual and Semi-annual financial report.   | Unanimous consent | Resolution discussed and approved by board meeting |
| 7 <sup>th</sup> meeting of the 3 <sup>rd</sup> Board of Directors on Mar.09, 2022   | Capital increase from retained earnings of 2021.                                     | Unanimous consent | Resolution discussed and approved by board meeting |
| 7 <sup>th</sup> meeting of the 3 <sup>rd</sup> Board of Directors on Mar.09, 2022   | The Bank's 2021 Annual Report on the Overall Implementation of Information Security. | Unanimous consent | Resolution discussed and approved by board meeting |

| Date and Order of Board Meeting  | Proposal   | Resolution        | Opinion from bank to the resolution                |
|--|--|-------------------|--|
| 7 <sup>th</sup> meeting of the 3 <sup>rd</sup> Board of Directors on Mar.09, 2022  | Effective statement on the Personal Data Protection and Design and Operation Internal Control System.              | Unanimous consent | Resolution discussed and approved by board meeting |
| 7 <sup>th</sup> meeting of the 3 <sup>rd</sup> Board of Directors on Mar.09, 2022  | The Bank's Annual Statement of Internal Control System.  | Unanimous consent | Resolution discussed and approved by board meeting |
| 7 <sup>th</sup> meeting of the 3 <sup>rd</sup> Board of Directors on Mar.09, 2022  | Audit report from accountancy firm. The Bank reports on the issues raised in the audit report.                     | Unanimous consent | Resolution discussed and reported by board meeting |
| 7 <sup>th</sup> meeting of the 3 <sup>rd</sup> Board of Directors on Mar.09, 2022  | COTA Commercial Bank (including concurrent Insurance Agent business) Annual Statement on Internal AML/CFT Control. | Unanimous consent | Resolution discussed and approved by board meeting |
| 7 <sup>th</sup> meeting of the 3 <sup>rd</sup> Board of Directors on Mar.09, 2022  | Amendment to the Asset Acquisition or Disposition Procedures   | Unanimous consent | Resolution discussed and approved by board meeting |
| 9 <sup>th</sup> meeting of the 3 <sup>rd</sup> Board of Directors on Jun.15, 2022  | Appointment and Remuneration of CPA  | Unanimous consent | Resolution discussed and approved by board meeting |
| 10 <sup>th</sup> meeting of the 3 <sup>rd</sup> Board of Directors on Aug.08, 2022 | Amendments to the "Internal Control System".   | Unanimous consent | Resolution discussed and approved by board meeting |
| 10 <sup>th</sup> meeting of the 3 <sup>rd</sup> Board of Directors on Aug.08, 2022 | Appointment of a New General Manager in the Accounting Department.   | Unanimous consent | Resolution discussed and approved by board meeting |
| 11 <sup>th</sup> meeting of the 3 <sup>rd</sup> Board of Directors on Dec.14, 2022 | Donation to Third Credit Cooperative Educational Foundation.   | Unanimous consent | Resolution discussed and approved by board meeting |
| 11 <sup>th</sup> meeting of the 3 <sup>rd</sup> Board of Directors on Dec.14, 2022 | Credit application for Hondao Senior Citizen's Welfare Foundation.   | Unanimous consent | Resolution discussed and approved by board meeting |
| 11 <sup>th</sup> meeting of the 3 <sup>rd</sup> Board of Directors on Dec.14, 2022 | Audit plan declaration form of 2023  | Unanimous consent | Resolution discussed and approved by board meeting |

b. Except for proposals hereinabove, any matter that has not been passed by the audit committee but has been adopted with the approval of two-thirds or more of all board directors: None.

2. Recusals of independent directors based upon conflict of interest: None

3. Communication among independent directors, the Chief Auditor and CPAs:

(1) Communication between CPAs and independent directors:

1. Accountants and independent directors are very well communicated when producing annual and semi-annual financial reports. Financial reports are provided to independent directors before meetings of audit committee. Chief accounting officer is invited to meetings of audit committee to report the certification of financial report and to ensure integrity of the certification, which is then audited by audit committee after approved by board resolution.
2. A note from the accountant describing the auditor's independence, responsibility for auditing the financial statements, the scope of the audit, key audit issues, main implications of Statement of Auditing Standards No.75, concerns of the authorities, significant regulatory updates(Season 4). And will continue to communicate with the accountant at least annually in the future and incorporating that channel or mechanism into the Bank's internal operating procedures.

(2) Communication between the chief auditor and independent directors:

Director and independent directors are invited to semi-annual meetings discussing faults and issues listed in the report on internal audit and internal control. Other significant matters are also presented to the audit committee and the board of directors.

Note 1: If an independent director leaves before the end of the year, the date of departure should be indicated in the annotations column. The attendance rate (%) is calculated by actual number of attendance and the number of auditing meetings during a term.

Note 2: If an independent director is re-elected before the end of the year, both the newly appointed and existing independent directors should be listed, and the independent director should be indicated in the annotations column as existing, newly appointed, re-election and the date of re-election. The attendance rate (%) is calculated by actual number of attendance and the number of auditing meetings during a term.



### 3-4-3. Items of Compulsory Disclosure in Accordance with Corporate Governance Best-Practice Principles for Banks: Please refer to 3-4-4.

### 3-4-4. Current Status of the Bank's Corporate Governance Practices and Its Comparison against the Corporate Governance Best-Practice Principles for Banks

| Item  | Status of Operation |   |  | Differences from "The Corporate Governance guidelines for banking industry" and Reasons |
|---|---------------------|---|--|---|
|   | Y                   | N | Summary  |   |
| <p>I. Ownership structure and Shareholders' equity of the Bank</p> <p>(1) Has the bank established procedures handling shareholders' suggestions, queries, disputes and litigations, as well as act in accordance with said procedures?</p> <p>(2) Is the bank able to identify its major shareholders and the ultimate person or persons behind such shareholders?</p> <p>(3) Has the Bank established and implemented firewalls and risk management mechanisms between its affiliates.</p>  | ✓                   |   | <p>(1) In accordance with the Bank's Corporate Governance Best Practice Principles, Shareholder's suggestions and litigations are handled immediately by appropriate department.</p> <p>(2) The bank has appropriate department compiling list of major shareholders monthly.</p> <p>(3) No affiliates.</p>  | No difference   |
| <p>II. Duties of Board of Directors</p> <p>(1) Does the Board of Directors have a diversity policy and specific management objectives?</p> <p>(2) Besides setting up the Compensation Committee and Audit Committee according to law, does the Bank voluntarily set up other functional committees?</p> <p>(3) Do the listed or OTC banks set up performance evaluation methods for their boards of directors and their evaluation methods, and conduct performance evaluations annually and regularly, and report the results of the performance evaluations to the board of directors, and use them as reference for individual directors' remuneration and nomination for reappointment? (Note 2)</p> <p>(4) Does the Bank evaluate the independence of its CPAs on a regular basis?</p> | ✓                   |   | <p>(1) In accordance with the Bank's Corporate Governance Best Practice Principles, the board of directors shall be responsible for the Bank's overall business strategies and major policies, effective supervision of the management, and accountability to all shareholders. The various operations and arrangements of the Bank's corporate governance system shall ensure that the board of directors exercise its authority in accordance with the provisions of the Act, the articles of association or resolutions of the shareholders' meeting.</p> <p>(2) The Bank also established Nomination Committee.</p> <p>(3) Not a listed company in TWSE or TPEX.</p> <p>(4) Assessment of the independency of appointed CPAs is conducted regularly.</p> | No difference.  |
| <p>III. Does the bank allocate appropriate and appropriate number of corporate governance staff and designate a head of corporate governance to be responsible for corporate governance related matters (including but not limited to providing directors and supervisors with information necessary for the execution of business, assisting directors and supervisors to comply with laws and regulations, handling matters related to board of directors and shareholders' meetings in accordance with the law, and preparing minutes of board of directors and shareholders' meetings)?</p>   | ✓                   |   | <p>The Bank has a designated head of corporate governance; the responsible unit is responsible for corporate governance-related matters.</p>   | No difference.  |

| Item   | Status of Operation |   |  | Differences from "The Corporate Governance guidelines for banking industry" and Reasons |
|--|---------------------|---|--|---|
|  | Y                   | N | Summary  |   |
| IV. Has the bank established communication channels with its stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.) and set up a stakeholder section on the company's website, and appropriately responded to stakeholders' concerns on important CSR issues?  | ✓                   |   | <p>The Company communicates face-to-face, by telephone, in writing or via the Internet; and periodically requests the directors to confirm the filing and updating of related party information by means of a written letter. Information of managers is updated every February and August.</p> <p>The "Corporate Social Responsibility page" is set up under "About COTA" on the Bank's official website, and a questionnaire survey on stakeholder concerns has been added to the "Stakeholder Consultation" to understand the important Corporate Social Responsibility issues of concern to stakeholders.</p> <p>QRCode is placed in each branch for customers to fill out online financial friendly service satisfaction surveys to encourage interaction between staffs and customers to increase customer feedback.</p> | No difference.  |
| V. Disclosure of information<br>(1) Has the Bank set up website for the disclosure of financial information and its corporate governance practices?<br>(2) Any other methods adopted by the Bank for the disclosure of information (e.g., establishing English version website, appointing persons responsible for gathering and disclosing Bank information, implementing a spokesperson system, and placing the record of analyst meeting on its website)?<br>(3) Does the bank announce and report its annual financial report within the time period after the end of the fiscal year in accordance with the relevant provisions of the Banking Act and the Securities and Exchange Act, and announce and report its first, second and third quarterly financial report and operations for each month well in advance of the required time period? | ✓                   |   | <p>(1) The Bank's website has an information area for legal public disclosure of financial operations and corporate governance information. (<a href="http://www.cotabank.com.tw">http://www.cotabank.com.tw</a>)</p> <p>(2) The Bank's business, financial information and significant information are announced to shareholders and the public on the Bank's website or the Market Observation Post System. President of the Bank is the spokesperson of the Bank.</p> <p>(3) As a public company, the Bank announces half-yearly and annual financial reports and operations for each month.</p>  | No difference.  |
| VI. Has the Bank provided other important information to facilitate better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, purchasing insurance for directors and supervisors, political donation and donation to stakeholders and public interested group)?   | ✓                   |   | <p>1. Employee rights: the Bank advocates the spirits of humanity. In order to maintain a friendly relationship between employers and employees, the Bank holds regular labor-management meetings once every three months in accordance with the "Regulations on the Implementation of Labor-Management Meetings" to discuss matters such as coordination of labor-management relations, promotion of labor-management cooperation, employee welfare and labor safety, etc. and establishes the Employees' Welfare Committee to provide employee benefits.</p>   | No difference   |

| Item  | Status of Operation |   |   | Differences from "The Corporate Governance guidelines for banking industry" and Reasons |
|---|---------------------|---|---|---|
|   | Y                   | N | Summary   |   |
|   |                     |   | <p>2. Employee wellness: Organize staff trips to ease the tension of life. Home visiting every year to understand the living condition of staff.</p> <p>3. Investors relations: Establish designated web-pages for shareholders providing relevant information of stock matters. The Bank formulated the code of practice and voting policy for legal person shareholders with higher privileges to ensure shareholders' equity.</p> <p>4. Rights of stakeholders and consumer's protection and the policy of corporate governance: the Bank has always emphasized customer service quality. It provides customer complain channel and has implemented a number of customer protection policies.</p> <p>5. Training and advanced studies of board members and supervisors: Taiwan Securities and Futures Institute and Taiwan Academy of Banking and Finance have arranged corporate governance courses for directors and supervisors. The 9th board directors have taken 6~12 hours courses since they took office. Conducting on-the-job training in accordance with the Regulations Governing Required Qualifications for Responsible Persons and Required Trust Expertise or Experience for Operations and Managerial Personnel of Trust Enterprises.</p> <p>6. Implementation of risk management policies and risk evaluation measures: Establish Risk Management Department and Risk Management Committee regularly evaluates operating risks and reports to the board of directors. We have established and implemented risk management policies and requirements for each of our businesses to ensure the safety of banking operations and performances.</p> <p>7. Purchasing insurance for directors and supervisors: In order to round out the company's corporate governance mechanism and reduce risk exposed to directors and key staff members of the company, the Bank has taken out liability insurance for directors, supervisors and managers.</p> <p>8. Political donation and donation to stakeholders and public interested group in 2022 are stated below:<br/> a. Third Credit Educational Foundation(stakeholder): NTD1,000,000<br/> b. Chinese Fund for Children and Families(Nan Taichung): NTD50,000<br/> c. Taichung Shan Yueh Association: NTD150,000<br/> d. Eden Social Welfare Foundation: NTD50,000<br/> e. Credit Union League of the Republic of China: NTD100,000<br/> f. Ganlin Social Welfare Foundation: NTD50,000<br/> g. Political Donation: None.</p> |   |
| VII. Describe improvements that have been made based on the latest corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange. If no improvements have been made, propose priorities for change and relevant measures. (Not included in the appraised company, not needed to fill in) |                     |   | None.   |   |

Note 1: The status of operation should be described in the summary field, regardless of whether "Yes" or "No" is checked.

Note 2: Please explain the differences from Corporate Governance Best Practice Principles for TWSE/TPEX listed companies and reasons

## 3-4-5. Composition, Duties, and Operation of the Remuneration Committee

### 3-4-5-1. Professional Qualifications and Independence Analysis of Member of Remuneration Committee

| Position<br>(Note 1)                  | Qualifications<br>Name | Professional<br>Qualifications and<br>Experience<br>(Note 2)       | Independent status<br>(Note 3)  | Number of<br>compensation<br>committees at other<br>companies of which<br>the individual is a<br>member on a<br>concurrent basis |
|---------------------------------------|------------------------|--|---|--|
| Independent<br>Director<br>(Convener) | Tsung-Ta Kuo           | Please refer to Schedule 1 on page 12 for director information (I) | Number and proportion of shares held by in person, spouse, second degree relatives(or in someone else's name) etc.:<br>0 share , 0%               | N  |
| Independent<br>Director               | Kun-Hsien Lin          | Please refer to Schedule 1 on page 12 for director information (I) | Number and proportion of shares held by in person, spouse, second degree relatives(or in someone else's name) etc.:<br>2,513,829 shares , 0.2569% | 2 listed companies   |
| Independent<br>Director               | Hong-Chi Chang         | Please refer to Schedule 1 on page 12 for director information (I) | Number and proportion of shares held by in person, spouse, second degree relatives(or in someone else's name) etc.:<br>0 share , 0%               | N  |

Note:

1. Please specify the relevant years of service, professional qualifications and experience and independence of each member of the Remuneration Committee in the form. If you are an independent director, please note that you can refer to Schedule I (1) on page OO for Directors and Supervisors Information. If you are an independent director, please indicate whether you are an independent director or other (If you are a convener, please add a note).
2. Professional Qualifications and Experience: Describe the professional qualifications and experience of individual Remuneration committee members.
3. Independent status: Describe the independent status of Remuneration committee members. Whether in person, spouse, second degree relatives serve as directors, supervisors, or employees of the bank or its related business; Number and proportion of shares held by in person, spouse, second degree relatives(or in someone else's name); Whether serve as directors, supervisors, or employees of a company with a specific relationship with the bank; The amount of remuneration for business, legal, financial and accounting services provided by the bank or its related business during the past two years.

### 3-4-5-2. Operation of Remuneration Committee:

- (1) The Bank's Remuneration Committee has 3 members.
- (2) Period of appointment of 9th committee members is from December 19, 2020 to June 18, 2023.
- (3) 4 meetings were convened in the most recent year, and the records of attendance at the meetings are as below:

| Title    | Name           | Attendance<br>in Person | Attendance<br>By Proxy | Actual Attendance<br>Rate (%) | Annotation |
|----------|----------------|-------------------------|------------------------|-------------------------------|------------|
| Convener | Tsung-Ta Kuo   | 4                       | -                      | 100%                          | -          |
| Member   | Kun-Hsien Lin  | 4                       | -                      | 100%                          | -          |
| Member   | Hong-Chi Chang | 4                       | -                      | 100%                          | -          |

Remarks:

1. Please state the board meeting's date, session, motion, resolution and result of execution if the advice of the remuneration committee was declined, revised or suggested to be amended by the board(please clearly state the discrepancy and its reason of the salary compensation approved by the board was better than that recommended by the remuneration Committee): None.
2. Please state the meeting's date, session, motion, resolution and result of execution if there was any committee member holds opposition or different opinions to the resolution made by the remuneration committee: None.

**3-4-5-3. Operation of Nomination Committee and the information of its members:**

- (1) The Bank's Nomination Committee has 5 members.  
 (2) Period of appointment of 9th committee members is from December 19, 2020 to June 18, 2023.  
 (3) 1 meetings were convened in the most recent year, and the professional qualifications and work experience, attendance, and matters discussed are as follows:

| Title    | Name                                 | Professional qualifications and experience   | Attendance in Person | Attendance By Proxy | Actual Attendance Rate (%) (Note) | Annotation |
|----------|--------------------------------------|--|----------------------|---------------------|-----------------------------------|------------|
| Convener | Kun-Hsien Lin                        | Professional qualifications:<br>Approved by the FSC and meets the requirements of "Subparagraph 4, Article 9-1 of the Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks."<br>Experience:<br>Head of Chan Hsin Law Firm with legal background                                   | 1                    | 0                   | 100%                              |            |
| Member   | Xian-De Lai                          | Professional qualifications:<br>Approved by the FSC and meets the requirements of "Subparagraph 4, Article 9-1 of the Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks."<br>Experience:<br>Chairman of Tung Yang Business Co., Ltd. with a background in corporate operations | 1                    | 0                   | 100%                              |            |
| Member   | Chun-Chieh Wang                      | Experience:<br>Chairman of Mingdao Private High School with a background in corporate operations   | 1                    | 0                   | 100%                              |            |
| Member   | Chien-Chung Lai                      | Experience:<br>President of Chiao Sang Footwears Inc. with a background in corporate operations  | 1                    | 0                   | 100%                              |            |
| Member   | Chuan Chi Ltd.<br>(Yuan-Chung Huang) | Experience:<br>President of Chuan Cheng Hat Co., Ltd. with a background in corporate operations  | 1                    | 0                   | 100%                              |            |

**Remarks:**

Describe the meeting date, term, and content of major motions of Nomination Committee; any suggestions or objections made by committee members; resolutions of the Nomination Committee; and the handling of Nomination Committee proposals by the Board of Directors: None

Note 1: If a member leaves before the end of the year, the date of departure should be indicated in the annotations column. The attendance rate (%) is calculated by actual number of attendance and the number of nomination committee meetings during a term.

Note 2: If a member is re-elected before the end of the year, both the newly appointed and existing nomination committee member should be listed, and the member should be indicated in the annotations column as existing, newly appointed, re-election and the date of re-election. The attendance rate (%) is calculated by actual number of attendance and the number of nomination committee meetings during a term.

## 3-4-6. The State of the Company's Promotion of Sustainable Development, any variance from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance

| Item  | Execution conditions (Note 1) |   |  | Deviation from the guidelines for the Sustainable Development for TWSE/ TPEX Listed Companies and reasons (Note 2) |
|---|-------------------------------|---|--|--|
|   | Y                             | N | Summary  |  |
| 1. Has the Company established a dedicated or part-time unit to promote sustainable development, and has senior management been authorized by the Board to take charge of proposing sustainable development policies and reporting to the Board?  |                               | ✓ | None   | The Bank is not a listed company in TWSE or TPEX.  |
| 2. Does the bank conduct risk assessments of environmental, social and corporate governance issues related to the company's operations, and formulate relevant risk management policies or strategies based on materiality principles?  | ✓                             |   | The Bank has a "Risk Management Committee" which is responsible for considering all major risk issues and submitting them to the Board of Directors for discussion. In order to improve the risk management system of the Bank, the Bank has incorporated climate risk management into the "Risk Management Policies and Procedures" and formulated the "Climate Risk Management Guidelines", which were approved by the Board of Directors.   | The Bank is not a listed company in TWSE or TPEX.  |
| 3. Environmental Issues<br>(1) Has the bank developed an appropriate environmental management system, given its industry characteristics?<br>(2) Is the bank committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?<br>(3) Does the bank assess the potential risks and opportunities of climate change for businesses now and in the future, and take measures to address related issues?<br>(4) Has the bank compiled statistics on greenhouse gas emissions, water consumption, and total weight of waste over the past two years, and formulated policies on greenhouse gas reduction, water use reduction, or other waste management? | ✓<br>✓<br>✓<br>✓              |   | (1) In accordance with the regulations of public safety, construction law, administrative regulations on indoor decoration of buildings, fire services act, and labor safety and sanitation facilities planning, all of our work units regularly conduct various work environment measurements and fire safety inspections, and the equipment used in the environment is regularly inspected.<br>(2) In order to enhance the efficiency of utilization of resources, the Bank takes the following measures:<br>a. All purchases of information equipment and lighting equipment are made under the Green Label and the Energy Conservation Label of the Energy Bureau, Ministry of Economic Affairs.<br>b. The lighting equipment of all branches and departments have been gradually replaced with LED energy-saving lamps to achieve energy saving and carbon reduction.<br>c. We have built an electronic document system and promoted the use of double-sided printing and recycling of photocopying paper to save paper usage.<br>d. Promote the use of eco-cups in meetings to reduce the amount of waste. | The Bank is not a listed company in TWSE or TPEX.  |



| Item  | Execution conditions (Note 1) |   |  | Deviation from the guidelines for the Sustainable Development for TWSE/ TPEX Listed Companies and reasons (Note 2) |
|---|-------------------------------|---|--|--|
|   | Y                             | N | Summary  |  |
|   |                               |   | <p>e. Entrusted the cleaning company to handle waste and resource recovery, and set up waste classification measures.</p> <p>(3) The following are the energy saving improvements that have been implemented so far:</p> <p>a. Turn off the power when leaving the offices, set the air-conditioner temperature at 26~28 degree, use of high energy-efficient inverter air conditioning equipment, and do recycle.</p> <p>b. The lighting equipment of all branches and departments have been gradually replaced with LED energy-saving lamps to avoid the use of high energy-consuming bulbs and to achieve energy-saving and carbon-reducing functions.</p> <p>c. The Bank has developed relevant regulations and systems for its credit and investment business with respect to the climate risk factors faced by different business attributes.</p> <p>d. The Bank's CSR and sustainable finance practice points have been defined and incorporated into the relevant regulations for industries with high risk of climate transformation (high carbon emission industries), and the Bank has also designed a checklist of CSR for credit-granting enterprises to facilitate review and analysis by the Bank when undertaking credit business.</p> <p>e. When the Bank conducts securities business, if the securities transaction or investment target is a high-risk industry, the Bank shall be subject to the restriction of the investment and trading position.</p> <p>f. The amount of greenhouse gas emissions and water consumption is calculated on a per capita basis and is expected to be reduced by 3% in 2025 compared to 2022.</p> |  |
| 4. Social Issues  |                               |   |  |  |
| (1) Has the Bank stipulated policies and procedures in accordance with laws and the International Bill of Human Rights? | ✓                             |   | (1) The Bank's personnel regulations follow labor laws and regulations, and respect the internationally recognized basic labor human rights principles, and conducts awareness courses from time to time.  | The Bank is not a listed company in TWSE or TPEX.  |
| (2) Does the bank establish and implement   | ✓                             |   |  |  |

| Item  | Execution conditions (Note 1)      |   |   | Deviation from the guidelines for the Sustainable Development for TWSE/ TPEX Listed Companies and reasons (Note 2) |
|---|------------------------------------|---|---|--|
|   | Y                                  | N   | Summary   |  |
| <p>reasonable employee benefit measures (including compensation, leave and other benefits, etc.) and appropriately reflect operating performance or results in employee compensation?</p> <p>(3) Does the bank provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?</p> <p>(4) Does the bank have an effective career competency development training program for its employees?</p> <p>(5) Does the bank comply with relevant regulations and international standards on customer health and safety, customer privacy, marketing and labeling of products and services, and has it formulated relevant policies and complaint procedures to protect consumer rights and interests?</p> <p>(6) Does the bank have a supplier management policy that requires suppliers to comply with relevant regulations on environmental protection, occupational safety and health, or human rights at work, and how is it implemented?</p> | <p>✓</p> <p>✓</p> <p></p> <p>✓</p> | <p></p> <p></p> <p></p> <p>✓</p> <p>✓</p> | <p>(2) The Bank has a remuneration policy and reflects operating performance or results appropriately in the remuneration and benefits of its employees.</p> <p>(3) Every three years, we implement health checkups for our employees, and we also have a doctor with contract and a full-time nursing staff to care for the physical and mental health of our employees.</p> <p>(4) The Bank provides annual staff education and training, and sets up credit courses for different business, career skills and professional training. Starting from 2023, the Bank will provide employees with the opportunity to review their ability to improve themselves through credit courses and select appropriate courses, and announce the information of courses organized by external organizations from time to time.</p> <p>(5) None</p> <p>(6) The Bank has established Principles for Supplier Management. The suppliers are required to value corporate social responsibility, operate with integrity, care of and protect employee rights, and focus on ethical risks. Under sustainable business, the bank is committed to environmental protection to reduce the impact on the environment and ecology.</p> |  |
| <p>5. Does the bank make reference to international standards or guidelines for the preparation of sustainable development reports and other reports that disclose non-financial information about the bank? Did you obtain a third-party verification unit's confirmation or assurance opinion on the previous report?</p>   |                                    |   | <p>The Bank's sustainability report is prepared with reference to the GRI Sustainability Reporting Standards and no third-party verification or assurance has been obtained.</p>  | <p>The Bank is not a listed company in TWSE or TPEX.</p>   |
| <p>6. If the Company has stipulated its own sustainable development rules on the basis of the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" please state any discrepancy between implementation and the stipulated rules:<br/>None (The Bank is not a listed company in TWSE or TPEX)</p>   |                                    |   |   |  |
| <p>7. Other important information that helps to understand the implementation of best practices of sustainable development: The Bank has been fulfilling its corporate social responsibility by adhering to the philosophy of "what is taken from society is used in society". We have been a long-time sponsor of the Eden Social Welfare Foundation and the Ganlin Social Welfare Charity Foundation. In August 1988, we established the COTA Cultural and Educational Foundation to support the public welfare by promoting the lifelong learning seminar series, organizing a book club, and organizing health seminars in strategic alliance with social welfare organizations. Over the past eight years, the Bank has organized the "Blood Donation Campaign", which has collected more than 1,800 bags of blood and donated more than 450,000 cc of blood.</p>  |                                    |   |   |  |

### 3-4-7. The State of the Company's Performance in the area of Ethical Corporate Management, any variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance

| Item   | Operating conditions |  |   | Deviation from the guidelines for the social responsibilities for TWSE/ TPEX Listed Companies and reasons |
|--|----------------------|--|---|---|
|  | Y                    | N  | Summary   |   |
| <p>1. Establishing Ethical Corporate Management Policies and Programs.</p> <p>(1) Has the Bank established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the board of directors and senior management to rigorous and through implementation of such policies?</p> <p>(2) Has the Bank established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?</p> <p>(3) Has the Bank specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?</p> |                      | <p>✓</p> <p>✓</p> <p>✓</p>   | <p>(1) Instead, the Bank established honesty and integrity rules in "Procedure for Board of Directors Meetings", "Regulation on Donation" and "Employee Code of Conduct".</p> <p>(2) In order to promote the "Implementation of Integrity Management Principles", the Bank has established a risk assessment mechanism for dishonest practices with the assistance of a third party consultant.</p> <p>As a result of the assessment, the Bank's overall exposure to residual risk is low after considering the existing risks and the effectiveness of high control.</p> <p>In addition, the Bank has established a corporate culture of honest management, and has set out matters related to honest management in the "Regulations for Board Meetings", "Donation Regulations", "Work Rules", "Code of Ethical Conduct", "Internal Control and Risk Management Practices for Wealth Management Business", and "Regulations on Advertising and Sales Promotion Activities", which are published on the Bank's internal website</p> <p>(3) For prevention of unethical behavior, the bank has established "Regulations on Personnel Management", "Employee Code of Conduct", "Regulation on Donation" and "Directions on credit extension and other transactions with interested parties".</p> | <p>The Bank is not a listed company in TWSE or TPEX.</p>  |
| <p>2. Implementing Ethical Corporate</p> <p>(1) Has the Bank evaluated the records of unethical conduct of counterparties and specified the terms of ethical conduct in the agreement signed with the counterparties?</p> <p>(2) Has the Bank set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?</p>  | <p>✓</p> <p>✓</p>    | <p>(1) The Bank avoids dealing with parties that have records of unethical conducts. When entering into contracts with other parties, the Bank shall include in such contract provision demanding ethical corporate management policy compliance. The Bank immediately stops business relation while acknowledging of unethical conducts of its counterparties.</p> <p>(2) The Bank established the compliance system, internal control systems, internal audit, risk management, and set functional committee by regulation to strengthen the function of decision-making and management of board of directors.</p> | <p>The Bank is not a listed company in TWSE or TPEX.</p>  |   |

| Item   | Operating conditions       |   |  | Deviation from the guidelines for the social responsibilities for TWSE/ TPEX Listed Companies and reasons |
|--|----------------------------|---|--|---|
|  | Y                          | N | Summary  |   |
| <p>(3) Has the Bank established the policies to prevent conflicts of interest, provided proper channels of explanation, and implemented them?</p> <p>(4) Has the Bank established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?</p> <p>(5) Has the Bank regularly held internal / external training on ethical corporate management?</p> | <p>✓</p> <p>✓</p> <p>✓</p> |   | <p>(3) 1. The Bank established policies preventing conflict of interest:</p> <p>a. Clause of avoidance of conflict of interest is explicitly indicated in "Procedure for Board of Directors Meetings".</p> <p>b. Build a database of information of interested parties. The term of secured credit extensions to interested parties shall not be more favorable than those terms offered to other same category customers</p> <p>c. Establishing "Employee Code of Conduct" for prevention of unethical behavior of employee.</p> <p>d. Establishing "Directions on Internal Control and Risk Management in Wealth Management Business" regulating work ethics and disciplines of financial advisors.</p> <p>2. All relevant rules and procedures are on the website <a href="http://www.cotabank.com.tw">www.cotabank.com.tw</a>.</p> <p>(4) The Bank has established accounting system and accounting department. To ensure impartiality of financial statements, Bank's financial statements has audited by CPAs. The Bank established internal audit control system which is subjected to reexamination and readjustment and an auditing division under the board of directors. Internal audit control system is implementing by regular and random internal auditing and by external auditing by CPAs.</p> <p>(5) The Bank undertakes training with regard to ethnical management and behavioral guidelines on a regular basis. All employees are required to attend. Employees are acknowledged of amendments of relevant regulations.</p> |   |
| <p>3. Implementing the Whistle-blowing System</p> <p>(1) Has the Bank established a concrete whistle-blowing and incentive system, established convenient whistle-blowing channels, and appointed dedicated personnel to deal with the reported personnel?</p>   | <p>✓</p>                   |   | <p>(1) The Bank has established the "Internal Regulations Governing the Handling of Reporting Cases." Establishing mail, e-mail, and telephone reporting channels. All reports are handled by a dedicated unit, and whistleblower If they meet the criteria of the</p>   | <p>The Bank is not a listed company in TWSE or TPEX.</p>  |

| Item   | Operating conditions |   |  | Deviation from the guidelines for the social responsibilities for TWSE/ TPEX Listed Companies and reasons |
|--|----------------------|---|--|---|
|  | Y                    | N | Summary  |   |
| (2) Has the Bank established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?<br>(3) Has the Bank taken measures to protect the whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?  | ✓<br><br>✓           |   | Bank's "Working Rules", they will be rewarded according to the actual situation.<br>(2) The Audit Division is responsible to submit the reported case, and the identity of the informer and the contents of the report will be kept in confidence.<br>(3) The Bank has established the following measures should be taken to protect whistleblowers. The Bank shall not be subject to dismissal, termination, demotion, reduction in salary, impairment of rights and benefits, or other adverse action as a result of the report. |   |
| 4. Enhancing Disclosure of Information<br>Has the Bank disclosed the "Guidelines for Ethical Corporate Management" and its status of operations on the official website and Market Observation Post System?  | ✓                    |   | (1) Information of financial, operating and corporate governance of the bank are accessible through website ( <a href="http://www.cotabank.com.tw">http://www.cotabank.com.tw</a> ) (also available in English)<br>(2) The Bank has designated persons to update and disclose company information.   | The Bank is not a listed company in TWSE or TPEX.   |
| 5. Difference between the "Guidelines for Ethical Corporate Management" and "Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies": None  |                      |   |  |   |
| 6. Other important information to facilitate better understanding of the Bank's implementation of ethical corporate management (e.g. Amendment to the "Guidelines for Ethical Corporate Management"): In building an ethical management corporate culture, the Bank has set honesty and integrity rules in "Procedure for Board of Directors Meetings", "Regulation on Donation" and "Employee Code of Conduct". All directors and employees promote business with integrity and strong work ethic and to furthermore fulfill social responsibility. The Bank set the compliance system, internal control systems, internal audit, risk management, strengthening competency of the board and supervisors, functioning audit committee, respecting the right of interested parties, improving information transparency, continuing implementing policies that deepens the culture of ethical management in order to achieve sustainable development. |                      |   |  |   |

### 3-4-8. Corporate Governance Guidelines and Regulations

Please refer to the Bank's website on <http://www.cotabank.com.tw>

### 3-4-9. Other Important Information Enhancing Understanding of the State of the Company's Corporate Governance: None.

## 3-4-10. Execution of Internal Control System

### 3-4-10-1. Statement of Internal Control

#### COTA Commercial Bank Statement of Internal Control

Date: March 8 2023

To Financial Supervisory Commission

On behalf of COTA Commercial Bank, we hereby undertake that from Jan.01 2022 to Dec.31 2022 the Bank has duly complied with "Guidelines for the establishment of internal control and internal audit systems" by establishing an internal control system, implementing risk management, designating an independent and objective internal department to conduct audit, and submitting the audit report periodically to the Board of Directors and Supervisors (Audit Committee). The Company also strictly abides by the regulations in Subparagraph 5, Article 38 and Article 38-1 of the aforementioned Rules as well as the self disciplinary regulations for information security established by the Bankers Association. With respect to insurance agent business, the Company determines the effectiveness of the design and execution of its internal control system in accordance with the criteria for effective internal control policies as established in the Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies. Following prudent evaluation, it is found that except for items listed in the attached chart, the internal control of, compliance with laws and regulations and the overall execution of information security by the different department were all implemented effectively.

This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or omission relating to the public statement above is subject to the legal consequences under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

Attested by

|                                    |                      |
|------------------------------------|----------------------|
| Chairman                           | : Song-Yie Liao      |
| President                          | : Chih-Sheng Hsiao   |
| Chief Auditor                      | : Jian-Chen Xu       |
| Chief Compliance Officer           | : Huan-Mou Cheng     |
| Chief information security officer | : Richard C.C. Chang |



## Items for Improvement and Plan Table of Internal control

As of Dec. 31, 2022

| Items for Improvement  | Improvement Measure   | Target Date  |
|--|---|--|
| <p>1. AML Operation:</p> <p>(1) To handle the incorrect reporting information or non-reporting of transaction agents in the reporting of large-value transactions above a certain amount, it is inconsistent with Article 13, Paragraph 3 of the "Anti-Money Laundering Regulations for Financial Institutions" of the FSC... Report to the Investigation Bureau in accordance with the reporting format established by the Investigation Bureau of the Ministry of Finance... "</p>   | <p>(1) The incorrect information has been corrected and uploaded to the Investigation Bureau of the Ministry of Justice.</p> <p>(2) Compliance and Legal Affairs Anti-Money Laundering reiterates that for transactions of a certain amount or more should be taken to ensure that the agent's information is filled in and that the customer's identification documents and telephone numbers are recorded in [MTBIGTR].</p> <p>(3) Starting from 110.12.1, the computer program control mechanism has been added, and a new reminder text "Please confirm the trader's contact phone information" has been added to the program "MTBIGTR".<br/>In addition, the agent's phone number field of the large non-foldable deposit transaction record must be entered by the employee himself/herself, instead of automatically bringing in the phone information kept in the customer's basic information file, in order to control the correctness of the trader's contact phone record</p> <p>(4) Inclusion of large-value missing goods and related operational cases in the 111th Annual Anti-Money Laundering and Counter-Terrorism education training.</p> | <p>(1) The information has been corrected and uploaded to the Investigation Bureau of the Ministry of Justice on 110.9.3.</p> <p>(2) Increased reporting of large-value transactions Computer program control mechanism system. The system became operational on December 1, 2011.</p> |
| <p>2. The sale of financial products, financial commissioner transactions and account monitoring should be strengthened:</p> <p>(1) The "Internal Control and Risk Management Practice Guidelines for Wealth Management Business" have a transaction confirmation management mechanism for financial products of a certain amount or more.<br/>For transactions other than financial products transactions conducted over-the-counter by wealth management clients, no transaction confirmation management mechanism has been established for transactions above a certain amount, and the confirmation should be performed by a third party other than the one performing the transaction.</p> <p>(2) The monitoring of abnormal fund transactions between the financial commissioners and customers only includes automated transactions such as Internet banking and ATMs.<br/>It is not included in the customer's over-the-counter remittance transactions.</p> | <p>2.</p> <p>(1) If a wealth management customer's transaction of deposit and withdrawal, transfer, remittance or foreign exchange reaches NT\$1,000,000 or more or the equivalent in foreign currency at the counter. When the employee conducts the transaction, the text "Wealth management customer, please care for your customer." will be displayed, and the employee can continue to complete the transaction after the supervisor has confirmed with customer care.</p> <p>(2) When there is a transaction of funds between the accounts of our bankers, their parents, spouses and children and the accounts of our customers (excluding employees) through over-the-counter transactions, the system will screen the name list every month and provide the branch with confirmation of the transaction.</p>  | <p>2.</p> <p>(1) Computer check system has been became operational on 111.7.1.</p> <p>(2) Account monitoring mechanism adds "Customer Over-the-counter transactions" format, system has been became operational on 111.8.1.</p>  |

| Items for Improvement   | Improvement Measure   | Target Date   |
|---|---|---|
| <p>3. Information Security Risk Management:<br/>                     (1) The vulnerability scanning operation is conducted regularly through the “vulnerability scanning procedure”, and the time limit for remediation is set according to the risk level (improvement within one month for high-risk, three months for medium-risk, and revision according to the actual situation).<br/>                     According to the vulnerability scanning report for the first quarter of 2011, a total of 4 high-risk vulnerabilities and 10 medium-risk vulnerabilities have not been repaired beyond the repair deadline, and no relevant risk assessment and compensation measures have been conducted.</p> | <p>3.<br/>                     (1) Completed fixing the risk vulnerability of the listed hosts.<br/>                     (2) To implement education and training for relevant personnel, strengthen the promotion of business standards, and included in the authority responsible for their own check items.</p> | <p>3.<br/>                     The fixes for the listed host risk vulnerabilities were completed on 110.12.3.</p> |

### 3-4-10-2. CPA Audit Report

Pursuant to ordinance article 28 of the “Guidelines for the Establishment of Internal Control and Internal Audit Systems”, the Bank arranged KPMG certified public accountants to audit performance of internal control during the period of Jan. 01 2022 through Dec. 31 2022.

The audit report of the Certified Public Accountant concluded as follows:  
 With the exception of suggested items to improve, no major deficit is found (attaching homepage of auditor’s report and suggestion statement).

KPMG  
7F, No.201, Sec.2, Wenxin Road,  
Taichung City 407059, Taiwan (R.O.C.)  
TEL : +886(4)2415-9168  
FAX : +886(4)2259-0196  
kpmg.com/ tw

## Agreed-Upon Procedures Report

March 8, 2023

To COTA Commercial Bank

COTA Commercial Bank Co., Ltd. reported the correctness of the information presented by the competent authority in the 2022, the implementation of the internal control system and the legal compliance system, and the appropriateness of the policy for the provision of allowances for doubtful debts. These procedures have been completed by the accountants' agreement. It is up to your company to make the final decision on these procedures, so this accountant does not express an opinion on their adequacy. This work is carried out in accordance with the Statement of Auditing Standards No. 34 "Financial Information Agreement Procedures". The purpose of this engagement is to assist you in evaluating your compliance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" issued by the Financial Supervisory Commission, and compliance with these regulations is the responsibility of your management. The procedures performed by the accountant, the period of random inspection, the number of random inspections and the facts found are separately reported as attachments.

As the accountants have not reviewed in accordance with generally accepted auditing standards, we do not provide any assurance on the correctness of the information presented to the competent authority, the implementation of the internal control system and legal compliance system, and the appropriateness of the policy for allowance for doubtful debts. Additional reportable facts may have been discovered if the accountants performed additional procedures or checked in accordance with generally accepted auditing standards.

This report is intended solely for the purpose described in the first paragraph and is not to be used for any other purpose or to be distributed to any other parties.

Notice to



Accountant

Chun-Yuan, Wu

### Notice to Readers

If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the original Chinese version shall prevail.

## Suggestion Statement

Year 2022

| Operation Cycles  | Items | Audit   | Effect  | Suggestion   | Progress   |                         |   |
|-------------------|-------|---|---|--|--|-------------------------|---|
|                   |       |   |   |  | Person in charge   | Estimated complete date | Tracking Status   |
| Deposit Operation | 1.    | The account opening form should be for an account with employee savings, but it was mistakenly filled out as an account with demand savings deposit.  | Not accurately filling in the correct information may result in the inability to confirm the type of account the depositor wishes to open.  | It is suggested that when handling the account opening process, it is important to verify whether the information is filled in the correct fields.   | H◦ Ling  | Nov.15 2022             | The Audit Office conducted on-site review on Jan. 31 2023, and the audited unit has |
| Credit Operation  | 2.    | After reviewing the LQEMPO stakeholder information, it was found that the mid-term loan case was involved with stakeholder, but the credit investigator checked non-stakeholder in the check investigation form. Upon reviewing the Article 32 and 33 of the Banking Act, the name of the related party was indeed disclosed and no violation of regulations.           | Not accurately filling in the correct information may raise doubts during the subsequent tracking of the credit cases.                      | It is suggested that the LQEMPO should be checked and recorded in the credit checklist when processing credit cases, or the IT department should link the computerized file to the credit checklist to avoid errors. | Lin◦ Xin   | Nov.10 2022             | completed the improvement during the auditor's verification period.                 |
| Credit Operation  | 3.    | Upon reviewing the "Credit Case Acceptance Register", it was found that the several cases have completed the disbursement procedures, but the approval or refection status did not fill in the register.  | Not promptly update and accurately filling out the correct information may raise doubts during the subsequent tracking of the credit cases. | It is suggested to update and accurately fill out the acceptance register promptly when granting loans in credit cases.  | Not limited to individual lenders' negligence, not to be enumerated one by one | Nov.15 2022             |   |
| Credit Operation  | 4.    | After reviewing the LQEMPO stakeholder information, it was found that the short-term secured loan case was involved with stakeholder, but the credit investigator checked non-stakeholder in the check investigation form. Upon reviewing the Article 32 and 33 of the Banking Act, the name of the related party was indeed disclosed and no violation of regulations. | Without the supervisor's approval, there is a concern that the approval procedure may not be implemented.                                   | It is suggested that the LQEMPO should be checked and recorded in the credit checklist when processing credit cases, or the IT department should link the computerized file to the credit checklist to avoid errors. | Hsu◦ Hui   | Nov.15 2022             |   |

### 3-4-11. Cases or Penalties due to Infliction of Laws and Regulations over the Past 2 Years and up to Feb.28:

1. Any indictment of a responsible person or employee by a prosecutor for an offense related to the occupation: None.
2. Any fine imposed by the FSC for violation of a law or regulation: None
3. Any matters in which sanctions were imposed by the FSC pursuant to Article 61-1 of the Banking Act: The FSC's letter No. 10902355131 dated Feb.17, 2021: The Bank's Taoyuan Branch was reprimanded for failed to verify the consistency of the destroyed files with the destroyed inventory, the account documents may be destroyed or lost by mistake. Status of improvement: To confirm the consistency of the destroyed files and the destroyed inventory, the Bank has reviewed and improved the operating procedures, amended related rules and strengthen inspection of files management and training,
4. 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 TWD50 million in any given year, disclose the nature and amount of the loss: None.
5. Other matters that must be disclosed pursuant to FSC designation: None.

### 3-4-12. Major Resolutions of Shareholders Meeting or Board of Directors Meeting in Recent Year

#### 3-4-12-1. Shareholders Meeting

| Year | Nature of Shareholders Meeting | Convoking Date | Major Resolutions   |
|------|--------------------------------|----------------|---|
| 2022 | Regular Shareholders' Meeting  | Jun 17, 2022   | The earnings distribution of year 2021 and capital increase by earnings and issuance of new shares. |

#### 3-4-12-2. Board of Directors Meeting

##### 3-4-12-2-1. Major Resolutions

- ◆ Held the SIXTH 9th Board of directors on Mar.23 2022.
  - (1) Approval of the 2021 Individual Financial Report.
  - (2) Approval of the 2021 Directors' Compensation and Employee Compensation Distribution.
  - (3) Approval of the 2021 Annual Surplus Appropriation.
  - (4) Approval of the 2021 Capital increase out of earnings.
  - (5) Approval of the 2021 Business Report.
  - (6) 2021 Statement on the Enforcement Of Information Security.
  - (7) 2021 Statement on the Internal Control System.
  - (8) 2021 Statement on the AML/CFT Internal Control System of insurance brokerage services.
  - (9) Statement on the design and operating effectiveness of the Internal Control System of the Personal Information Protection.
  - (10) Amendments to the "Procedures for the Acquisition or Disposition of Assets"
- ◆ Held the Seventh 9th Board of directors on Jun.29 2022.
  - (1) Appointment and remuneration of accountant.
- ◆ Held the Eighth 9th Board of directors on Aug.24 2022.
  - (1) Approved the Financial statements with independent Auditors' report for the period from Jan.1 to Jun.30, 2020.
  - (2) Amendment of Internal control system.

◆ Held the Ninth 9th Board of directors on Dec.28 2022.

- (1) Approved a donation to the Third Credit Cooperative Educational Foundation for 2023 years.
- (2) Approved the case of Hondao Senior Citizens Welfare Foundation.

**3-4-13-1. The Directors or Supervisors have different opinions to the board of directors meeting through the major resolution, and has the record or announce by statement: None.**

**3-4-13-2. Disclosures required under the Corporate Governance Guidelines and Regulations:**

Please refer to the Bank's website on <http://www.cotabank.com.tw/cotabank/announce/expose/expose.htm>

**3-4-14. Disclosures of the Resignation or Dismissal of Managerial Officers in Charge of Financial or Accounting Reports:**

| Position                | Name           | Arrival Date | Termination Date | Reasons for resignation or dismissal |
|-------------------------|----------------|--------------|------------------|--------------------------------------|
| Chief Financial Officer | Ming-Heng Zhan | Sep 01, 2013 | Aug 31, 2022     | Retirement                           |
| Chief Financial Officer | Ding-Wang Yang | Sep 01, 2022 |                  |                                      |

Note: Managerial Officers means the company's chairperson, general manager, chief financial officer, chief accounting officer, chief internal auditor, chief corporate governance officer.

## 3-5. Information on the Certified Public Accountant

### 3-5-1. Information on the Professional Fees of the Certified Public Accountant

#### 3-5-1-1. Disclosure of the Accountant's Fee

Unit: TWD thousand

| Accountant Firm | Name of Accountant |                 | Period of Audit | Auditing Fee | Non-Auditing Fee | Total | Remarks |
|-----------------|--------------------|-----------------|-----------------|--------------|------------------|-------|---------|
| KPMG            | Wu, Chun-Yuan      | Hsieh, Chiu-Hua | Year 2020       | 1,630        | 1,905            | 3,535 |         |

Note 1: non-auditing fee including in personal data protection and anti-money laundering and combating the financing of terrorism controlling project TWD 1,480, review of capital increased by surplus turned capital TWD50, audits for Capital Increase from Retained Earnings TWD 25, Subordinated Bond service fee TWD 50, audits for Profit-seeking Enterprise Income Tax Return TWD 300

Note 2: If the bank changed its CPAs or accounting firm during the fiscal year, list the audit periods before and after the change separately, and specify the reason for the change in the "Remarks" column and disclose sequentially the audit and non-audit fees paid. For non-audit fees, additionally specify the content of the services.

### 3-6. Information of Accountants Change : NONE

**3-7. Whether the Bank's chairman, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: None**



### 3-8. Change in Shareholdings and Pledged

#### 3-8-1. Changes in Shareholdings of Directors, Supervisors, Executive Officers, and Shareholders conform to the Regulations Governing a Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank, Article 11

| Title                           | Name  | 2021                       |                              | Up To February 28, 2022    |                              | Remark            |
|---------------------------------|---|----------------------------|------------------------------|----------------------------|------------------------------|-------------------|
|                                 |   | Net Change in Shareholding | Net Change in Shares Pledged | Net Change in Shareholding | Net Change in Shares Pledged |                   |
| Chairman                        | Song-Yie Liao   | 4,899,275                  | 0                            | 33,622                     | 0                            | Major Shareholder |
| Managing Director               | Chuan Cheng Hat Co., Ltd.<br>Representative:<br>Chin-Yuan Lai | 2,141,148<br>9             | 0<br>0                       | 0<br>0                     | 0<br>0                       | Major Shareholder |
| Managing Independent Director   | Hong-Chi Chang  | 0                          | 0                            | 0                          | 0                            |                   |
| Managing Independent Director   | Kun-Hsien Lin   | 73,218                     | 0                            | 0                          | 0                            |                   |
| Managing Director               | Jung-Hsien Chiu   | 53,781                     | 0                            | 0                          | 0                            |                   |
| Director                        | Chun-Chieh Wang   | 400,381                    | 0                            | 0                          | 0                            | Major Shareholder |
| Director                        | Xien-De Lai   | 142,556                    | 0                            | 0                          | 0                            |                   |
| Director                        | Chien-Chung Lai   | (83,741)                   | 0                            | 0                          | 0                            |                   |
| Director                        | Ying-Che Chang  | 94,230                     | 0                            | 0                          | 0                            |                   |
| Director                        | Ting-Lieh Huang   | 85,372                     | 0                            | 0                          | 0                            |                   |
| Director                        | Chao-Ching Hsu  | 0                          | 0                            | 0                          | 0                            |                   |
| Director                        | Pei-Chen Wang   | 0                          | 0                            | 0                          | 0                            |                   |
| Director                        | Juo-Ping Lin  | 0                          | 0                            | 0                          | 0                            |                   |
| Director                        | Chuan Chi Co., Ltd.<br>Representative:<br>Yuan-Chung Huang    | 973,047<br>296             | 0<br>0                       | 0<br>0                     | 0<br>0                       | Major Shareholder |
| Independent Director            | Tsung-Ta Kuo  | 0                          | 0                            | 0                          | 00                           |                   |
| President                       | Chih-Sheng Hsiao  | 40,007                     | 0                            | 0                          | 0                            |                   |
| Chief Auditor                   | Jian-Chen Xu  | 26,690                     | 0                            | 0                          | 0                            |                   |
| Senior Executive Vice President | Huan-Mou Cheng  | 10,178                     | 0                            | 0                          | 0                            |                   |
| Senior Executive Vice President | Wen-Jung Chen   | 21,021                     | 0                            | 0                          | 0                            |                   |
| Senior Executive Vice President | Richard C.C. Chang  | 462                        | 0                            | 0                          | 0                            |                   |
| Executive Vice President        | Wei-Bin Lin   | 9,030                      | 0                            | 0                          | 0                            |                   |
| Executive Vice President        | Hung-Tsang Chiang   | 33,193                     | 0                            | 0                          | 0                            |                   |
| Executive Vice President        | Chang-Chieh Lin   | 10,783                     | 0                            | 0                          | 0                            |                   |

| Title  | Name             | 2021                       |                              | Up To February 28, 2022    |                              | Remark |
|--|------------------|----------------------------|------------------------------|----------------------------|------------------------------|--------|
|  |                  | Net Change in Shareholding | Net Change in Shares Pledged | Net Change in Shareholding | Net Change in Shares Pledged |        |
| Executive Vice President                               | Shih-Chao Li     | 8,481                      | 0                            | 0                          | 0                            |        |
| Executive Vice President                               | Wen-Sheng Lai    | 6,418                      | 0                            | 0                          | 0                            |        |
| Executive Vice President                               | Tzu-Hsiu Liang   | 6,725                      | 0                            | 0                          | 0                            |        |
| Executive Vice President                               | Yun-Xie Chen     | 1,008                      | 0                            | 0                          | 0                            |        |
| Executive Vice President<br>Department General Manager | Shih-Chien Chin  | 33,022                     | 0                            | 0                          | 0                            |        |
| Executive Vice President<br>Department General Manager | Hong-Yi Chen     | 8,746                      | 0                            | 0                          | 0                            |        |
| Executive Vice President<br>Department General Manager | Tien-Long Yang   | 7,927                      | 0                            | 0                          | 0                            |        |
| Executive Vice President<br>Department General Manager | Jeremy Huang     | 2,668                      | 0                            | 0                          | 0                            |        |
| Department General Manager                             | Li-Hui Huang     | 15,147                     | 0                            | 1,663                      | 0                            |        |
| Department General Manager                             | Ding-Wang Yang   | 2,044                      | 0                            | 0                          | 0                            |        |
| Department General Manager                             | Jia-Si Yan       | 7,259                      | 0                            | 0                          | 0                            |        |
| Department General Manager                             | Chi-Nan Huang    | 3,203                      | 0                            | 0                          | 0                            |        |
| Department General Manager                             | Jun-Long Tsai    | 6,923                      | 0                            | 0                          | 0                            |        |
| Department General Manager                             | Chun-Chieh Chien | 2,514                      | 0                            | 0                          | 0                            |        |
| Department General Manager                             | Yi-Kai Lian      | 2,984                      | 0                            | 0                          | 0                            |        |
| Department General Manager                             | Mei-Ling Wen     | 8,234                      | 0                            | 0                          | 0                            |        |
| Department General Manager                             | Hui -Xiang Yang  | 2,279                      | 0                            | 0                          | 0                            |        |
| Department General Manager                             | Chen-Chuan Kuo   | 552                        | 0                            | 0                          | 0                            |        |
| Branch General Manager                                 | Chuan-Hung Yang  | 6,504                      | 0                            | 0                          | 0                            |        |
| Branch General Manager                                 | Chih-Huang Huang | 15,303                     | 0                            | 0                          | 0                            |        |
| Branch General Manager                                 | Zheng -Xian Xie  | 17,826                     | 0                            | 0                          | 0                            |        |
| Branch General Manager                                 | Mei-Ling Shih    | 11,454                     | 0                            | 0                          | 0                            |        |
| Branch General Manager                                 | Zong-Long Tu     | 5,361                      | 0                            | 0                          | 0                            |        |
| Branch General Manager                                 | Qing-Sheng Xiao  | 3,651                      | 0                            | 0                          | 0                            |        |
| Branch General Manager                                 | Chi-Shen Huang   | 22,772                     | 0                            | 0                          | 0                            |        |
| Branch General Manager                                 | Chung-Yi Hsu     | 11,417                     | 0                            | 0                          | 0                            |        |
| Branch General Manager                                 | Hung-Chi Tung    | 16,034                     | 0                            | 0                          | 0                            |        |
| Branch General Manager                                 | Chang-Cheng Chen | 8,372                      | 0                            | 0                          | 0                            |        |
| Branch General Manager                                 | Chia-Wen Ke      | 10,825                     | 0                            | 0                          | 0                            |        |
| Branch General Manager                                 | Qing-Yu Xu       | 3,400                      | 0                            | 0                          | 0                            |        |

| Title                  | Name              | 2021                       |                              | Up To February 28, 2022    |                              | Remark |
|------------------------|-------------------|----------------------------|------------------------------|----------------------------|------------------------------|--------|
|                        |                   | Net Change in Shareholding | Net Change in Shares Pledged | Net Change in Shareholding | Net Change in Shares Pledged |        |
| Branch General Manager | Hsi-Hsien Wang    | 8,848                      | 0                            | 0                          | 0                            |        |
| Branch General Manager | Cheng-Hao Wu      | 5,209                      | 0                            | 0                          | 0                            |        |
| Branch General Manager | Shu-Chen Shih     | 35,708                     | 0                            | 0                          | 0                            |        |
| Branch General Manager | Shih-Tsung Liu    | 13,558                     | 0                            | 0                          | 0                            |        |
| Branch General Manager | Mei-Chuan Lee     | 12,416                     | 0                            | 0                          | 0                            |        |
| Branch General Manager | Kuo-Mao Wu        | 997                        | 0                            | 0                          | 0                            |        |
| Branch General Manager | Sheng-Jie Lin     | 1,480                      | 0                            | 0                          | 0                            |        |
| Branch General Manager | Mao-Sheng Huang   | 11,113                     | 0                            | 0                          | 0                            |        |
| Branch General Manager | Jun-Yan Xie       | 261                        | 0                            | 0                          | 0                            |        |
| Branch General Manager | Hsien-Hsun Chiang | 11,135                     | 0                            | 0                          | 0                            |        |
| Branch General Manager | Yung-Hung Tsao    | 4,686                      | 0                            | 0                          | 0                            |        |
| Branch General Manager | Po-Hsun Chang     | 1,962                      | 0                            | 0                          | 0                            |        |
| Branch General Manager | Chuan-Ming Ou     | 4,425                      | 0                            | 0                          | 0                            |        |
| Branch General Manager | Cheng-Chien Ho    | 11,468                     | 0                            | 0                          | 0                            |        |
| Branch General Manager | Yan-Wun Huang     | 4,070                      | 0                            | 0                          | 0                            |        |
| Branch General Manager | Stenen Yeh        | 3,819                      | 0                            | 0                          | 0                            |        |

Note 1: Holding over 10% of the total shares of the corporation shall be remarked as major shareholder and shall respectively enumerate such fact.

Note 2: In the event that the opposite party of share transfer or share pledge is a related party, please additionally fill up the following table.

Note 3: Personal adjustment on Jan 1, 2023 (Department General Manager: Hui-Xiang Yang 、 Jun-Yan Xie)

Information of Shareholding Transfer: None

Shares Pledged Information: None

### 3-8-2. Related Party Transaction of First Ten Largest Shareholders

As of Dec. 31, 2022

| Name  | Shares Owned  |               | Shares Owned by Spouses and Minors |               | Shares Held under Surrogate A/C |               | Top ten shareholders who meet the related party disclosures term of FASC NO.6 shall disclose name and relationship |   | Remark |
|---|---------------|---------------|------------------------------------|---------------|---------------------------------|---------------|--|---|--------|
|   | No. of Shares | Shares Held % | No. of Shares                      | Shares Held % | No. of Shares                   | Shares Held % | Name   | Relationship                            |        |
| Song-Yie Liao   | 97,577,167    | 9.97%         | 2,728,617                          | 0.28%         |                                 |               | Chuan Cheng Hat Co., Ltd<br>Chuan Chi Co., Ltd.<br>(Ching-Ling Liu)  | Director<br>Major shareholder<br>Spouse |        |
| Ho Chu Investment Co., Ltd.<br>Representative:<br>Chia-Hung Lin | 48,317,481    | 4.94%         |                                    |               |                                 |               |  |   |        |

| Name   | Shares Owned  |               | Shares Owned by Spouses and Minors |               | Shares Held under Surrogate A/C |               | Top ten shareholders who meet the related party disclosures term of FASC NO.6 shall disclose name and relationship |                          | Remark |
|--|---------------|---------------|------------------------------------|---------------|---------------------------------|---------------|--|--------------------------|--------|
|  | No. of Shares | Shares Held % | No. of Shares                      | Shares Held % | No. of Shares                   | Shares Held % | Name   | Relationship             |        |
| Fu Jing Investment Co., Ltd.<br>Representative:<br>Wei Ren Liao        | 46,350,000    | 4.74%         |                                    |               |                                 |               |  |                          |        |
| Chuan Chi Co., Ltd.<br>Representative:<br>Ching-Ling Liu               | 33,407,955    | 3.41%         |                                    |               |                                 |               | Song-Yie Liao  | Major shareholder Spouse |        |
| Kuo-Chao Hsiao   | 22,025,319    | 2.25%         |                                    |               |                                 |               |  |                          |        |
| Yuhui Co., Ltd<br>Representative:<br>Gui-Xian Wang                     | 20,404,043    | 2.09%         |                                    |               |                                 |               |  |                          |        |
| Chuan Cheng Hat Co., Ltd.<br>Representative:<br>Ching-Ling Liu         | 19,933,474    | 2.04%         |                                    |               |                                 |               | Song-Yie Liao  | Director Spouse          |        |
| Hooann Co., Ltd.<br>Representative:<br>Jen-Chieh Yang                  | 17,620,407    | 1.80%         |                                    |               |                                 |               |  |                          |        |
| Chun-Chieh Wang  | 13,746,435    | 1.40%         |                                    |               |                                 |               |  |                          |        |
| Yuan Ta Chung Machinery Co., Ltd.<br>Representative:<br>Chi-Jung Huang | 13,590,967    | 1.39%         |                                    |               |                                 |               |  |                          |        |

### 3-8-3. Consolidated Shareholdings:

Unit: share; %

| Investees<br>(Note)                  | Direct Investment |             | Indirect Investment |             | Total         |             |
|--------------------------------------|-------------------|-------------|---------------------|-------------|---------------|-------------|
|                                      | No. of Shares     | Shares Held | No. of Shares       | Shares Held | No. of Shares | Shares Held |
| Taiwan Financial Asset Service Corp. | 5,000,000         | 2.94%       | 0                   | 0           | 5,000,000     | 2.94%       |
| Taiwan Asset Management Corp.        | 6,000,000         | 0.57%       | 0                   | 0           | 6,000,000     | 0.57%       |
| Sunny Asset Management Corp.         | 25,302            | 0.42%       | 0                   | 0           | 25,302        | 0.42%       |
| Taiwan Depository & Clearing Corp.   | 361,605           | 0.08%       | 0                   | 0           | 361,605       | 0.08%       |

Note: The Bank's investment pursuant to article 74 of the Banking Act.

# 4

## Capital Arrangement





## 4-1. Capital Shares and Dividends

### 4-1-1. Source of Capital

As of Feb. 28, 2023; Shares Held (%)

| Month/Year | Issuing price (TWD) | Registered Capital |                | Paid-in Capital |               | Remark  |       |
|------------|---------------------|--------------------|----------------|-----------------|---------------|---|-------|
|            |                     | Shares             | Amount         | Shares          | Amount        | Source  | Other |
| Aug 2022   | 10                  | 1,200,000,000      | 12,000,000,000 | 978,584,053     | 9,785,840,530 | Capital increase from retained earnings of TWD285,024,480 |       |

As of Dec. 31, 2022

| Type of share | Registered capital |                 |               | Remark                       |
|---------------|--------------------|-----------------|---------------|------------------------------|
|               | Outstanding shares | Unissued shares | Total         |                              |
| Common shares | 978,584,053        | 222,415,947     | 1,200,000,000 | Bank is not a listed company |

Information for comprehensive reporting: None

### 4-1-2. Shareholder Structure

As of Dec. 31, 2022

| Category               | Government Agency | Financial Institution | Other Institution | Individual  | Foreign Institution and Foreigner | Total       |
|------------------------|-------------------|-----------------------|-------------------|-------------|-----------------------------------|-------------|
| Number of Shareholders | 2                 | 1                     | 402               | 63,555      | 56                                | 64,016      |
| Number of Shares       | 1,999             | 16,722                | 278,684,808       | 698,011,995 | 1,868,529                         | 978,584,053 |
| Percentage             | -                 | -                     | 28.48%            | 71.33%      | 0.19%                             | 100%        |

### 4-1-3. Distribution of Shareholders' Equity

#### 4-1-3-1. Common Stock: par value of TWD10

As of Dec. 31, 2022

| Tier             | Number of Shareholders | Number of Shares | Percentage (%) |
|------------------|------------------------|------------------|----------------|
| 1 – 999          | 44,725                 | 12,035,571       | 1.23%          |
| 1,000 - 5,000    | 10,835                 | 22,302,954       | 2.28%          |
| 5,001 - 10,000   | 1,863                  | 13,377,574       | 1.37%          |
| 10,001 - 15,000  | 684                    | 8,321,540        | 0.85%          |
| 15,001 - 20,000  | 1,915                  | 33,403,406       | 3.41%          |
| 20,001 - 30,000  | 1,545                  | 37,728,326       | 3.86%          |
| 30,001 - 40,000  | 424                    | 14,650,884       | 1.50%          |
| 40,001 - 50,000  | 220                    | 9,805,248        | 1.00%          |
| 50,001 - 100,000 | 733                    | 52,150,241       | 5.33%          |



| Tier                | Number of Shareholders | Number of Shares | Percentage (%) |
|---------------------|------------------------|------------------|----------------|
| 100,001 - 200,000   | 581                    | 80,651,899       | 8.24%          |
| 200,001 - 400,000   | 265                    | 73,576,954       | 7.52%          |
| 400,001 - 600,000   | 98                     | 47,604,571       | 4.86%          |
| 600,001 - 800,000   | 33                     | 22,651,359       | 2.31%          |
| 800,001 - 1,000,000 | 21                     | 18,894,161       | 1.93%          |
| 1,000,001 and above | 74                     | 531,429,365      | 54.31%         |
| Total               | 64,016                 | 978,584,053      | 100.00%        |

#### 4-1-3-2. Preferred Stock: None

#### 4-1-4. List of Major Shareholders

As of Dec. 31, 2022

| Name                                  | Number of Shares | Percentage (%) |
|---------------------------------------|------------------|----------------|
| Song-Yie Liao                         | 97,577,167       | 9.97%          |
| Ho Chu Investment Co., Ltd.           | 48,317,481       | 4.94%          |
| Fu Jiang Investment Co., Ltd.         | 46,350,000       | 4.74%          |
| Chuan Chi Co., Ltd.                   | 33,407,955       | 3.41%          |
| Kuo-Chao Hsiao                        | 22,025,319       | 2.25%          |
| Yuhui Co., Ltd                        | 20,404,043       | 2.09%          |
| Chuan Cheng Hat Co., Ltd.             | 19,933,474       | 2.04%          |
| Hooann Co., Ltd.                      | 17,620,407       | 1.80%          |
| Chun-Chieh Wang                       | 13,746,435       | 1.40%          |
| Yuan Ta Chung Machinery Co., Ltd.     | 13,590,967       | 1.39%          |
| Nenghong Investment Holding Co., Ltd. | 12,844,764       | 1.31%          |
| Jun Heng Investment Co., Ltd.         | 12,809,013       | 1.31%          |

Note: Disclose the ratio of holding shares above 1%.

## 4-1-5. Recent 2 years data on stock price per share, net asset value, earnings, dividends, and related information.

Unit: TWD, share

| Item                  |                         | Year             | 2021           | 2022           | Up To Feb. 28, 2023 |
|-----------------------|-------------------------|------------------|----------------|----------------|---------------------|
| Market Value (Note 1) | Highest                 |                  | Not applicable | Not applicable | Not applicable      |
|                       | Lowest                  |                  | Not applicable | Not applicable | Not applicable      |
|                       | Average                 |                  | Not applicable | Not applicable | Not applicable      |
| Net Worth             | Before Distribution     |                  | 13.63          | 13.74          | Not applicable      |
|                       | After Distribution      |                  | 13.23          | (Note 2)       | Not applicable      |
| Earnings              | Weighted Average Shares |                  | 978,584,053    | 978,584,053    | Not applicable      |
|                       | Earnings per Share      | Before Adjust    | 0.77           | 0.87           | Not applicable      |
|                       |                         | After Adjust     | 0.75           | (Note 2)       | Not applicable      |
| Dividend              | Cash Dividends          |                  | 0.25           | (Note 2)       | Not applicable      |
|                       | Stock Dividends         | Retained Earning | 0.30           | (Note 2)       | Not applicable      |
|                       |                         | Capital Reverse  | 0              | 0              | Not applicable      |
|                       | Dividends in Arrear     |                  | 0              | 0              | Not applicable      |
| ROI Analysis (Note 1) | P/E Ratio               |                  | Not applicable | Not applicable | Not applicable      |
|                       | P/D Ratio               |                  | Not applicable | Not applicable | Not applicable      |
|                       | Cash Dividend Yield     |                  | Not applicable | Not applicable | Not applicable      |

Note 1: COTA Bank is not listed on the stock exchange or the OTC market, therefore this does not apply.

Note 2: The distribution of earnings will be confirmed after approval by the shareholders' meeting in 2023.

## 4-1-6. Dividend Policy and Execution Status

According to COTA Bank's articles of association, the dividend distribution follows a method that combines cash and stock dividends. After allocating the statutory surplus reserve as required by law and setting aside or reversing the special surplus reserve based on the bank's operational needs and legal provisions, the remaining amount is distributed to shareholders.

The distribution is governed by Article 34-1 of COTA Bank's articles of association, which states the following: In the event of a surplus in the bank's annual financial statements, taxes and donations shall be paid in accordance with the law. After offsetting accumulated losses, 30% of the statutory surplus reserve shall be allocated. However, if the statutory surplus reserve has reached the total capital amount or if the financial business is sound and the statutory surplus reserve is allocated according to company law, it is not subject to the aforementioned limitation. Additionally, the bank may set aside or reverse special surplus reserves according to operational needs and legal provisions. If there is still a surplus after these allocations, it, along with undistributed profits from the previous period, shall be proposed by the board of directors as a dividend distribution plan for approval by the shareholders' meeting.

When the statutory surplus reserve has not reached the total capital amount of the COTA Bank, the maximum cash dividend distribution mentioned above shall not exceed 15% of the total capital amount.

Regarding the distribution of shareholder dividends, unless otherwise stipulated by law, a minimum of 10% must be in the form of cash dividends, with the remaining portion in stock dividends. If the cash dividend per share is less than TWD0.1, it shall not be distributed unless otherwise resolved by the shareholders' meeting.

Execution Status: The proposed dividend distribution for 2022 includes cash dividends of TWD264,217,690 and stock dividends of TWD244,646,010. The distribution will be carried out after approval by the shareholders' meeting.

#### 4-1-7. Impact of proposed free stock dividend on bank's operational performance and earnings per share at the shareholders' meeting.

Unit: TWD thousand, except dividends per share in TWD per share.

| Year/Item   |   | 2022<br>(Estimate)                 |
|---|---|------------------------------------|
| Beginning Paid-in capital (TWD)                         |   | 9,785,841                          |
| Stock and Cash Dividends for Current                    | Cash dividends per share  | 0.27(Note 2)                       |
|   | Stock dividends per share for capital increment from retained earnings (Shares) | 0.25(Note 2)                       |
|   | Stock dividends per share for capital increment from capital surplus (Shares)   | -                                  |
| Changes in Performance                                  | Operating profit  | N/A (Note 1)                       |
|   | Change in operating profit compared with previous year                          |                                    |
|   | After-tax profit  |                                    |
|   | Change in after-tax profit compared with previous year                          |                                    |
|   | Earnings per share (TWD)  |                                    |
|   | Change in earnings per share compared with previous year                        |                                    |
|   | Average return on investment (Average annual EP ratio)                          |                                    |
| Conjectural Earnings per Share and Price/Earnings Ratio | If retained earnings for capital increment all converted to cash dividends      | Earnings per share (TWD)           |
|   |   | Average annual return on increment |
|   | If no increment using capital surplus   | Earnings per share (TWD)           |
|   |   | Average annual return on increment |
|   | If no increment using capital surplus but switch to cash dividends              | Earnings per share (TWD)           |
|   |   | Average annual return on increment |

Note 1: COTA Bank has not disclosed financial forecasts for 2022. According to the letter No. 00371 issued by the Ministry of Finance and the Securities and Futures Bureau on February 1, 2000 (89/2/1), companies are not required to disclose this information if they have not announced financial forecasts.

Note 2: The distribution of stock dividends and cash dividends for 2022 is pending approval by the shareholders' meeting.



## 4-1-8. Employee and director remuneration

### 4-1-8-1.

The percentage or range of employee and director remuneration as stated in the bank's articles of association shall be regulated in accordance with the revised provisions of Article 34 of the bank's articles of association: 6% of profits shall be allocated for employee remuneration, and no more than 2% shall be allocated for director remuneration (with a maximum of 2%).

### 4-1-8-2.

The estimated basis for the provision amount of employee and director remuneration in the current period, as well as the calculation basis for stock-based employee remuneration, and the actual distribution amounts, if there are differences, will be treated as changes in accounting estimates. These differences will be adjusted and recorded in the current period's income statement upon the annual resolution of the shareholders' meeting.

### 4-1-8-3.

The distribution of remuneration approved by the Board of Directors is carried out in accordance with the company's articles of association as follows:

- (1) Proposed distribution of employee remuneration for 2023, based on the amount of employee remuneration for the previous year 2022: TWD68,498,000.
- (2) Proposed distribution of director remuneration for 2023, based on the amount of director remuneration for the previous year 2022: TWD22,833,000.
- (3) The proposed amount of employee remuneration to be distributed in the form of stocks and its ratio to the current period's after-tax net income and the total amount of employee remuneration: No employee remuneration will be distributed in the form of stocks.

### 4-1-8-4.

The distribution of earnings for 2021 for employee and director remuneration is as follows:

- (1) Employee remuneration: TWD59,051,000.
- (2) Director remuneration: TWD19,684,000.
- (3) Comparison with the originally proposed allocation: The originally estimated amount for employee remuneration was TWD59,051,000, with no difference; the originally estimated amount for director remuneration was TWD19,684,000, with no difference. There is no discrepancy between the estimated amounts and the recorded figures.

## 4-1-9. Repurchase of the bank's own shares

The bank has not engaged in any repurchase of its own shares.



## 4-2. Issuance of Bank Debentures

| Type of Bank Debt  | 1st subordinate financial debts in 2016  | 1st non-cumulative perpetual subordinated financial debts in 2018  | 2nd subordinate financial debts in 2018  |
|--|--|--|--|
| Date Approved by Central Competent Authority, Document No. | Financial Supervisory Commission Executive Yuan, R.O.C.<br>September 5, 2016<br>Document No.10500214440  | Financial Supervisory Commission Executive Yuan, R.O.C.<br>March 5, 2018<br>Document No.10702043550  | Financial Supervisory Commission Executive Yuan, R.O.C.<br>August 31, 2018<br>Document No.10702165540  |
| Date of Issue  | November 16, 2016  | Jun 21, 2018   | December 12, 2018  |
| Denomination   | 500 thousand   | 10 million   | 10 million   |
| Issue and transaction Place                                | Taiwan, R.O.C.   | Taiwan, R.O.C.   | Taiwan, R.O.C.   |
| Currency   | New Taiwan Dollar  | New Taiwan Dollar  | New Taiwan Dollar  |
| Issue Price  | Face value   | Face value   | Face value   |
| Total Amount   | 1.8 billion  | 0.6 billion  | 0.6 billion  |
| Interest Rate  | Fixed rate 2.1%  | Floating rate: Adjustable rate for consumer loans by season +3.06%   | Fixed rate 1.95%   |
| Term   | 7 years, matured on November 16, 2023  | Perpetual  | 7 years, matured on December 12, 2025  |
| Priority of Payment  | Takes precedence over bank shareholders for distribution of surplus assets and is subordinate to the deposit client and all other creditors of the Bank. | Takes precedence over bank shareholders for distribution of surplus assets and is subordinate to tier 2 Capital holders, the deposit client and all other creditors of the Bank. | Takes precedence over bank shareholders for distribution of surplus assets and is subordinate to the deposit client and all other creditors of the Bank. |
| Guaranteeing Institution                                   | None   | None   | None   |
| Trustee  | None   | None   | None   |
| Underwriter  | None   | None   | None   |
| Certifying Lawyers   | Wen-Cheng Chiang   | Wen-Cheng Chiang   | Wen-Cheng Chiang   |
| Certifying CPA   | Shi-Hua Guo  | Shi-Hua Guo  | Shi-Hua Guo  |
| Certifying Financial Institution                           | None   | None   | None   |
| Method of Redemption                                       | Principal paid upon maturity   | perpetual  | Principal paid upon maturity   |
| Unredeemed Balance   | 1.8 billion  | 0.6 billion  | 0.6 billion  |
| Preceding Year's Paid-in capital                           | 5,998,771,420 (2015)   | 7,625,523,040 (2017)   | 7,625,523,040 (2017)   |
| Preceding Year's Post-Audit Net Value                      | 7,916,736,553 (2015)   | 9,337,842,218 (2017)   | 9,337,842,218 (2017)   |
| Performance Status   | Normal   | Normal   | Normal   |
| Sellback or Early Redemption conditions                    | None   | 30 days before announcement to comply with rules of competent authority it can be redeemed (including interest payable) after 5 years of the issuance                            | None   |

## 4 / Capital Arrangement

| Type of Bank Debt  | 1st subordinate financial debts in 2016   | 1st non-cumulative perpetual subordinated financial debts in 2018   | 2nd subordinate financial debts in 2018   |
|--|---|---|---|
| Rollover and Exchange Conditions   | None  | None  | None  |
| Restrictive Conditions   | Subordinated  | Subordinated  | Subordinated  |
| Capital Utilization plan   | Raise the Bank's owner's capital and BIS ratio  | Raise the Bank's owner's capital and BIS ratio  | Raise the Bank's owner's capital and BIS ratio  |
| Amount of Registered Issuance Plus Outstanding Balance Already Issued as Ratio of Net Final Value of Issuance in Preceding Year. | 22.74%  | 25.70%  | 32.13%  |
| Whether it is included in qualified own capital and its category.  | Yes, Tier 2 Capital.  | Yes, Tier 1 Capital   | Yes, Tier 2 Capital   |
| Name of the credit rating agency, rating date, and the assigned rating level.  | At the time of this bond issuance, COTA Bank's credit rating, as rated by China Credit Rating Co., Ltd. (as of Jan 15, 2016), was "twBBB+" for long-term credit rating and "twA-2" for short-term credit rating, with a "stable" outlook. | At the time of this bond issuance, COTA Bank's credit rating, as rated by China Credit Rating Co., Ltd. (as of Dec 26, 2017), was "twBBB+" for long-term credit rating and "twA-2" for short-term credit rating, with a "stable" outlook. | At the time of this bond issuance, COTA Bank's credit rating, as rated by China Credit Rating Co., Ltd. (as of Dec 26, 2017), was "twBBB+" for long-term credit rating and "twA-2" for short-term credit rating, with a "stable" outlook. |

### 4-3. Issuance status of preferred shares: None

### 4-4. Issuance status of overseas depositary receipts: None

### 4-5. Status of employee stock option certificates processing: None

### 4-6. Status of restricted employee rights new share processing: None

### 4-7. Merger or acquisition of other financial institutions:

As of the most recent fiscal year and up until the printing date of the annual report, COTA Bank has not engaged in any merger or acquisition of other financial institutions.

### 4-8. Execution status of capital utilization plan: None



# 5

## Business Operation



## 5-1. Business Report

### 5-1-1. Business Results

#### 5-1-1-1. Deposits

Unit: TWD thousand

| Items                              | Year | 31 Dec 2022 |        | 31 Dec 2021 |        | Increase (Decrease) Amount | Increase (Decrease) % |
|------------------------------------|------|-------------|--------|-------------|--------|----------------------------|-----------------------|
|                                    |      | Amount      | %      | Amount      | %      |                            |                       |
| Checking Deposits                  |      | 3,437,369   | 2.03   | 3,148,727   | 1.87   | 288,642                    | 9.17                  |
| Demand Deposits                    |      | 28,487,228  | 16.80  | 25,940,854  | 15.44  | 2,546,374                  | 9.82                  |
| Foreign currency Demand Deposits   |      | 2,225,771   | 1.31   | 2,590,191   | 1.54   | (364,420)                  | (14.07)               |
| Demand Savings Deposits            |      | 47,923,057  | 28.26  | 46,973,655  | 27.97  | 949,402                    | 2.02                  |
| Employees Demand Savings Deposits  |      | 958,001     | 0.57   | 1,026,168   | 0.61   | (68,167)                   | (6.64)                |
| Time Deposits                      |      | 21,034,957  | 12.41  | 24,949,877  | 14.85  | (3,914,920)                | (15.69)               |
| Foreign currency Time Deposits     |      | 1,648,149   | 0.97   | 1,051,790   | 0.63   | 596,359                    | 56.70                 |
| Negotiable Certificates of Deposit |      | 823,000     | 0.49   | 2,771,000   | 1.65   | (1,948,000)                | (70.30)               |
| Time Savings Deposits              |      | 63,017,470  | 37.16  | 59,508,112  | 35.43  | 3,509,358                  | 5.90                  |
| Remittances                        |      | 1,459       | 0.00   | 3,653       | 0.00   | (2,194)                    | (60.06)               |
| Total                              |      | 169,556,461 | 100.00 | 167,964,027 | 100.00 | 1,592,434                  | 0.95                  |

#### 5-1-1-2. Loans

Unit: TWD thousand

| Items                       | Year | 31 Dec 2022 |        | 31 Dec 2021 |        | Increase (Decrease) Amount | Increase (Decrease) % |
|-----------------------------|------|-------------|--------|-------------|--------|----------------------------|-----------------------|
|                             |      | Amount      | %      | Amount      | %      |                            |                       |
| Export Bills                |      | 0           | -      | 0           | -      | 0                          | -                     |
| Overdraft                   |      | 0           | -      | 0           | -      | 0                          | -                     |
| Short-term Loan             |      | 4,144,540   | 3.11   | 3,545,825   | 2.89   | 598,715                    | 16.89                 |
| Factoring                   |      | 8,621       | 0.01   | 0           | -      | 8,621                      | -                     |
| Guarantee Overdraft         |      | 4,613       | 0.00   | 6,224       | 0.01   | (1,611)                    | (25.88)               |
| Short-term Secured Lending  |      | 22,255,003  | 16.70  | 17,168,036  | 14.00  | 5,086,967                  | 29.63                 |
| Medium-term Loan            |      | 23,526,225  | 17.66  | 13,192,955  | 10.76  | 10,333,270                 | 78.32                 |
| Medium-term Secured Lending |      | 51,769,519  | 38.86  | 56,120,968  | 45.77  | (4,351,449)                | (7.75)                |
| Long-term Loan              |      | 1,767,667   | 1.33   | 1,878,493   | 1.53   | (110,826)                  | (5.90)                |
| Long-term Secured Lending   |      | 29,579,682  | 22.20  | 30,525,544  | 24.89  | (945,862)                  | (3.10)                |
| Collection                  |      | 176,357     | 0.13   | 181,795     | 0.15   | (5,438)                    | (2.99)                |
| Total                       |      | 133,232,227 | 100.00 | 122,619,840 | 100.00 | 10,612,387                 | 8.65                  |

#### 5-1-1-3. Foreign Exchange Business (OBU included)

Unit: USD thousand

| Items                      | Year | 2022    | 2021    | Increase (Decrease) Amount | Increase (Decrease) % |
|----------------------------|------|---------|---------|----------------------------|-----------------------|
|                            |      | Amount  | Amount  |                            |                       |
| Foreign Currency Deposit   |      | 126,153 | 131,527 | (5,374)                    | (4.09)                |
| Foreign Currency Loan      |      | 54,035  | 30,513  | 23,522                     | 77.09                 |
| Import and Export Business |      | 10,451  | 11,017  | (566)                      | (5.14)                |
| Exchange Business          |      | 243,640 | 286,145 | (42,505)                   | (14.85)               |

Note: Foreign exchange deposits and loans are the year-end balances; Import, export and remittance business are annual commitments

## 5-1-1-4. Trust Business

Unit: TWD thousand

| Items   | Year | 31 Dec 2022 Amount | 31 Dec 2021 Amount | Increase (Decrease) Amount | Increase (Decrease) % |
|---|------|--------------------|--------------------|----------------------------|-----------------------|
| Non-Discretionary Money Trust Investment in Domestic and Foreign Securities |      | 4,474,966          | 3,670,129          | 804,837                    | 21.93                 |
| Other Trust of Money  |      | 919,602            | 866,449            | 53,153                     | 6.13                  |
| Trust of Money (Total)  |      | 5,394,568          | 4,536,578          | 857,990                    | 18.91                 |
| Trust of Real Estate  |      | 1,119,905          | 671,390            | 448,515                    | 66.80                 |
| Trust Property under Trustees (Total)                                       |      | 6,514,473          | 5,207,968          | 1,306,505                  | 25.09                 |
| Other Affiliated Business   |      | 0                  | 0                  | 0                          | 0                     |
| Certified Business  |      | 0                  | 0                  | 0                          | 0                     |

Note: Trust of real estate includes the cash in the financing trust special account of real estate development trust

## 5-1-1-5. Wealth Management Business

Unit: TWD thousand

| Items                          | Year | 2022 Amount | 2021 Amount | Increase (Decrease) Amount | Increase (Decrease) % |
|--------------------------------|------|-------------|-------------|----------------------------|-----------------------|
| Overseas Corporate Bond Income |      | 13,880      | 114         | 13,766                     | 12,075.44             |
| Fund Fee Income                |      | 9,667       | 15,147      | (5,480)                    | (36.18)               |
| Insurance Fee Income           |      | 173,925     | 129,824     | 44,101                     | 33.97                 |
| Total                          |      | 197,472     | 145,085     | 52,387                     | 36.11                 |

## 5-1-1-6. Credit Card Business

Unit: TWD thousand/ number of cards

| Items                                   | Year | 2022 Amount | 2021 Amount | Increase (Decrease) Amount | Increase (Decrease) % |
|---|------|-------------|-------------|----------------------------|-----------------------|
| Cumulative Total Number of Cards Issued |      | 108,072     | 103,691     | 4,381                      | 4.23                  |
| Credit Card Circulation                 |      | 18,943      | 16,241      | 2,702                      | 16.64                 |
| Amount of Consumption                   |      | 1,355,241   | 1,159,834   | 195,407                    | 16.85                 |
| Revolving Credit Balance                |      | 22,213      | 16,090      | 6,123                      | 38.05                 |

## 5-1-1-7. Investment Bond and Bills Business

Unit: TWD thousand

| Items                                      | Year | 31 Dec 2022 Amount | 31 Dec 2021 Amount | Increase (Decrease) Amount | Increase (Decrease) % |
|--|------|--------------------|--------------------|----------------------------|-----------------------|
| Government Bond                            |      | 979,468            | 986,907            | (7,439)                    | (0.75)                |
| Financial Bonds and Corporate Bonds        |      | 13,314,990         | 13,667,767         | (352,777)                  | (2.58)                |
| Convertible Bond                           |      | 1,923,700          | 685,800            | 1,237,900                  | 180.50                |
| Reverse Repurchase Agreement               |      | 3,142,837          | 10,480,858         | (7,338,021)                | (70.01)               |
| CBC Certificates of Deposits (include NCD) |      | 16,375,000         | 16,610,000         | (235,000)                  | (1.41)                |
| Short-term Transactions Instruments        |      | 699,436            | 4,610,541          | (3,911,105)                | (84.83)               |

## 5-1-1-8. The Proportion and Change of Net Income of Operating Business

Unit: TWD thousand

| Items   | 2022      |                         | 2021      |                         |
|---|-----------|-------------------------|-----------|-------------------------|
|   | Amount    | Ratio of Net Income (%) | Amount    | Ratio of Net Income (%) |
| INTN ( Interest Income (Net) )  | 2,670,341 | 84.70                   | 2,534,465 | 88.98                   |
| FEE (Service Fee Revenue & Commission (Net))  | 296,128   | 9.39                    | 238,377   | 8.37                    |
| FIAL (Gains or Losses on Financial Assets (Liabilities) at Fair Value through Profit or Loss)               | 28,957    | 0.92                    | 30,570    | 1.07                    |
| FVTOCI (Realized Gains or Loss from Sale of Fair Value through Other Comprehensive Income Financial Assets) | 24,927    | 0.79                    | 23,838    | 0.84                    |
| Realized Gains or Loss from Amortized Cost Financial Assets   | 0         | 0                       | 1,959     | 0.07                    |
| XGL (Foreign Exchange Gain)   | 106,197   | 3.37                    | (1,005)   | (0.04)                  |
| Profit on Reversal of Impairment Assets Loss  | (1,468)   | (0.05)                  | 1,746     | 0.06                    |
| OREV (Other Revenue Except for Interest Income)   | 27,783    | 0.88                    | 18,499    | 0.65                    |
| NREV (Net Revenue)  | 3,152,865 | 100.00                  | 2,848,449 | 100.00                  |

## 5-1-2. Business Plans for year 2023

### 5-1-2-1. Operation Plans

- To cooperate with the competent authority to promote the development of financial technology and regulatory amendment, keep develop and improve the electronic access service to expand the digitalization of various business and provide convenient and diversified financial services.
- Concerning to simplify the operation procedure and internal control, review and improve business regulations any time to optimizing adjustment, promote service quality and work efficiency.
- Planning to introduce ISO 22301 operation system and expected to pass verification in year 113
- Explore and evaluate the feasibility to introduce micro-service architecture.
- Develop the online electronic direct debit authorization (eDDA) platform.
- Cooperate with the Auditing Department to plan and develop a special audit system.
- Develop the Application Programming Interface (API) to declare with the central bank.
- Develop a new version of the mobile billing system to replace the original outsourced version.
- Develop a message sending program that complies with the new version of SWIFT ISO20022 standard format.
- Developed the interfacing operation program between the Bank's trust fund system and depository & clearing platform.
- Compiled and calculated the qualified regulatory capital ratio of the bank and analyzed the difference with the prior ratio.
- In response to the announcement by the Financial Supervisory Commission in January 2014 that our country has fully upgraded the promotion framework for the adoption of the International Financial Reporting Standards version, it has been upgraded from the 2010 version to the 2013 version since 2015, and has been approved and applicable since 2017. We do the relevant follow-up accounting treatment and tax response plan.
- In response to the implementation of Basel III, we strengthen the capital structure, the equity basis of common stock and the risk-taking ability.
- We strengthen accounting management and implement budget enforcement to make resources more efficient.
- To promote and handle all related policies and orders for financial & tax.

- Adjusting the internal transfer and pricing mechanism to improve efficiency and effectiveness of business and management.
- Continuously simplifies accounting operations and streamlining manpower and time.
- To integrate information of tax declaration and enforce the effectiveness and correctness by electronic implementation
- Developed the programs related to securities trust business.
- We are replacing old ATMs to increase the proportion of ATMs that provide transaction functions for the visually impaired.
- To develop a complete E-LOAN system

### 5-1-2-2. Lending Business

- Enhance the pre-existing risk control capabilities of the entire product to improve asset quality and implement post-event management. Regularly review the operating conditions and asset quality of the consumer finance credit business, and adjust the pricing and credit policies of the products at any time, and strengthen the management structure of the product line to respond product performance.
- To improve quality of credit personnel and implement “customer segmentation” strategy, expand the lending scale of low-risk customers and strictly control high-risk customers as well, strengthen risk pre-warning system and establish rigorous management operations.
- Making the back office standardized, automatic and digitalized to save operational cost and shorten operating time so that making the lending procedure more competitive and efficient to achieve the goal of economies of scale.
- Based on innovative consumer financial products in the market, the Bank takes low risk and advantageous competitiveness as the main goal to develop diversified and customized projects to increase added value of products and expand product services and personal financial loan scale.
- To increase income of the Bank, we accelerate credit processing by electronic process and strengthen risk control to create personal financial business based on principle for both quality and quantity. Deeply cultivate all old clients and look for new potential online banking customers, we cooperate with digital bank to develop appliances to be computerized and use the convenience of Internet to promote business volume.
- Strengthen the understanding and recognition of the bank’s consumer financial products for the wealth management investment group at the top of the pyramid.
- Continuously strengthen the on-the-job training courses for business personnel, aiming at compliance, product positioning, marketing direction, development skills, service etiquette, and supplemented by the four purposes of integrity, innovation, cordiality, and service to improve the overall business team’s production capacity.
- Strengthen the mobile APP and integrate the marketing official website, and deeply develop the Internet generation group again.
- Strengthen the use of online credit application and online insurance APP and online application that have been launched. It can accelerate the operation process and increase volume of case.
- Choose excellent target customer groups and provide exclusive discounts and services to expand consumer finance business.
- Create the most suitable business model for lending business to enhance the overall competitiveness in response to external competition and changes in the regulatory environment, and create the best profit for the Bank.
- Making good use of internal credit rating system to adjust factors and weights moderately after collecting sufficient quantitative data and summarize reasons for timing and overdue of default by using credit default database.
- The mortgage business is based on the principle of installment amortization. The Bank should focus on Loan 5P rule to avoid giving grace period to reduce credit risk and treat collaterals to be second line of defense.
- In order to enhance competitiveness of bank business and effectively control the quality of real estate, we refer to the real estate appraisal information platform of Joint Credit Information Center (JCIC), internal database and other relevant information platforms built by government to make segmentation by differentiated region and degree of regional risk for more transparent and rational of the appraisal , and carry out real price registration review after lending to ensure credit quality.
- Monitoring credit limit to enhance risk management and improve asset quality, focus on supervisory control and management of various risks and strengthen Capital Adequacy Ratio of the Bank.



- Regularly review lending interest rate for land financing, construction financing and housing loans of the Bank and implement improvement plan of concentration for construction loans to match enhanced financial supervision measures adopted by the competent authority on the real estate loan risk control.
- Optimize the credit process of the bank, strengthen vertical communication and horizontal contact among business units, and credit management departments, maximize work efficiency, strengthen the quality of credit cases, and facilitate overall business promotion and coordination with marketing.
- Strictly carry out SOP of credit and loan business, strengthen detailed evaluation of credit facility, review and follow-up outstanding cases after credit release and keep track of the performance of customer management and financial control to avoid or reduce losses and maintain credit assets.
- Construct full credit management system by integrating internal and external information to improve efficiency of credit business operations.
- Registered as sole proprietorship, partnership or company organization according to law of SME are as the target to expand business portfolio according to their business status, credit quality, lending purpose and repayment plan, and also to enhance debt strengthens through SMEG and government-related policies. To provide derivative funds for enterprises to purchase machines and equipment and assist in their growth.
- Set maximum limits for individual industries based on industry prosperity and risk differences to avoid excessive concentration of risks in the same industry.
- Ensuring claims, increasing secure percentage and reducing percentage of credit loans. If the loan met the requirement of the “Small and Medium Enterprise Credit Guarantee Fund”, it should apply the Fund as a guarantor for reducing capital charge.
- Credit department in head office regularly collects industry profile analysis reports for relevant personnel in order to realize the market trends of various industries.
- Cooperating with the government's policies on economy growth and industries upgrading, providing the whole programs on corporate loans and satisfying the customers funding needs in each level.
- To prioritize customer production and marketing and create new resources with expansion of upstream and downstream.
- Following government policies, continuously promoting SME loans to satisfy customers' needs, enlarging customers' base and economic scale, and enhancing market share of the corporate financing.
- Actively promote the business of credit granting to enterprises, assist enterprises in the allocation of funds, and meet the capital needs of various periods during the development of enterprises, such as: short-term, temporary or seasonal operating working capital of enterprises, implementation of investment by enterprises, and establishment of medium and long-term operation plans.

### 5-1-2-3. International Banking & Foreign Exchange Business

- Cooperate with the optimization of corporate financial organization, enhance the amount of foreign exchange demand and foreign exchange deposits for corporate accounts, strengthen the stickiness of corporate customers, and facilitate the growth of foreign exchange business.
- Accelerate the digitalization of the Bank, we increase foreign currency digital accounts to provide customers with multiple choices
- Cooperate with ISO20022, the international standardization of SWIFT format to convert the sending message format from MT to MX.
- To follow with the things to be aware of Anti-Money Laundering and countering terrorist finance, the Bank Integrates the identification and evaluation of national risk, and controls process over the real-time system and strengthen blacklist control and inspection.
- In response to environmental protection and control delivery cost, we will coordinate with IT department to inspect the existing operation process with archives backup to replace paper printing.
- We cooperate with the IT department to plan and develop the Import and export operations function of the new system, so that the designated foreign exchange unit will use the integrated interface to operate the foreign exchange system.
- We continue to enforce the professional knowledge and training of foreign exchange in order to enhance ability to expand foreign exchange business.



#### 5-1-2-4. Wealth Management

- Carry out customer classification management based on customer asset scale and contribution, formulate VIP customer preferential rights, including domestic cross-withdrawal transfer fee discounts and currency exchange discounts, etc., provide differentiated services and strengthen VIP customer stickiness.
- Taking advantage of local operations, we hold customer briefing sessions for wealth management at branches, provide the latest market information and communicate with customers on topics such as wealth inheritance, and increase the chances of trading wealth management products.
- Through close cooperation with funds, insurance companies, securities companies and other access channels, we select high-quality overseas bonds, selected funds and insurance products in line with market conditions, and provide financial management customers with more diversified product choices.
- In order to solve the problem of aging population and lower birth rate, the Bank continues to promote the trust business actively for elderly and physical and mental disabilities in response to the comprehensive trust plan “Trust 2.0” of competent authority. We wish the concept of Elder Care Trust is widely passed and respond to people who can get well financial services equally.
- Looking forward to cooperating with social welfare organizations and nursing institutions to raise the breadth of trust services.
- To hold the relating lectures in campus of Elder Care Trust, teach students relevant knowledge and provide intern opportunities for industry-academy cooperation. Students can learn through a combination of practice and make trust education foundation.
- To establish trust business personnel and encourage staff to obtain Eldercare Financial and Family Trust Planning Consultant and improve their professional skills to meet the needs of people from all sectors.
- Strengthen the promotion of operating regulations and compliance and implement various laws and regulations, cooperate with the policy of treating elderly customers fairly, and formulate relevant regulations to protect the consumer rights and interests of senior citizens.
- In addition to regularly arranging education and training courses for financial management professionals, training courses are also held irregularly for financial management supervisors, accounting officers and counter clerks, etc., to enhance the professional financial management knowledge of whole colleagues and get the latest laws and regulations.
- When conducting investment risk attribute assessments for elderly customer groups, add caring questions and fill in the “Marketing Suitability Assessment Form” when purchasing and switching transactions, so as to understand the customer’s investment attributes (KYC) and comply with the “Self-discipline Specification for Treating Elderly Customers Fairly”. At the same time, cooperate with the auxiliary sales team to promote a full range of financial management services which includes financial management, insurance and trust to meet customer needs and attain the aim of high-quality wealth management business.
- To interact with family members of senior citizens or physical and mental disabilities, conduct trust instructions and match their needs to provide more comprehensive trust services.
- To promote real estate trust business, strengthen the credibility of bank and enhance the profitability to create a win-win situation.
- Combined with trust and FinTech to meet consumer needs through APIs.

#### 5-1-2-5. Asset & Liability Management, Risk Management and Funding

- For the implementation of Basel III and the needs of future business development, the Bank will appropriately carry out long-term capital planning to strengthen the foundation of common equity, make the lowest capital requirements meet the international standards, and strengthen risk tolerance.
- We review the various costs and hope that the lowest cost can be used to maximize the benefits.
- We effectively use various fixed assets to improve asset efficiency.
- For on-balance sheet and off-balance sheet projects, a perfect risk management system has been established and implemented to make the use of funds more effective and in line with the principles of safety, liquidity and profitability.
- The Bank promotes the loan and investment business not only follows the Bank Act, related regulations, and the Bank’s internal rules to diversify the risks and to obtain effective usage on funds but also comply the highest limit provisions by industry, corporate groups, and country categories to avoid risk losses.

- Strictly monitoring the limits of the market risk in order to balancing returns against risks, optimizing asset allocation, and maintaining the safety and profitability of the capital.
- We monitor various credit limit management, give full play to risk management functions, improve risky asset structure, and strengthen the bank's capital adequacy ratio.
- The financial investment strategy focuses on strengthening financial operations and stable liquidity, diversifying investment targets, ensuring asset contribution, and achieving sufficient profit performance.
- Strengthen the efficiency of capital utilization and high-spread products, and continue to maintain the smooth and stable funding business of the whole bank. In addition to maintaining the existing inter-bank relationship, continue to increase the counterparties of various financial products, expand the source for funding and reduce the cost of funds.
- We use the long-term investment position to strengthen the operating performance of the investment business, improve the level of profitability, inject investment income, and increase bond investment to improve the performance of capital utilization and interest income.

## 5-1-2-6. General Administration and Human Resources Management

- Controlling the manpower demand and condition, establishing the processes of the employee recruitment, deployment, layoff, and dismissal to ensure the Bank has talent and appropriate staff within a specified period.
- Through the personal performance management and development system plan (PDP), employees can accelerate the improvement of employees' know-how and performance, successfully implement the company's operating strategy, and make a win-win situation.
- Through the financial incentives to encourage employees to increase staff's centripetal force and morale, reduce the dissatisfaction with the work and give employees a safe working environment.
- Place appropriate staff at the right time in the appropriate position, so that it can be efficient and effective to assist the Bank to achieve the overall goal.
- Implementing the counseling operation on staff with poor performance to adjust their attitude on job through the Personal Performance Improvement Plan (PIP). If the Bank makes sure they are not suitable, they will be eliminated that will fully effective usage on human resources and to improve the bank's performance.
- The operation preparation, environment configuration and repair plan of new branches and departments shall consider the cost of operation and repair, in order to meet environmental issues and the interests of the company and ensure the occupational safety of employees.
- Continue to promote the electronization of administrative business, and provide access to official documents and business regulations on the company's intranet, in order to improve efficiency and accuracy, and has been paperless as the goal.
- In order to develop sustainable operations, in line with the government's 2050 net-zero carbon emission goals, and with reference to the Financial Supervisory Commission's information disclosure work on the greenhouse gas inventory and verification of non-listed financial institutions, strengthen employee-related operational education and training to meet the disclosure content and schedule.

## 5-1-2-7. Credit Card Business

- Launched the EDDA automated transfer electronic authorization service, providing online credit card account automatic transfer service and simplifying paper work for customers, allowing customers to handle account direct debit services through the Internet
- To optimize mobile online banking APP service (for credit card users only), provide cardholders to login mobile online banking via biometrics and allow to perform functions quickly and conveniently such as account inquiries and online payment, increasing the service efficiency of the Bank.
- To provide high quality gifts for excellent cardholders with high annual consumption, so as to get closer to outstanding customers and establish business relationship with the Bank to enhance loyalty of cardholders.
- We promote "e-bill" and "mobile bill" services. Through the activity of new account first pay with full amount and old cardholders can

enjoy annual fee waiver if they choose mobile or electronic bills. These services not only respond to the environmental protection policies for energy-saving and carbon-reduction, but also reduce paper consumption and tree felling.

- To optimize the process of new version for online credit card application service, collect suggestions from customers, business specialists and employees on the process, screen and field design, etc., improve the convenience of online credit card application and provide customers with a good experience.
- We encourage business specialists to handle consumer loan business, in conjunction with the marketing of our credit cards. In order to provide business specialists with instant information such as credit card application progress, supplementary documents and approval messages after promoting credit cards, and we will develop or optimize relevant information workflows.
- To strengthen employee education and training, enhance business familiarity in order to accurately handle customer problems, maintain high service levels and minimize error rates.
- To expand online banking and mobile online banking app services which add functions such as card loss report, consumption content broadcast, limit management and limit increase application...etc.

### 5-1-2-8. Insurance Agency Business

- Facing the coming of an ultra-aging society, the medical care, long-term care, elderly care, annuity insurance and asset allocation are favored. Our bank will provide customers with more diversified insurance products to choose from.
- With insight of market demand and to diversify the risk of single currency exchange rate fluctuations, we continue to introduce foreign currency insurance products such as USD, AUD and CNY to meet customers' needs for multi-currency allocation and financial planning.
- To implement the purpose of developing a sustainable environment and participating in social public welfare, our bank insists on providing the core value of altruism and holds various seminars for insurance customers to improve customer satisfaction and actively participate in insurance public welfare activities.
- Continue to implement promotion, recruitment regulations and insurance salesman management for salespersons, and implement high-efficiency marketing strategies through education, training and guidance.

## 5-1-3. Market Analysis

### 5-1-3-1. Business Operation Area of the Bank

The Bank primarily focuses on domestic market. Up to Dec. 31, 2022, the Bank owns 32 branches and 1 Offshore Banking Unit which spread over Taipei, New Taipei City, Taoyuan City, Hsinchu City, Taichung City, Changhua County, Changhua City, Tainan City and Kaohsiung City. The Bank will continue to expand the business location in order to establish the full financial service network.

### 5-1-3-2. The Condition of Market Supply and Demand and Growth Potential in the Future

The competent authorities have been actively engaged in promotion of financial technology development in recent years, including promoting financial industry to actively cultivate FinTech personnel, expanding use and innovation of mobile payment, encouraging banks to cooperate with P2P online lending platforms, promoting sound development of crowd funding platforms, and encouraging insurers to develop FinTech's innovative products for big data applications, construct fund online sales platform and smart financial services, create digital account transfer operation environment, research on Distributed Ledger Technology (DLT), establish a financial information sharing and analysis center, and build identity reliability information center. React the rapid changes in financial environment, the Bank will continue to promote mobile and digital financial services, cooperate with different regulations, information development and opening of financial policies to develop diversified financial products and innovative services, build a more complete financial service network, in order to grasp the opportunity of development, effectively enhance the bank's profit and expand the scale of operations

## 5-1-3-3. Advantages in Competition and Prospects of Advantages, Disadvantages and Countermeasures

### 5-1-3-3-1. Advantages

- A. The Bank will continuously develop Wealth Management and Trust business to increase fee income and diversify profit resources.
- B. The future operating development of the Bank will be more stable after the continuous improvement on the structure of deposits and loans and asset quality.
- C. Steady operation for a century, the Bank has stable financial condition and goodwill.
- D. The Bank flat organizational size with good elasticity can make decisions closer to the market and with a high degree of adjustment and adaptability.

### 5-1-3-3-2. Disadvantages

- A. With fewer resources to invest in IT equipment for small and medium sized banks to keep up with “Bank 3.0”—a digital environment policy.
- B. The Bank runs smaller scale of deposit and loan business, branches distributed mostly in central region of Taiwan is not conducive to business development.
- C. Financial institution products are homogeneous and high competitive in the short term does not eliminate and difficult to improve banking profits.
- D. Financial globalization and domestic banks face in highly “large-scale” competition that compress small and medium banks financial services.

### 5-1-3-3-3. Countermeasures

- A. Increasing fee income on Wealth Management and actively expanding SME lending.
- B. With “strengthening capital and stabilizing profits “as a perpetual business strategy, improve asset quality, reduce the cost of capital, and sound financial structure to keep profitable growth.
- C. To optimize bank digital financial services environment, choose suitable digital development strategies to enhance customer convenience and break through the limits of entities branch distribution. Furthermore, actively enhance the financial digital professional capabilities of employees to cope with the development of future technology.
- D. Keep adjusting for branch positions in order to establish a more complete financial services business.

## 5-1-4. Financial Products Research and Development Overview

### 5-1-4-1. The Situation of Major Financial Products and New-established Units

The size of the Bank’s major financial instruments in recent two years: The main financial products are TWD and foreign currency deposits, consumer loans, corporate loans, import and export of foreign currency remittance and exchange, financial advisor and trust products and credit cards. The scale of the business is detailed in the part 5 Business Operation.

Mar. 29, 2022 Taoyuan Tsingpu Branch opening

Apr. 19, 2022 Taichung Wuri Branch opening

### 5-1-4-2. Expenditure and result of Financial Products Research and Development in Recent 2 years

### 5-1-4-2-1. Expenditure of Financial Products Research and Development in Recent 2 years:

Year 2021: TWD3,559 thousand; Year 2022: TWD4,647 thousand

### 5-1-4-2-2. The Result of Major Financial Products Research and Development in Recent 2 years as the follow:

- Open a New Taiwan Dollar “Digital Deposit Account” service to improve the convenience of account opening for customers.
- Complete and announce the 2021 Annual Sustainability Report (Sustainability Report 2021)
- Completed year 2021 joint declaration and due diligence criteria CRS and FATCA reportable matters.
- Develop programs related to the Foreign Bond System of Dimerco Data System Corporation.
- Build a new personnel PDP management system
- Develop eDDA online authorization platform.
- To add automatic fee withholding function of mobile app
- Mobile banking has been added the SMS notification service when Taiwan Pay consumption deduction under scanned mode is more than 5,000.
- The Bank launched foreign bonds to add customers’ portfolio selections and create a new source of income for the Bank.
- Cooperate with authorities to complete the evaluation of information security and ATM offensive and defensive drills.
- Develop the function of branch IC ATM card production.
- The conference system has been added the function of handwritten annotation for PDF.
- Cooperate with the organization to optimize and modify the relevant programs of credit, trust, and gold passbook systems.
- Mobile Online Banking has added QR Code debit service for cross-border consumption.
- To add “Mobile ID Device Confirmation” and “Device Binding Code” verification functions for mobile online banking binding appliance.
- Develop system for central bank API declaration.
- Develop the message sending program that conforms to new version of SWIFT ISO20022 standard format.
- We have established the system environment for working from home due to the pandemic.
- Mobile Online Banking Adds the service to debit account for Individual Income Tax payment by Mobile Tax Declaration.
- Develop NTD securities investment (Stocks / Mutual Funds / Reverse Repos) for “individual trader” authorized limit control system and build a warning mechanism for stock / fund traders to avoid circumvention of stop loss execution.

### 5-1-4-2-3. Research and Development Project in the Future:

- To reinforce electronic financial services by keeping R&D on website and internet banking business in order to provide better internet transaction platform to match varied demands
- To strengthen working capitals and enhance sound financial structure in order to develop business.
- To construct sound risk management organizations and mechanisms to assess and monitor the efficiency of credit risk, market risk, operational risk and liquidity risk enhancing performance and asset quality.
- Aggressive to create new trust products to enhance bank’s competitive of Trust Business
- Aggressive to develop digital financial services and streamline operational procedures to reduce costs and improve the Bank’s client base to attract younger clientele.
- To launch online business successively in response to Bank 3.0.
- To keep develop cross-board cash flow service platform in order to get the latest financial market situation and trends all the time.
- Establish standard and simplify operating processes and enhance of IT system integrator in order to improve operational efficiency and customer satisfaction.
- Develop money laundering and terrorism risk assessment and risk prevention plans according to the schedule set by authorities.

- Actively participate in the “Trust 2.0: All-round Trust Plan” of authorities, strive to promote the Trust Business and strengthen its depth and breadth, so that “Trust” can become a financial service that combines multiple functions such as wealth management, retirement care and family wealth inheritance.
- Deeply cultivate the campus to hold lectures for Elderly & Long-Term Care Trust, train students to have relevant trust knowledge and promote cooperation between industries and universities to provide internship opportunities. Through the combination of practice, students can learn from doing and let trust education take root.
- Research and establish a database to analyze customer transactions and provide new financial products that will meet customer needs based on customer trading habits.

## 5-1-5. Long/Short Term Business Development Plan

### 5-1-5-1. For our Short Term Business Development Plan, details please refer to our profile of Business Plans for Year 2022

### 5-1-5-2. Long Term Business Development Plan

- Research and establish a database to analyze customer transactions and provide new financial products that will meet customer needs based on customer trading habits.
- Create innovative financial services and strengthen Wealth Management LINE@ and FB message transmission, identify customer preferences, reach more users and conduct user behavior analysis to narrow the distance with customers.
- Continue to work on the official website, Online Banking and Mobile Banking APP for innovation and research and provide better online cash flow payment platform to meet customer needs.
- Continue to promote gold passbook business and research the benefits of setting up foreign currency gold passbook business, offer more ways for regular fixed amount deductions in order to increase revenue and provide options that better meet customer needs.
- To follow policies of authorities, continue to promote the credit lending of SME, meet customer needs, expand the customer base and economic scale and increase the market share of the Bank's for corporation lending.
- Strengthen asset quality, reduce capital costs to improve financial structure and stabilize profit growth.
- Adjust profit structure and widen deposit spreads to improve profitability.
- Aggressive to develop digital financial services and streamline operational procedures to reduce costs and improve the Bank's client base to attract younger clientele.
- In line with development of digital banking, research E-based applications to keep old customers and develop new potential E-banking customers, and use the convenience of the Internet to increase business volume
- Strengthen cooperation with excellent fund companies to provide customers with the target of asset selection and configuration to enhance customer trust in the Bank.
- Continue to promote the IC ATM card cross-border withdrawal.
- Continually focus on development of new financial products and track the following conditions in interbank and customers maintenance. According to customer needs to consider the feasibility and the risk of new financial products to increase business profit.



## 5-2. Human Capital

### Information of Educational Background for Employees in Recent 2 Years

| Item  | Year              | 2021  | 2022  | Up to Feb. 28, 2023                |
|---|-------------------|-------|-------|------------------------------------|
| Number of Employee  |                   | 1,135 | 1,151 | 1,173                              |
| Average Age   |                   | 42,11 | 42,09 | 41.76                              |
| Average Seniority   |                   | 15.59 | 15.57 | 15.35                              |
| Structure of Education  | PhD               | 2     | 1     | 1                                  |
|   | Master            | 89    | 92    | 91                                 |
|   | Junior college    | 868   | 913   | 906                                |
|   | High school       | 174   | 143   | 173                                |
|   | Below high school | 2     | 2     | 2                                  |
| <b>Certificated Proficiency Tests of Employees</b>  |                   |       |       | <b>Total (Up to Feb. 28, 2023)</b> |
| Personal Insurance Agent  |                   |       |       | 7                                  |
| Personal Insurance Representative   |                   |       |       | 805                                |
| Test for Life Insurance Representative (Foreign Currency Base) - Non Investing Insurance Products |                   |       |       | 549                                |
| Personal Insurance Broker   |                   |       |       | 4                                  |
| Life Insurance Underwriter  |                   |       |       | 2                                  |
| life insurance claims adjuster  |                   |       |       | 2                                  |
| life insurance administrator  |                   |       |       | 1                                  |
| Land Registry Agent   |                   |       |       | 2                                  |
| Business ethics test pass   |                   |       |       | 5                                  |
| Real estate brokerage salesperson   |                   |       |       | 1                                  |
| Test for Small-Medium Business Financial Staff  |                   |       |       | 166                                |
| Corporate Governance Basic Ability Test   |                   |       |       | 6                                  |
| Proficiency Test for Foreign Exchange Trading Personnel   |                   |       |       | 46                                 |
| Enterprise Internal Control Basic Ability   |                   |       |       | 27                                 |
| General English Placement Test – High-Intermediate Level  |                   |       |       | 2                                  |
| General English Placement Test – Intermediate Level   |                   |       |       | 3                                  |
| General English Placement Test – Elementary Level   |                   |       |       | 29                                 |
| TOEIC score above 880   |                   |       |       | 4                                  |
| TOEIC score 750-880   |                   |       |       | 8                                  |
| TOEIC score 550-750   |                   |       |       | 28                                 |
| TOEIC score 350-550   |                   |       |       | 19                                 |
| Land administration agent   |                   |       |       | 1                                  |
| Certified public bookkeeper   |                   |       |       | 0                                  |
| Investment Trust and Consulting Regulations(including Self-disciplinary Rules)                    |                   |       |       | 508                                |
| Investment-Orientated Insurance Representative  |                   |       |       | 485                                |
| Professional Exam for Anti-Money Laundering and Countering Terrorism Financing Specialist         |                   |       |       | 222                                |
| Stock Affair Specialist   |                   |       |       | 22                                 |
| Basic Proficiency Test for International Banking Personnel  |                   |       |       | 428                                |
| Basic Proficiency Test for Bank Lending Personnel   |                   |       |       | 562                                |
| Proficiency Test for Financial Risk Management Personnel  |                   |       |       | 3                                  |

| Certificated Proficiency Tests of Employees                    | Total (Up to Feb. 28, 2023) |
|--|-----------------------------|
| Proficiency Test for Bank Collateral Appraisal Personnel       | 46                          |
| Basic Test on the FinTech Knowledge                            | 9                           |
| Basic Test on the FinTech Knowledge                            | 187                         |
| Proficiency Test for Trust Operations Personnel                | 779                         |
| Certification Test for Financial Derivatives Sales Personnel   | 162                         |
| Basic Proficiency Test for Financial Risk Management           | 162                         |
| Property Insurance Agent                                       | 8                           |
| Property Insurance Broker                                      | 4                           |
| Proficiency Test for Bank Internal Control and Audit Personnel | 769                         |
| Certification Test for Eldercare Financial Planning consultant | 13                          |
| Certified Anti-Money Laundering Specialist (CAMS)              | 2                           |
| Financial Risk Management (FRM)                                | 1                           |
| Certificate for Documentary Credit Specialists (CDCS)          | 1                           |
| Proficiency Test for Financial Planning Personnel              | 339                         |
| Property Insurance Representative                              | 742                         |
| Qualified Test for Bill Finance Specialist                     | 110                         |
| Futures trading Analyst  | 1                           |
| Sales Personnel of Futures Trust Fund Distributors             | 266                         |
| Future Specialist  | 192                         |
| Future Broker Specialist                                       | 1                           |
| Certification test for structure product sales personnel       | 197                         |
| Advanced Proficiency Test for Bank Lending Personnel           | 43                          |
| IELTS for C1   | 1                           |
| Proficiency Test for Bond Specialist                           | 22                          |
| Proficiency Test for Obligation & Debt Collection Personnel    | 215                         |
| Basic Ability Test for Asset Securitization                    | 11                          |
| Certified Financial Planner (CFP)                              | 2                           |
| Securities Investment Analysts                                 | 5                           |
| Securities Investment Trust & Consulting Professionals         | 204                         |
| Senior Securities Specialist                                   | 219                         |
| Securities Specialist  | 191                         |

### 5-3. Responsibility and Ethical Code

The Bank all along been upholding “what is taken from society, used for the community” to fulfill social responsibility. For many years the Bank also sponsored charity activities of Eden Social Welfare Foundation, Ganlin Social Welfare Charity Foundation. The Bank set up “COTA Culture and Education Foundation” in Aug. 1999 to develop the public welfare like as lifelong learning lectures, arranging book club for elder persons, with other public interest groups held health talks. Held activity of voluntary blood donation with Taichung Blood Center for 8 years that raised 1,800 donated blood bags of total in 450,000 c.c. The Bank supports public welfare organizations to implement the concept of corporate care. Actively cooperates with industry – academia to cultivate talents to popularize the concept of trust, cooperates with social welfare organizations/groups, Taichung Bar Association, Credit Union League of the Republic of China (CULROC) to promote Trust for Elderly Care for discharge social responsibility.

## 5-4. Number of non-supervisory positions employees, average annual welfare expenses and the difference between two years

Unit: TWD

| Item   | 2021          | 2022          |
|--|---------------|---------------|
| Number of Non-supervisory Employees                        | 1,081         | 1,098         |
| Average salary of Non-supervisory Employees                | 906,334       | 938,403       |
| Median salary of Non-supervisory Employees                 | 943,050       | 952,068       |
| Non-supervisory Employee Welfare Expenses                  | 1,132,883,397 | 1,187,543,072 |
| Average Welfare Expense for each Non- supervisory Employee | 1,047,996     | 1,081,551     |

Note: 1. Definition of "Employee" is that individual provides service for the Bank and under the supervision (irrespective of the nationality and foreigners) which does not contain only contacts with the Bank (ex. Insurance agents earn commission, after completion of agreed work to earn remuneration and without the act of employee rights), outsourcing or the temp as well as directors and supervisors.

2. "Non-Supervisory Position" is not responsible for the management of staff or with administrative responsibility of unit

3. "Employee Welfare Expense" is all forms of consideration of the Bank can offer in exchange for the staff to provide services according to IAS19. And follow the rule of Regulations Governing the Preparation of Financial Reports by Public Banks, "Employee Welfare Expense" includes employee salaries, Labor Insurance, Health Insurance, retirement pensions and other employee benefits (including commission and net income of fees etc.)

## 5-5. IT Equipment

The Bank uses IBM UNIX server for Business System, Testing System, Inter-bank Business and Utility System separately. Furthermore, we also uses Windows server and Linux server depend on network and different business lines, and operated by virtualized integration and deployment in multiple entities. Up to date, our working software includes Demand Deposits, Time Deposit, Comprehensive Deposit, collection of bills, collection and payment, ATM and financial cards, correspondent banking, credit, safe deposit box, Securities Investment of the Bank, insurance, trusts, gold passbooks, colonial bond, credit card, Foreign Exchange (including DBU and OBU), Personal Internet Banking, Corporate Internet Banking, Mobile Banking, phone Voice, etc., as well as Staff Field System (including E-Document, Staff Management, Personnel & Wages, Operation Analysis, Financial Examination Bureau API declare, Credit Review, consumer finance, business finance, financial commissioner, wealth management, messaging transmission, document image transmission, joint inquiry, teaching film platform, employee's job content platform, ...) accounting, seal management, etc.

To follow the act of Anti-Money Laundering and Counter Terrorist Financing, the Bank sets up related computer systems of customer risk revaluation, high risk list detection, filters of suspicious transaction data, cash transaction report, Import/ Export and cross-border remittance transactions monitoring etc.

The Bank uses Mirror Disks to protect all transactions data completely and keeps duplicates of disc and magnetic film every working day. Use two telecommunication circuits of lines and build 4G wireless backup. Main communication equipment applied HA framework so that on-line automatic replacement is available when it failed. There is a hard copy for surrounded equipment and with a system safety controlling mechanism so as to guarantee safety of transactions. We also install backup systems at different locations in order to continue to deal with the whole business when accidents occur.

## 5-6. Cyber Security Management

### 5-6-1

In response to the needs and strengthening of Cyber Security, the "Cyber Security Committee" was established in 2016 to enhance the level of protection of the Bank's information assets. The chief of Cyber Security shall serve as the convener, and the supervisory supervisors of relevant units (such as the Information Department, Legal Compliance Department, Risk Management Department, Digital Finance Department, Information Security Special Unit, etc.) shall be convened as members, and the Information Security

Special Unit shall serve as the secretary. Meetings are held at least once every six months. In line with government policies, since 2011, assign the chief of Cyber Security to responsible for the governance, planning, supervision and implementation of the Bank's Cyber Security system, and to improve management level.

In order to make our information security management capability meet international standards, we introduced information security management system in 2010 and obtained ISO 27001 certification, and verification is carried out every year to maintain the effectiveness.

The Bank's core business systems and equipment establish a backup mechanism and an off-site backup environment to cope with the failure of the Cyber Security center operational risks, and take different backup response measures according to different risks.

Rehearse various contingency measures on the regular basis every year to strengthen the security incident response capabilities of staff, such as: DDoS attack response procedure drill, ATM monitoring and response drill, SWIFT network incident contingency drill, etc., in order to resume work in the fastest time, reducing inconvenience and possible losses to customers.

In order to prevent the Cyber System from being attacked by malicious programs and hackers, build various defense equipment and network segment isolation mechanisms to enhance the Bank's network defense capability and network environment security, ensure that the Bank's services will not be affected by mutual interference and service availability. Strengthen the monitoring of various network equipment and traffic, set up information boards to monitor all hosts \ ATM and network status in real time; Set up a personal information leakage detection and blocking mechanism to avoid data leakage. Improve the cyber security strength of the SWIFT system and comply with the CSP specification set by the SWIFT organization.

Regularly to execute various information security assessment operations every year, including structure inspection, network setting, compliance inspection, client application program inspection, etc. In addition, in order to ensure the security of various services provided by the Bank, the online services provided by the Bank And mobile banking, etc., regularly inspect the program quality and conduct penetration tests to ensure that the maintenance and operation management of the Bank is continuously updated.

Cooperating with the FSC to promote the "Cyber Security Action Plan", it is expected to strengthen the financial industry's cyber security protection capabilities and achieve the goals of safety, convenience, and uninterrupted operations. At present, the Bank plans to introduce the operation continuity management system and is expected to obtain the ISO 22301 international standard certification before the end of 2013. The rest of the financial institutions should cooperate with the implementation of the control projects, and the Bank has basically completed such as the appointment a Chief of the Cyber Security Officer, forming an advisory Group and introduction of international cyber security standards and passing the verification.

## **5-6-2. As of 112.2.28, the Bank has not experienced any operational damages caused by major information security incidents.**

## **5-7. Labor-Management Relationship**

### **5-7-1. Employee welfare measures, retirement system and implementation, labor-management agreements and various employee rights protection measures**

#### **5-7-1-1. Employee welfare measures**

**5-7-1-1-1.** In accordance with laws and regulations, the Bank applies Labor Insurance and National Health Insurance for all staff. Moreover, we cover accident insurance with the Shin Kong Life for all staff.

**5-7-1-1-2.** Based on revenue performance, the Bank provides extra bonus at Lunar New Year, Dragon Boat Festival and Mid-Autumn Festival each year. The net earnings by fix ratio are assigned to be bonus for staff with good performance after covering prior years' deficits, income tax, and legal reserves and distribute bonus.

- 5-7-1-1-3.** The Bank provides favorable interest rate of deposits or loans for all staff.
- 5-7-1-1-4.** Establish an employee welfare committee and set up welfare assistance measures, such as marriage, childbirth, birthday gifts, self-improvement activities subsidies, and children's scholarships and other welfare matters.
- 5-7-1-1-5.** Hold regular employee health checks, regularly schedule on-site physician services, hire full-time nursing staff, and continue to care for the physical and mental health of employees.
- 5-7-1-1-6.** To enhance the level of our employee of profession, In addition to select appropriate personnel to participate in various seminars organized by professional training institutions, the bank depends on the business need to implement new staff pre-service training, in-service training and professional technical training. The bank can also select meritorious personnel to go to domestic and foreign universities to study, or to participate in related financial business study tours.
- 5-7-1-2.** Retirement system and implementation: The Bank's pension fund is pursuant to old-version and updated version which based on Labor Law for "Staff Retirement Plan". The benefit payments and credits suit separately by the above-mentioned plans and based on the years of service and final salary. In accordance with Labor Law, we will calculate 15% of total salaried employees by month (exclude appointed managerial employee) to be retirement payment that was deposited in the pension account in the Bank of Taiwan. We have another account for appointed management that calculated 8% of their salary each month. Allocate 6% of the employee's salary to the employee's pension account for those who are applicable to the Labor Pension Regulations (New System).

**5-7-1-3. Labor-management agreements and employee rights protection measures:**

- 5-7-1-3-1.** Regularly hold meetings in accordance with the Regulations for Implementing Labor-Management Meeting to promote labor-management cooperation and maintain friendly labor-management relations.
- 5-7-1-3-2.** The Bank formulates work rules and personnel regulations, conducts regular publicity, and implements the degree of compliance to protect employees' labor rights and interests.
- 5-7-1-3-3.** Carry out relevant work in accordance with the Labor Safety and Health regulations to prevent occupational accidents and protect the health of employees.
- 5-7-1-3-4.** The Bank has established "Employee Complaint Handling Key Points" to provide employees with complaint channels.
- 5-7-1-3-5.** With reference to the regulations and guidelines of the competent authority, formulate the "Prevention Plan for Illegal Infringement in the Execution of Duties", "Safety and health work rules", "Maternal Health Protection Plan for Workplace", "Prevention of Overwork related illness", "Measures for Preventing and Managing Ergonomic hazards" to promote occupational safety and health business and prevent occupational injuries and diseases.

**5-7-2. In the most recent year and up to the date of publication of the annual report, the losses suffered due to labor disputes (including inspection results violating the Labor Standards Act, Date of punishment, official issue no., violation of regulations and content, punishment content), and disclosed If the estimated amount and response measures that may occur at present and in the future cannot be reasonably estimated, the fact that cannot be reasonably estimated shall be explained.**

none.

## 5-8. Major Contracts

| Nature of Contract           | Concern Party                                       | Contractual Period  | Major Content   | Restrictive Covenants   |
|------------------------------|---|---|---|---|
| Deposit Insurance Contract   | Central Deposit Insurance Corp.                     | Engaged on Aug. 15, 1995  | To enhance protection of customer deposits  | The same depositor maximum amount of compensation is up to TWD3 million |
| Bank Comprehensive Insurance | Chung Kuo Insurance Co., Ltd.                       | From Apr. 1, 2022 to Apr. 1, 2023   | 1. Staff unfaithful behavior<br>2. Asset of branches<br>3. Asset in transit<br>4. Forged drafts and securities<br>5. Forged cash<br>6. Damage of equipment<br>7. Fault of securities or contracts<br>8. Inadvertency of short banknotes | None  |
| Outsourcing Contract         | Yuen Foong Paper Co., Ltd.                          | From May 3, 2021 to May 2, 2022   | Transaction statements  | None  |
| Outsourcing Contract         | Han Yeh Office Supplies Company                     | From May 3, 2022 to May 2, 2023   | Computer printing jobs and packages   | None  |
| Outsourcing Contract         | Taiwan Security Co., Ltd. and Lian-An Co., Ltd.     | From Oct. 1, 2022 to Sep. 30, 2023  | Loading cash & troubleshooting of AMT   | None  |
| Outsourcing Contract         | Taiwan Security Co., Ltd.                           | From Jun. 1, 2022 to May 31, 2023   | Securities, cheques and cash delivery   | None  |
| Outsourcing Contract         | Taiwan Security Co., Ltd.                           | From Aug. 1, 2022 to Jul 31, 2023   | Securities, cheques ,cash delivery and temporary service  | None  |
| Outsourcing Contract         | Feng Tay Motor Co., Ltd.                            | From Jun. 27, 2022 to Jun. 27, 2023   | To search cars for overdue payments of car loans  | None  |
| Outsourcing Contract         | 21Century Finance Service                           | From Jun. 27, 2022 to Jun. 27, 2023   | To search cars for overdue payments of car loans  | None  |
| Outsourcing Contract         | Sinjang Co., Ltd.                                   | From Jun. 27, 2022 to Jun. 27, 2023   | Authorization of vehicle auction  | None  |
| Outsourcing Contract         | President Chain Store Corporation                   | From May 1, 2022 to Apr. 30, 2023   | Collection for consumer loans   | None  |
| Outsourcing Contract         | Taiwan Family Mart Co., Ltd.                        | From Jun 1, 2022 to May. 31, 2023   | Collection for consumer loans   | None  |
| Outsourcing Contract         | National Credit Card Center of R.O.C.               | From Mar. 10, 2007 to either party in writing of termination and confirm the termination date | Credit card business (credit card payment system & support services)  | None  |
| Outsourcing Contract         | President Chain Store Corporation                   | From Jun. 13, 2022 to Jun. 13, 2023   | Collection for credit card payments   | None  |
| Outsourcing Contract         | Taiwan Family Mart Co., Ltd.                        | From Apr 5, 2022 to Apr 5, 2023   | Collection for credit card payments   | None  |
| Outsourcing Contract         | Hi-Life International Co., Ltd.                     | From Apr 5, 2022 to Apr 5, 2023   | Collection for credit card payments   | None  |
| Outsourcing Contract         | OK · Mart   | From Apr 5, 2022 to Apr 5, 2023   | Collection for credit card payments   | None  |
| Outsourcing Contract         | Taiwan Name Plate Co., Ltd.                         | From Mar. 10, 2022 to Mar. 9, 2023  | Chip-card processing, package and mailing   | None  |
| Outsourcing Contract         | Chunghwa Post Co., Ltd.                             | From Sep. 20, 2022 to Sep. 19, 2023   | Statements printing & package of full management accounts   | None  |
| Outsourcing Contract         | Transnational Logistic Solutions (Taiwan) Pte. Ltd. | From Dec. 1, 2022 to Nov. 30, 2023  | Bank cheques, documents & securities collection & delivery  | None  |

## 5-9. Information of Approved Securitization Products in Recent Years: None



# 6

## Financial Status



## 6-1. Condensed Balance Sheet and Statement of Comprehensive Income over the Past Five Years

### 6-1-1. Condensed Balance Sheet under IFRS

Unit: TWD thousand

| Descriptions  | Financial data during recent 5 years |                    |                    |                    |                    | Up to YYYY/MM/DD financial data (Note.3) |
|---|--------------------------------------|--------------------|--------------------|--------------------|--------------------|--|
|   | 2022                                 | 2021               | 2020               | 2019               | 2018               |  |
| Cash, Cash equivalents, due from the Central Bank, and call loan to other banks | 15,391,298                           | 14,012,488         | 13,207,433         | 11,523,070         | 10,439,306         |  |
| Financial asset or Financial Liability at fair value through profit or loss     | 2,766,008                            | 5,493,421          | 3,933,739          | 4,838,859          | 1,471,328          |  |
| Financial assets measured at fair value through other comprehensive income      | 9,617,692                            | 10,597,372         | 9,112,987          | 9,077,823          | 7,495,797          |  |
| Debt instrument investment measured by amortized cost                           | 21,748,397                           | 21,150,821         | 18,920,584         | 19,611,071         | 18,116,779         |  |
| Derivative Financial Assets for Hedging   | -                                    | -                  | -                  | -                  | -                  |  |
| Bonds and bills purchased under resale agreements                               | 3,142,837                            | 10,480,858         | 11,830,509         | 10,317,589         | 9,681,841          |  |
| Net Receivables   | 466,244                              | 995,866            | 334,232            | 374,098            | 392,836            |  |
| Current tax Assets  | -                                    | -                  | -                  | -                  | -                  |  |
| Assets Held for Sell  | -                                    | -                  | -                  | -                  | -                  |  |
| Net Discounts and Loans   | 131,223,428                          | 120,608,832        | 119,450,148        | 111,195,714        | 114,714,150        |  |
| Long-term investments under equity method                                       | -                                    | -                  | -                  | -                  | -                  | N/A                                      |
| Restricted assets   | -                                    | -                  | -                  | -                  | -                  |  |
| Other financial assets  | 487,206                              | -                  | -                  | -                  | 36                 |  |
| Net real estate and equipment   | 1,274,367                            | 1,268,822          | 1,267,641          | 1,278,620          | 1,311,480          |  |
| Net royalty assets  | 127,183                              | 122,406            | 137,224            | 143,019            | -                  |  |
| Net investment real estate  | 1,131,228                            | 1,132,319          | 1,133,410          | 1,134,559          | 1,004,301          |  |
| Net Intangible assets   | 124,603                              | 120,646            | 121,294            | 111,730            | 114,567            |  |
| Net Deferred tax assets   | 146,827                              | 163,102            | 156,038            | 138,300            | 165,541            |  |
| Other assets  | 308,680                              | 181,316            | 140,719            | 120,631            | 140,232            |  |
| <b>Total Assets</b>   | <b>187,955,998</b>                   | <b>186,328,269</b> | <b>179,745,958</b> | <b>169,865,083</b> | <b>165,048,194</b> |  |
| Deposits to The Central Bank and other banks                                    | 69,374                               | 25,670             | 37,579             | 39,201             | 64,470             |  |
| Financing to The Central Bank and other banks                                   | -                                    | 570,180            | 247,840            | -                  | -                  |  |
| financial liability at fair value through loss                                  | 202                                  | 1,088              | 1,093              | 75                 | 360                |  |
| Hedging derivative financial liabilities  | -                                    | -                  | -                  | -                  | -                  |  |

| Descriptions  | Year              | Financial data during recent 5 years |             |             |             |             | Up to<br>YYYY/<br>MM/DD<br>financial<br>data<br>(Note.3) |
|---|-------------------|--------------------------------------|-------------|-------------|-------------|-------------|--|
|   |                   | 2022                                 | 2021        | 2020        | 2019        | 2018        |  |
| Bonds and bills held under repurchased agreements         |                   | -                                    | -           | -           | -           | -           |  |
| Accounts Payable  |                   | 940,845                              | 846,284     | 731,785     | 807,168     | 790,203     |  |
| Current tax liability                                     |                   | 63,500                               | 65,503      | 88,169      | 27,797      | 50,525      |  |
| Liabilities directly associated with assets held for sale |                   | -                                    | -           | -           | -           | -           |  |
| Deposits and remittances                                  |                   | 169,556,461                          | 167,964,027 | 162,239,977 | 153,750,583 | 149,603,103 |  |
| Bond payable  |                   | 3,000,000                            | 3,000,000   | 3,000,000   | 3,000,000   | 3,000,000   |  |
| Preference share liabilities                              |                   | -                                    | -           | -           | -           | -           |  |
| Other financial liabilities                               |                   | -                                    | -           | -           | -           | -           |  |
| Provision for liabilities                                 |                   | 170,803                              | 200,736     | 193,257     | 175,081     | 255,287     |  |
| Lease liabilities   |                   | 131,235                              | 125,708     | 139,810     | 144,822     | -           |  |
| Deferred tax liabilities                                  |                   | 126,187                              | 111,159     | 111,597     | 112,450     | 118,239     |  |
| Other liabilities   |                   | 448,906                              | 467,535     | 421,306     | 348,137     | 322,950     |  |
| Total liabilities   | Before allocation | 174,507,513                          | 173,377,890 | 167,212,413 | 158,405,314 | 154,205,137 |  |
|   | After allocation  | Note 2                               | 173,615,410 | 167,443,689 | 158,615,473 | 154,407,213 |  |
| Equity attributable to owners of the parent               |                   | 13,448,485                           | 12,950,379  | 12,533,545  | 11,459,769  | 10,843,057  |  |
| Share capital   | Before allocation | 9,785,841                            | 9,500,815   | 9,251,037   | 8,406,376   | 8,083,054   |  |
|   | After allocation  | Note 2                               | 9,785,841   | 9,500,815   | 8,751,037   | 8,406,376   |  |
| Capital reserve   |                   | 917,324                              | 916,039     | 915,148     | 912,013     | 911,160     |  |
| Retained earnings   | Before allocation | 2,871,687                            | 2,483,534   | 2,229,979   | 2,096,382   | 1,838,638   |  |
|   | After allocation  | Note 2                               | 1,960,990   | 1,748,925   | 1,541,562   | 1,313,240   |  |
| Other components  |                   | (126,367)                            | 49,991      | 137,381     | 44,998      | 10,205      |  |
| Treasury Shares   |                   | -                                    | -           | -           | -           | -           |  |
| non-controlling interests                                 |                   | -                                    | -           | -           | -           | -           |  |
| Total Shareholders' equity                                | Before allocation | 13,448,485                           | 12,950,379  | 12,533,545  | 11,459,769  | 10,843,057  |  |
|   | After allocation  | Note 2                               | 12,712,859  | 12,302,269  | 11,249,610  | 10,640,981  |  |

Note:

1. The information on the previous page is prepared under IFRS and has been verified by an accountant.
2. The earnings distribution for 2022 has not been approved by the 2023 Shareholders' General Meeting.
3. The Bank is an unlisted public company, as of the date of publication of the annual report, there is no recent financial information available for the CPA audit or review.



## 6-1-2. Entity Consolidated Statement of Comprehensive Income under IFRS

Unit: TWD thousand

| Descriptions  | Year | Financial data during recent 5 years |           |           |           |           | Up to YYYY/MM/DD financial data (Note.3) |
|---|------|--------------------------------------|-----------|-----------|-----------|-----------|--|
|   |      | 2022                                 | 2021      | 2020      | 2019      | 2018      |  |
| Interest income   |      | 3,778,478                            | 3,294,133 | 3,346,291 | 3,605,294 | 3,578,908 | N/A                                      |
| Interest expense (Minus)  |      | 1,108,137                            | 759,668   | 886,866   | 1,066,598 | 1,003,973 |  |
| Net Interest income   |      | 2,670,341                            | 2,534,465 | 2,459,425 | 2,538,696 | 2,574,935 |  |
| Other net interest income   |      | 482,524                              | 313,984   | 259,342   | 430,924   | 318,254   |  |
| Net income  |      | 3,152,865                            | 2,848,449 | 2,718,767 | 2,969,620 | 2,893,189 |  |
| Provision for bad debt expense and guarantees                         |      | 80,583                               | 42,994    | 7,637     | 159,681   | 88,142    |  |
| Operating expense   |      | 2,021,975                            | 1,900,003 | 1,856,458 | 1,920,907 | 1,905,510 |  |
| Income from continuing operations before income taxes                 |      | 1,050,307                            | 905,452   | 854,672   | 889,032   | 899,537   |  |
| Tax income (expense)  |      | (196,745)                            | (169,907) | (160,655) | (140,406) | (145,926) |  |
| Net profit from continuing operations                                 |      | 853,562                              | 735,545   | 694,017   | 748,626   | 753,611   |  |
| profit or loss from discontinuing operations                          |      | -                                    | -         | -         | -         | -         |  |
| Current net profit (or loss)  |      | 853,562                              | 735,545   | 694,017   | 748,626   | 753,611   |  |
| other comprehensive income  |      | -                                    | -         | -         | -         | -         |  |
| Current other comprehensive income (after taxes)                      |      | (119,221)                            | (88,326)  | 86,784    | 69,309    | (17,062)  |  |
| Current Total other comprehensive income                              |      | 734,341                              | 647,219   | 780,801   | 817,935   | 736,549   |  |
| Net profit attributable to owners of the parent                       |      | 853,562                              | 735,545   | 694,017   | 748,626   | 753,611   |  |
| Net profit to non-controlling interests                               |      | -                                    | -         | -         | -         | -         |  |
| Current Total other comprehensive income to owners of the parent      |      | 734,341                              | 647,219   | 780,801   | 817,935   | 736,549   |  |
| Current Total other comprehensive income to non-controlling interests |      | -                                    | -         | -         | -         | -         |  |
| Earnings per share  |      | 0.87                                 | 0.75      | 0.73      | 0.86      | 0.9       |  |

Note: 1. The information on the previous page is prepared under IFRS and has been verified by an accountant.

2. EPS is the amount after retroactively adjusting the capitalization of earnings.

3. The Bank is not a listed or OTC public offering company and there is no recent information prepared under Capital Adequacy Ratio under IFRS reviewed by CPA before annual report was printed, so it doesn't apply.

### Name of Visa Accountant for the last 5 years and his checking opinion

| Year | Name of accounting firm | Name of accountant              | Checking comments   |
|------|-------------------------|---------------------------------|---------------------|
| 2018 | KPMG                    | Chun-Yuan Wu and Yuan-Chen Mei  | Unqualified Opinion |
| 2019 | KPMG                    | Chun-Yuan Wu and Yuan-Chen Mei  | Unqualified Opinion |
| 2020 | KPMG                    | Chun-Yuan Wu and Chiu-Hua Hsieh | Unqualified Opinion |
| 2021 | KPMG                    | Chun-Yuan Wu and Chiu-Hua Hsieh | Unqualified Opinion |
| 2022 | KPMG                    | Chun-Yuan Wu and Chiu-Hua Hsieh | Unqualified Opinion |

## 6-2. Analysis on Major Financial Ratios for Recent Five Years

### 6-2-1. Under IFRS Consolidated

Unit: TWD thousand; %

| Descriptions (Note.3)   |  | Year (Note.1) | Financial analysis during recent 5 years |         |         |         |         |
|---|--|---------------|--|---------|---------|---------|---------|
|   |  |               | 2022                                     | 2021    | 2020    | 2019    | 2018    |
| Operating Capability  | Loans to deposits ratio (%)                                  |               | 78.58                                    | 73.00   | 74.84   | 73.52   | 78.01   |
|   | Overdue loan ratio (%)                                       |               | 0.17                                     | 0.17    | 0.20    | 0.44    | 0.50    |
|   | Interest expense to average balance of deposits ratio (%)    |               | 0.60                                     | 0.41    | 0.51    | 0.65    | 0.64    |
|   | Interest income to average balance of loans ratio (%)        |               | 2.53                                     | 2.35    | 2.43    | 2.63    | 2.59    |
|   | Total assets turnover (times)                                |               | 0.02                                     | 0.02    | 0.02    | 0.02    | 0.02    |
|   | Average operating revenue per employee                       |               | 2,790                                    | 2,552   | 2,483   | 2,719   | 2,606   |
|   | Average earnings per employee                                |               | 755                                      | 659     | 634     | 686     | 679     |
| Profitability   | Return on first capital type assets (%)                      |               | 7.76                                     | 6.95    | 6.98    | 7.79    | 8.54    |
|   | ROA (%)  |               | 0.46                                     | 0.40    | 0.40    | 0.45    | 0.46    |
|   | ROE (%)  |               | 6.47                                     | 5.77    | 5.79    | 6.71    | 7.13    |
|   | Net income ratio (%)   |               | 27.07                                    | 25.82   | 25.53   | 25.21   | 26.05   |
|   | EPS (loss)   |               | 0.87                                     | 0.75    | 0.73    | 0.86    | 0.90    |
| Financial structure   | Ratio of liabilities to assets                               |               | 92.82                                    | 93.03   | 93.01   | 93.23   | 93.41   |
|   | Ratio of fix assets to shareholder's equity                  |               | 9.48                                     | 9.80    | 10.11   | 11.16   | 12.10   |
| Growth Rate   | Asset growth rate (%)  |               | 0.87                                     | 3.66    | 5.82    | 2.92    | 3.40    |
|   | Profitability growth rate (%)                                |               | 16.00                                    | 5.94    | (3.86)  | (1.17)  | (15.35) |
| Cash flow   | Cash flow ratio  |               | Note 9                                   | Note 9  | 121.96  | 162.25  | 122.20  |
|   | Cash flow adequacy ratio                                     |               | Note 9                                   | Note 9  | Note 9  | Note 9  | Note 9  |
|   | Ratio of cash flow for operating to cash flow from investing |               | Note 9                                   | Note 9  | Note 9  | Note 9  | Note 9  |
| Liquid Reserves Ratio (%)   |  |               | 18.78                                    | 26.27   | 25.55   | 27.14   | 23.17   |
| Secured Loans to Related Parties                                      |  |               | 493,574                                  | 503,710 | 549,874 | 614,115 | 613,825 |
| Secured Loans to Related Parties to Total Outstanding Loans Ratio (%) |  |               | 0.38                                     | 0.41    | 0.46    | 0.52    | 0.52    |
| Operation Scale   | Market share of assets (%)                                   |               | 0.19                                     | 0.20    | 0.20    | 0.21    | 0.22    |
|   | Market share of net worth (%)                                |               | 0.18                                     | 0.15    | 0.16    | 0.16    | 0.17    |
|   | Market share of deposits (%)                                 |               | 0.37                                     | 0.39    | 0.41    | 0.43    | 0.44    |
|   | Market share of loan (%)                                     |               | 0.39                                     | 0.39    | 0.42    | 0.42    | 0.48    |

The specify reasons of changes in financial ratios for the latest two years: (If the variation does not reach 20%, the analysis can be omitted.)

1. The increase in ratio of interest expenses to annual average deposits balance in 2022 compared to 2021 was mainly due to the increase in interest expense on deposits in 2022 compared to 2021
2. The increase in profitability growth rate, mainly is because decrease income before tax result in 2021
3. Changes of more than 20% in the cash flow ratio, net cash flow adequacy ratio, cash flow satisfaction rate, etc, mainly is because the net cash outflow from operating activities result in 2022.

Note:

1. The information on the previous page is prepared under IFRS and has been verified by an accountant.
2. There is no recent financial information reviewed by CPA before annual report was printed.
3. Calculation formula
  - (1) Operating ability
    - (A) Ratio of loans to deposits = Total loans / deposits
    - (B) Ratio of overdue = (Loans Overdue + Other Overdue) / Total Loans
    - (C) Ratio of interest Cost to Annual Average Deposits = interest Cost / Annual Average Deposits
    - (D) Ratio of interest income to Annual Average Loans Outstanding  
= Interest Income / Annual Average Loans Outstanding
    - (E) Total Assets Turnover = Net Operating Revenue / Total Assets
    - (F) Average Operation Revenue per Employee = Net Operating Revenue / Number of Employees
    - (G) Average Profit per Employee = After-tax Income / Total Number of Employees
  - (2) Profitability
    - (A) Return on Tier I Capital = Pretax Earnings or Losses / Total Average Tier I Capital
    - (B) Return on Assets = Net Income / Average of Total Assets
    - (C) Return on Shareholders' Equity = Net income / Average of Total Shareholders' Equities
    - (D) Ratio of Net Income = Net Income / Total Revenue
    - (E) Earnings per Share = (Net Income – Preferred stock Dividend) / Average Weighted Outstanding Stock (Note.5)
  - (3) Financial Structure
    - (A) Ratio of Liabilities to Assets = Liabilities / Total Assets
    - (B) Ratio of Fix Assets to Shareholders' Equity = Fix Assets / Shareholders' Equities
  - (4) Growth Rate
    - (A) Asset Growth Rate = (Total Assets of the Year - Total Assets of Previous Year) / Total Assets of Previous Year
    - (B) Profit Growth Rate = (Pretax Earnings or Losses of the Year - Before-tax Earnings or Losses of Previous Year) / Pretax Earnings or Losses of Previous Year
  - (5) Cash Flow (Note.8)
    - (A) Ratio of Cash Flow = Net cash flow from business activities / (call loans and overdrafts from banks + commercial paper payable + financial liabilities measured at fair value through profit or loss + bonds and bills sold under repurchase agreement + current portion of payables)
    - (B) Ratio of Net Cash Flow Adequacy = Net cash flow from business activities for the past five years / (capital expenditures + cash dividends) for the past five years
    - (C) Ratio of Cash Flow for operating to cash flow from investing = Net cash flow from business activities / Net cash flow from investing activities
  - (6) Liquidity Reserves Ratio = Liquid Assets Stipulated by CBC / Reserves Appropriated for various Types of Deposits
  - (7) Operating Scale
    - (A) Market Share of Asset = Total Asset / Total Asset of the major financial institutions (Note.6)
    - (B) Market Share of Net Worth = Net Worth / Total Asset of the major financial institutions
    - (C) Market Share of Deposit = Total Deposit / Total Asset of the major financial institutions
    - (D) Market Share of Loan = Total Loan / Total Asset of the major financial institutions
4. Total liabilities do not contain Prepare guarantee responsibility and Accident liability reserve.
5. The following shall be noted in the equations of EPS of the preceding paragraph:
  - (1) It is based on weighted average common stock shares instead of the issued stock shares at the end of year.
  - (2) For cash capitalization or Treasury stock trade, the circulation period is to be considered for the calculation of weighted average stock shares.
  - (3) For capitalized retained earnings or additional paid-in, for the calculation of earnings per share of previous years and semi-annual, it is to be adjusted retroactively and proportionally to the ratio of capitalization but not the issuance period of the capitalization.
  - (4) If the preferred stock is non-convertible cumulative preferred stock, the dividend (distributed or not distributed) is to be deducted from Net Income or is to be added to Net Loss.
  - (5) If the preferred stock is non-cumulative preferred stock; also, if there is Net income generated, preferred stock dividend is to be deducted from Net income; however, if there is net loss resulted, no adjustment is required.
6. Can apply for deposit and loan business: Local banks, Branches of foreign banks in Taiwan, Credit Cooperatives, Agriculture, Fisheries and credit department
7. The income means the total interest income and non-interest income.
8. The following shall be considered in measuring of cash flow analysis:
  - (1) Net cash flow from operating activities means the net cash inflow from operating activities in the cash flow statement.
  - (2) Capital expenditure means the cash outflow from capital investment per year.
  - (3) Cash dividends include of common and preferred stocks.
9. Net cash flow from business activities or relevant ratio of cash flow is Negative, no disintegration.



## 6-2-2. Consolidated Capital Adequacy Ratio under IFRS

Unit: TWD thousand; %

| Items                               |   | Year (Note.1)                                | Capital Adequacy Ratio of Recent Five Year (Note.2) |             |             |             |             | Up to (Note 4) |  |
|-------------------------------------|---|--|---|-------------|-------------|-------------|-------------|----------------|--|
|                                     |   |  | 2022  | 2021        | 2020        | 2019        | 2018        |                |  |
| Net Capital                         | Common equity                             |  | 13,184,916  | 12,672,731  | 12,178,833  | 11,127,355  | 10,542,187  |                |  |
|                                     | Other non-common equity of Tier I Capital |  | 600,000   | 600,000     | 600,000     | 573,954     | 574,247     |                |  |
|                                     | Tier I Capital                            |  | 1,741,376   | 2,165,718   | 2,754,486   | 3,066,952   | 3,435,395   |                |  |
|                                     | Net Capital Base                          |  | 15,526,292  | 15,483,449  | 15,533,319  | 14,768,261  | 14,551,829  |                |  |
| Total Weighted Risk Assets          | Credit Risk                               | Standardized Approach                        | 108,991,091   | 103,890,184 | 109,840,309 | 102,399,255 | 103,195,398 |                |  |
|                                     |   | Internal-rating-based Approach               | -   | -           | -           | -           | -           |                |  |
|                                     |   | Securitization                               | 10,732  | 9,664       | 9,964       | 657,622     | 671,320     |                |  |
|                                     | Operational Risk                          | Basic Indicator Approach                     | 5,432,832   | 5,274,772   | 5,309,738   | 5,333,786   | 5,217,355   |                |  |
|                                     |   | Standardized Approach / Alternative Approach | -   | -           | -           | -           | -           |                |  |
|                                     |   | Advanced Measurement Approach                | -   | -           | -           | -           | -           |                |  |
|                                     | Market Risk                               | Standardized Approach                        | 4,663,869   | 4,386,441   | 3,668,416   | 3,574,406   | 3,604,702   |                |  |
|                                     |   | Internal Model Approach                      | -   | -           | -           | -           | -           |                |  |
|                                     | Total Risk-weighted Assets                |  |   | 119,098,524 | 113,561,061 | 118,828,427 | 111,965,069 | 112,688,775    |  |
|                                     | Capital Adequacy Ratio                    |  |   | 13.04       | 13.59       | 13.07       | 13.19       | 12.91          |  |
| Tier I Capital to Risk Assets Ratio |   |  | 11.57   | 11.69       | 10.75       | 10.45       | 9.86        |                |  |
| Common equity to Risk Assets Ratio  |   |  | 11.07   | 11.16       | 10.25       | 9.94        | 9.36        |                |  |
| Leverage rate                       |   |  | 6.59  | 6.46        | 6.41        | 6.20        | 6.00        |                |  |

Note:

- The information is prepared under Capital Adequacy Ratio under IFRS and has been verified by an accountant.
- The definition of Self-Owned Capital, Risk-Weighted Assets and exposure measure hereby shall be in compliance with the "Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks" and "Methods for calculation the Self-Owned Capital and Risk-Weighted Assets of Banks.
- Calculation formula:
  - Net Capital Base = Common equity + Other non-common equity of Tier I Capital + Tier II Capital
  - Total Weighted Risk Asset = Credit Risk Weighted Risk Asset + (Operational Risk + Market Risk) Capital Requirement × 12.5
  - Capital Adequacy Ratio = Net Capital Base / Total Risk Asset
  - Ratio of Tier I Capital to Risk Asset = (Common equity + Other non-common equity of Tier I Capital) / Total Risk Asset
  - Common equity to Risk Assets Ratio = Common equity / Total Risk Asset
  - Leverage rate = Net Tier I Capital / Total risk exposure
- The Bank is not a listed or OTC public offering company and there is no recent information prepared under Capital Adequacy Ratio under IFRS reviewed by CPA before annual report was printed, so it doesn't apply.

## 6-3. Auditing committee Report for Latest Year

**COTA Commercial Bank Co., Ltd.,**  
**Auditing committee Report for Year 2023**

March 8, 2023

To: Shareholders' General Meeting of Year 2023

The Business Report, Financial Statement, Consolidated Financial Statement and Earning Distribution of fiscal year 2022, worked out and submitted by COTA Bank board of directors have been duly audited by KPMG Certified Public Accountants, and further verified by us. This Report duly submitted in accordance with Article 219 of the Company Law.

Independent Director : Hong-Chi Chang

Independent Director : Kun-Hsien Lin

Independent Director : Tsung-Ta Kuo

## 6-4. Consolidated Financial Report of Accountants' Examinations for Latest Year

### Independent Auditors' Report

To the Board of Directors of COTA Commercial Bank Co., Ltd. :

#### Opinion

We have audited the financial statements of COTA Commercial Bank Co., Ltd. ("the Company"), which comprise the balance sheet as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Held Banks" and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, the permit No. 10802731571 as issued by the Financial Supervisory Commission and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of 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 of 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of loan and receivables

Please refer to Note 4(e) "Financial Instrument", Note 5(a) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and Note 6(g), 6(h), 6(ak)(iii) of the financial statements.

Description of key audit matter:

The Company mainly engages in providing loans to its clients; hence, the recoverability of loans and receivables has a significant influence on its business operation which can result in its exposure to credit risk. Therefore, the evaluation of impairment of loans and receivables has been identified as our key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter mentioned above, our principal audit procedures included testing the Company's internal controls on the credit rating of its clients and its supervising procedure; assessing whether the collateral assets and the crediting documents are thoroughly examined; assessing whether the loans and receivables are properly classified based on the status of credit guarantees and the length of time overdue; examining whether the measurement and the assumption the management has adopted to evaluate the expected credit loss (ECL) of loans and receivables are appropriate; evaluating whether the 12-month ECL and lifetime expected credit loss recognized are reasonable; analyzing the recognized impairment to make sure that it complies with the "Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans".

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Held Banks" and IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit committee) are responsible for overseeing the Company's financial reporting process.

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Standards on Auditing of 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 financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

The engagement partners on the audit resulting in this independent auditors' report are Chun-Yuan Wu and Chiu-Hua Hsieh.

## **KPMG**

Taipei, Taiwan (Republic of China)  
March 8, 2023

### **Notes to Readers**

The accompanying financial statements are intended only to present the statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)  
**COTA COMMERCIAL BANK CO., LTD.**

**Balance Sheets**

**December 31, 2022 and 2021**

(Expressed in Thousands of New Taiwan Dollars)

|   | December 31, 2022     |            | December 31, 2021  |            | December 31, 2022  |             | December 31, 2021  |             |    |
|---|-----------------------|------------|--------------------|------------|--|-------------|--------------------|-------------|----|
|   | Amount                | %          | Amount             | %          | Amount   | %           | Amount             | %           |    |
| <b>Assets</b>   |                       |            |                    |            | <b>Liabilities and Equity</b>  |             |                    |             |    |
| 11000 Cash and cash equivalents (note 6(a))   | \$ 3,904,611          | 2          | 2,245,579          | 1          | <b>Liabilities:</b>  |             |                    |             |    |
| 11500 Due from the Central Bank and call loans to banks (note 6(b))                 | 11,486,687            | 6          | 11,766,909         | 6          | 21000 Deposits from the Central Bank and banks (note 6(m))                   | \$ 69,374   | -                  | 25,670      | -  |
| 12000 Financial assets at fair value through profit or loss (note 6(c))             | 2,766,008             | 1          | 5,493,421          | 3          | 21500 Due to the Central Bank and banks (note 6(o))                          | -           | -                  | 570,180     | -  |
| 12100 Financial assets at fair value through other comprehensive income (note 6(d)) | 9,617,692             | 5          | 10,597,372         | 6          | 22000 Financial liabilities at fair value through profit or loss (note 6(c)) | 202         | -                  | 1,088       | -  |
| 12200 Financial assets at amortized cost (note 6(e) and 8)                          | 21,748,397            | 12         | 21,150,821         | 11         | 23000 Payables (note 6(p))   | 940,845     | 1                  | 846,284     | 1  |
| 12500 Securities purchased under resale agreements (note 6(f))                      | 3,142,837             | 2          | 10,480,858         | 5          | 23200 Current income tax liabilities   | 63,500      | -                  | 65,503      | -  |
| 13000 Receivables, net (note 6(g))  | 466,244               | -          | 995,866            | 1          | 23500 Deposits and remittances (note 6(q) and 7)                             | 169,556,461 | 90                 | 167,964,027 | 90 |
| 13500 Discounts and loans, net (note 6(h) and 7)                                    | 131,223,428           | 70         | 120,608,832        | 65         | 24000 Subordinate financial debentures (note 6(r))                           | 3,000,000   | 2                  | 3,000,000   | 2  |
| 15500 Other financial assets, net (note 6(i))                                       | 487,206               | -          | -                  | -          | 25600 Provisions (note 6(s) and (u))   | 170,803     | -                  | 200,736     | -  |
| 18500 Property and equipment, net (note 6(j))                                       | 1,274,367             | 1          | 1,268,822          | 1          | 26000 Lease liabilities (note 6(t))  | 131,235     | -                  | 125,708     | -  |
| 18600 Right-of-use assets (note 6(k))   | 127,183               | -          | 122,406            | -          | 29300 Deferred income tax liabilities (note 6(v))                            | 126,187     | -                  | 111,159     | -  |
| 18700 Investment property, net (note 6(l))  | 1,131,228             | 1          | 1,132,319          | 1          | 29500 Other liabilities  | 448,906     | -                  | 467,535     | -  |
| 19000 Intangible assets, net (note 6(m))  | 124,603               | -          | 120,646            | -          | <b>Total liabilities</b>   | 174,507,513 | 93                 | 173,377,890 | 93 |
| 19300 Deferred income tax assets (note 6(v))  | 146,827               | -          | 163,102            | -          | <b>Equity attributable to owners of parent (note 6(w)):</b>                  |             |                    |             |    |
| 19500 Other assets (note 6(u))  | 308,680               | -          | 181,316            | -          | Common stock   | 9,785,841   | 5                  | 9,500,815   | 5  |
|   |                       |            |                    |            | Capital reserve  | 917,324     | 1                  | 916,039     | 1  |
|   |                       |            |                    |            | Retained earnings:   |             |                    |             |    |
|   |                       |            |                    |            | Legal reserve  | 1,948,997   | 1                  | 1,728,615   | 1  |
|   |                       |            |                    |            | Special reserve  | 11,929      | -                  | 11,929      | -  |
|   |                       |            |                    |            | Unappropriated retained earnings   | 910,761     | -                  | 742,990     | -  |
|   |                       |            |                    |            | Other items in stockholders' equity  | 2,871,687   | 1                  | 2,483,534   | 1  |
|   |                       |            |                    |            | <b>Total equity</b>  | (126,367)   | -                  | 49,991      | -  |
|   |                       |            |                    |            | <b>Total liabilities and equity</b>  | 13,448,485  | 7                  | 12,950,379  | 7  |
| <b>Total assets</b>   | <b>\$ 187,955,998</b> | <b>100</b> | <b>186,328,269</b> | <b>100</b> | <b>\$ 187,955,998</b>  | <b>100</b>  | <b>186,328,269</b> | <b>100</b>  |    |

See accompanying notes to financial statements.



(English Translation of Financial Statements Originally Issued in Chinese)

**COTA COMMERCIAL BANK CO., LTD.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2022 and 2021**

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

|  | 2022              |            | 2021             |            | Change  |
|--|-------------------|------------|------------------|------------|---------|
|  | Amount            | %          | Amount           | %          | %       |
| 41000 Interest income (note 6(y) and 7)  | \$ 3,778,478      | 120        | 3,294,133        | 116        | 15      |
| 51000 Less: Interest expenses (note 6(y) and 7)  | 1,108,137         | 35         | 759,668          | 27         | 46      |
| Net sales revenue  | 2,670,341         | 85         | 2,534,465        | 89         | 5       |
| 49100 Service fees income, net (note 6(z) and 7)   | 296,128           | 9          | 238,377          | 8          | 24      |
| 49200 Gains and losses on financial assets or liabilities measured at fair value through profit and loss (note 6(c) and (aa))                | 28,957            | 1          | 30,570           | 1          | (5)     |
| 49310 Realized gains and losses on financial assets measured at fair value through other comprehensive income (note 6(d) and (ab))           | 24,927            | 1          | 23,838           | 1          | 5       |
| 49410 Gains arising from derecognition of financial assets measured at amortized cost  | -                 | -          | 1,959            | -          | (100)   |
| 49600 Foreign exchange gain (loss), net  | 106,197           | 3          | (1,005)          | -          | 10,667  |
| 49700 Impairment (loss) gain and reversal of impairment loss on assets (note 6(d), (e) and (ac))   | (1,468)           | -          | 1,746            | -          | (184)   |
| 49800 Other non-interest income, net (note 6(ad))  | 27,783            | 1          | 18,499           | 1          | 50      |
| <b>Operating revenue, net</b>  | <u>3,152,865</u>  | <u>100</u> | <u>2,848,449</u> | <u>100</u> | 11      |
| 58200 Provisions for bad debt expenses and guarantee reserve (note 6(g), (h), (s) and (ae))  | 80,583            | 3          | 42,994           | 2          | 87      |
| 58500 Personnel expenses (note 6(af) and (ag))   | 1,427,358         | 45         | 1,337,110        | 47         | 7       |
| 59000 Depreciation and amortization expense (note 6(ah))   | 109,405           | 4          | 99,886           | 4          | 10      |
| 59500 Other general and administrative expense (note 6(ai))  | 485,212           | 15         | 463,007          | 16         | 5       |
| <b>Total operating expenses</b>  | <u>2,021,975</u>  | <u>64</u>  | <u>1,900,003</u> | <u>67</u>  | 6       |
| 61001 Profit from continuing operations before tax   | 1,050,307         | 33         | 905,452          | 32         | 16      |
| 61003 Less: Income tax expenses (note 6(v))  | 196,745           | 6          | 169,907          | 6          | 16      |
| <b>Profit</b>  | <u>853,562</u>    | <u>27</u>  | <u>735,545</u>   | <u>26</u>  | 16      |
| 65200 <b>Components of other comprehensive income that may not be reclassified subsequently to profit or loss</b>                            |                   |            |                  |            |         |
| 65201 Gains (losses) on remeasurements of defined benefit plans (note 6(u))  | 68,935            | 2          | (5,052)          | -          | 1,465   |
| 65204 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(w)) | (50,567)          | (2)        | 36,920           | 1          | (237)   |
| 65220 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(v))             | (13,787)          | -          | 1,011            | -          | (1,464) |
|  | 4,581             | -          | 32,879           | 1          | (86)    |
| 65300 <b>Other components of other comprehensive income that may be reclassified subsequently to profit or loss (note 6(w))</b>              |                   |            |                  |            |         |
| 65301 Exchange differences of overseas subsidiaries financial reports translation  | 868               | -          | 799              | -          | 9       |
| 65309 Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income               | (124,670)         | (4)        | (122,004)        | (4)        | (2)     |
|  | (123,802)         | (4)        | (121,205)        | (4)        | (2)     |
| 65000 <b>Other comprehensive income</b>  | <u>(119,221)</u>  | <u>(4)</u> | <u>(88,326)</u>  | <u>(3)</u> | (35)    |
| <b>Total comprehensive income</b>  | <u>\$ 734,341</u> | <u>23</u>  | <u>647,219</u>   | <u>23</u>  | 13      |
| <b>Earning per share (NT dollars) (note 6(x))</b>  |                   |            |                  |            |         |
| 67500 Basic  | <u>\$ 0.87</u>    |            | <u>0.75</u>      |            |         |
| 67700 Diluted  | <u>\$ 0.87</u>    |            | <u>0.75</u>      |            |         |

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

## COTA COMMERCIAL BANK CO., LTD.

### Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

|   | Share capital    |                 |                  |                 | Retained earnings                |                         |   | Other equity interest   |                  |                   | Total equity |
|---|------------------|-----------------|------------------|-----------------|----------------------------------|-------------------------|---|---|------------------|-------------------|--------------|
|   | Ordinary shares  | Capital surplus | Legal reserve    | Special reserve | Unappropriated retained earnings | Total retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Total            |                   |              |
| <b>Balance at January 1, 2021</b>   | \$ 9,251,037     | 915,148         | 1,522,089        | 11,929          | 695,961                          | 2,229,979               | (1,015)   | 138,396   | 137,381          | 12,533,545        |              |
| Appropriation and distribution of retained earnings:  |                  |                 |                  |                 |                                  |                         |   |   |                  |                   |              |
| Legal reserve appropriated  | -                | -               | 206,526          | -               | (206,526)                        | -                       | -   | -   | -                | -                 |              |
| Cash dividends of ordinary share  | -                | -               | -                | -               | (231,276)                        | (231,276)               | -   | -   | -                | (231,276)         |              |
| Stock dividends of ordinary share   | 249,778          | -               | -                | -               | (249,778)                        | (249,778)               | -   | -   | -                | -                 |              |
| Other changes in capital surplus:   |                  |                 |                  |                 |                                  |                         |   |   |                  |                   |              |
| Shareholders' odd lot excess payment  | -                | 36              | -                | -               | -                                | -                       | -   | -   | -                | 36                |              |
| Dividends not received overtime by shareholders   | -                | 855             | -                | -               | -                                | -                       | -   | -   | -                | 855               |              |
| Profit for 2021   | 9,500,815        | 916,039         | 1,728,615        | 11,929          | 8,381                            | 1,748,925               | (1,015)   | 138,396   | 137,381          | 12,303,160        |              |
| Other comprehensive income for 2021   | -                | -               | -                | -               | 735,545                          | 735,545                 | -   | -   | -                | 735,545           |              |
| Total comprehensive income  | -                | -               | -                | -               | (4,041)                          | (4,041)                 | 799   | (85,084)  | (84,285)         | (88,326)          |              |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | -                | -               | -                | -               | 731,504                          | 731,504                 | 799   | (85,084)  | (84,285)         | 647,219           |              |
| <b>Balance at December 31, 2021</b>   | <b>9,500,815</b> | <b>916,039</b>  | <b>1,728,615</b> | <b>11,929</b>   | <b>742,990</b>                   | <b>2,483,534</b>        | <b>(216)</b>  | <b>50,207</b>   | <b>49,991</b>    | <b>12,950,379</b> |              |
| <b>Balance at January 1, 2022</b>   | 9,500,815        | 916,039         | 1,728,615        | 11,929          | 742,990                          | 2,483,534               | (216)   | 50,207  | 49,991           | 12,950,379        |              |
| Appropriation and distribution of retained earnings:  |                  |                 |                  |                 |                                  |                         |   |   |                  |                   |              |
| Legal reserve appropriated  | -                | -               | 220,382          | -               | (220,382)                        | -                       | -   | -   | -                | -                 |              |
| Cash dividends of ordinary share  | -                | -               | -                | -               | (237,520)                        | (237,520)               | -   | -   | -                | (237,520)         |              |
| Stock dividends of ordinary share   | 285,026          | -               | -                | -               | (285,026)                        | (285,026)               | -   | -   | -                | -                 |              |
| Other changes in capital surplus:   |                  |                 |                  |                 |                                  |                         |   |   |                  |                   |              |
| Shareholders' odd lot excess payment  | -                | 24              | -                | -               | -                                | -                       | -   | -   | -                | 24                |              |
| Dividends not received overtime by shareholders   | -                | 1,261           | -                | -               | -                                | -                       | -   | -   | -                | 1,261             |              |
| Profit for 2022   | 9,785,841        | 917,324         | 1,948,997        | 11,929          | 62                               | 1,960,988               | (216)   | 50,207  | 49,991           | 12,714,144        |              |
| Other comprehensive income for 2022   | -                | -               | -                | -               | 853,562                          | 853,562                 | -   | -   | -                | 853,562           |              |
| Total comprehensive income  | -                | -               | -                | -               | 55,148                           | 55,148                  | 868   | (175,237)   | (174,369)        | (119,221)         |              |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | -                | -               | -                | -               | 908,710                          | 908,710                 | 868   | (175,237)   | (174,369)        | 734,341           |              |
| <b>Balance at December 31, 2022</b>   | <b>9,785,841</b> | <b>917,324</b>  | <b>1,948,997</b> | <b>11,929</b>   | <b>910,761</b>                   | <b>2,871,687</b>        | <b>652</b>  | <b>(127,019)</b>  | <b>(126,367)</b> | <b>13,448,485</b> |              |

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

**COTA COMMERCIAL BANK CO., LTD.**  
**Statements of Cash Flows**  
**For the years ended December 31, 2022 and 2021**  
(Expressed in Thousands of New Taiwan Dollars)

|  | 2022                 | 2021               |
|--|----------------------|--------------------|
| <b>Cash flows from (used in) operating activities:</b>   |                      |                    |
| Profit before tax  | \$ 1,050,307         | 905,452            |
| <b>Adjustments:</b>  |                      |                    |
| Adjustments to reconcile profit:   |                      |                    |
| Depreciation expense   | 103,418              | 94,908             |
| Amortization expense   | 5,987                | 4,978              |
| Provision for bad debt expense   | 80,583               | 37,994             |
| Interest expense   | 1,108,137            | 759,668            |
| Interest income  | (3,778,478)          | (3,294,133)        |
| Dividend income  | (32,534)             | (13,597)           |
| Gain on disposal of property and equipment   | (271)                | (471)              |
| Property and equipment transferred to expenses   | 1,468                | (1,746)            |
| Net change in provisions for guarantees  | -                    | 5,000              |
| Net change in for other provisions   | (20,209)             | 1,364              |
| <b>Total adjustments to reconcile profit (loss)</b>  | <u>(2,531,899)</u>   | <u>(2,406,035)</u> |
| <b>Changes in operating assets and liabilities:</b>  |                      |                    |
| Increase in due from the Central Bank and call loans to banks  | (719,207)            | (833,449)          |
| Decrease (increase) in financial assets at fair value through profit or loss   | 2,727,413            | (1,559,682)        |
| Decrease (increase) in financial assets at fair value though other comprehensive income  | 804,485              | (1,568,288)        |
| Increase in financial assets at amortized cost   | (599,086)            | (2,229,672)        |
| Decrease (increase) in receivables   | 587,746              | (680,893)          |
| Increase in discounts and loans  | (10,665,896)         | (1,182,443)        |
| Increase in other financial assets   | (487,206)            | -                  |
| Increase in other assets   | (44,379)             | (45,771)           |
| <b>Total changes in operating assets</b>   | <u>(8,396,130)</u>   | <u>(8,100,198)</u> |
| <b>Changes in operating liabilities:</b>   |                      |                    |
| Increase (decrease) in deposits from Central Bank and banks  | 43,704               | (11,909)           |
| Decrease in financial liabilities at fair value through profit or loss   | (886)                | (5)                |
| Increase in payables   | 49,808               | 133,953            |
| Increase in deposits and remittances   | 1,592,434            | 5,724,050          |
| (Decrease) increase in provisions for employee benefits  | (9,754)              | 1,123              |
| (Decrease) increase in other liabilities   | (18,599)             | 46,221             |
| <b>Total changes in operating liabilities</b>  | <u>1,656,707</u>     | <u>5,893,433</u>   |
| <b>Total changes in operating assets and liabilities</b>   | <u>(6,739,423)</u>   | <u>(2,206,765)</u> |
| <b>Total adjustments</b>   | <u>(9,271,322)</u>   | <u>(4,612,800)</u> |
| Cash outflow used in operations  | (8,221,015)          | (3,707,348)        |
| Interest received  | 3,691,156            | 3,286,642          |
| Dividends received   | 32,449               | 26,112             |
| Interest paid  | (1,063,384)          | (779,122)          |
| Income taxes paid  | (181,232)            | (199,064)          |
| <b>Net cash flows from (used in) operating activities</b>  | <u>(5,742,026)</u>   | <u>(1,372,780)</u> |
| <b>Cash flows from (used in) investing activities:</b>   |                      |                    |
| Acquisition of property equipment  | (53,843)             | (48,135)           |
| Proceeds from disposal of property equipment   | 520                  | 901                |
| Acquisition of intangible assets   | (9,944)              | (4,330)            |
| (Increase) decrease in other assets  | (16,839)             | 122                |
| <b>Net cash flows from (used in) investing activities</b>  | <u>(80,106)</u>      | <u>(51,442)</u>    |
| <b>Cash flows from (used in) financing activities:</b>   |                      |                    |
| (Decrease) increase in due to the Central Bank and banks   | (570,180)            | 322,340            |
| Payment of lease liabilities   | (50,739)             | (46,577)           |
| Overdue dividend transferred to capital surplus  | 1,261                | 855                |
| Others   | 24                   | 36                 |
| Cash dividends paid  | (237,520)            | (231,276)          |
| <b>Net cash flows from (used in) financing activities</b>  | <u>(857,154)</u>     | <u>45,378</u>      |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>  | <u>868</u>           | <u>799</u>         |
| <b>Net decrease in cash and cash equivalents</b>   | <u>(6,678,418)</u>   | <u>(1,378,045)</u> |
| <b>Cash and cash equivalents at beginning of period</b>  | <u>18,345,129</u>    | <u>19,723,174</u>  |
| <b>Cash and cash equivalents at end of period</b>  | <u>\$ 11,666,711</u> | <u>18,345,129</u>  |
| <b>Components of cash and cash equivalents</b>   |                      |                    |
| Cash and cash equivalents reported in the balance sheet  | \$3,904,611          | 2,245,579          |
| Due from the Central Bank and call loans to banks following the definition of cash and cash equivalents under IAS 7 as accepted by FSC | 4,619,263            | 5,618,692          |
| Securities purchased under resell agreements following the definition of cash and cash equivalents under IAS 7 as accepted by FSC      | 3,142,837            | 10,480,858         |
| <b>Cash and cash equivalents at end of period</b>  | <u>\$ 11,666,711</u> | <u>18,345,129</u>  |

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

## **COTA COMMERCIAL BANK CO., LTD.**

### **Notes to the Financial Statements**

**For the years ended December 31, 2022 and 2021**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

#### **(1) Company history**

COTA COMMERCIAL BANK CO., LTD. (the "Company") was established in 1915 as a credit cooperative bank. Effective from January 1, 1999, the Company changed its status to commercial bank and its name to COTA Commercial Bank Co., Ltd. in accordance with the Company Law and the Banking Law. Pursuant to the resolution decided during the shareholders' meeting held on September 17, 2005 and as approved by the regulatory authorities, the Company merged with Fengyuan Credit Cooperative on January 1, 2006. Currently, the Company has 30 domestic branches and one offshore banking unit.

The Company is engaged in:

- Receiving deposits, extending loans, investing in bills and bonds, processing funds remittance, acceptances and guarantees, issuing letters of credit and providing other agency business (except for issuing foreign letters of credit and providing foreign guarantees);
- Buying and selling foreign currencies and traveler's checks;
- Credit card related services;
- Trust and fiduciary services;
- Foreign exchange service as authorized by the Central Bank;
- Commercial banking business related to international trade.

#### **(2) Approval date and procedures of the financial statements:**

The financial Statements were authorized for issuance by the Board of Directors on March 8, 2023.

#### **(3) New standards, amendments and interpretations adopted:**

##### **(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.**

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment—Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

##### **(b) The impact of IFRS issued by the FSC but not yet effective**

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

(Continued)

## COTA COMMERCIAL BANK CO., LTD.

### Notes to the Financial Statements

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

#### (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

#### (4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

##### (a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Held Banks (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. (hereinafter referred to IFRS endorsed by the FSC).

##### (b) Basis of preparation

###### (i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value (including Derivative financial instruments);
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities (assets) are measured a fair value of plan assets less the present value of the defined benefit obligation and the effect of the effect of the asset ceiling in Note 4(n).

###### (ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

##### (c) Foreign Currencies

###### (i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items

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denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which recognized in other comprehensive income is an investment in equity securities designated as at fair value through other comprehensive income.

(ii) Foreign operations

Regarding offshore banking unit (OBU), the assets and liabilities reported in functional currencies are translated into New Taiwan Dollars at the exchange rates on reporting date; the income and expenses, excluding in hyperinflationary economic situation, are translated into New Taiwan Dollars at the rate of exchange prevailing on the date of the transaction date. Exchange differences are recognized as other comprehensive income. When the settlement of monetary receivables/payables to OBU is neither planned nor likely to happen in the foreseeable future, gains and losses arising from currency exchange are valued as part of net investment and are recognized as other comprehensive income.

**(d) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, checks for clearance, checking and demand deposits due from other banks, money deposited in other financial institutions without designated purposes or with unrestricted access and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents reported in the statement of cash flows are assets that reported in the statement of financial positions, due from central bank and call loans to banks and securities purchased under resell agreements following the definition of cash and cash equivalents under IAS 7 as accepted by FSC.

**(e) Financial instruments**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A. Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold the assets to collect contractual cash flows; and

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- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

#### B. Securities purchased under resell agreements

Securities sold/purchased, with a commitment, are treated as financing transactions, which are recorded at cost. The difference between the cost and the repurchase/resell price is treated as interest expenses/revenue and recognized over the term of the agreement.

#### C. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, including receivables and loans. At initial recognition, these assets are recognized at fair value, plus, any directly attributable transaction costs subsequent to initial recognition.

Interest income is recognized in profit or loss, and it is included in statement of comprehensive income account.

Loans and receivables shall be transferred to overdue loans account if either of the following situation qualifies:

- Collection of payment of principal or interest accrued is considered highly unlikely; or
- Payment of principal or interest accrued is over 3 or 6 months past due; or

According to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans", non-performing loans with interest accrued shall be transferred to overdue loans after 6-month-additional extension of overdue payment. However, the reclassification does not apply to those of agreed installment payments, consultative consumer credit, and cases executed by the "Statute for Consumer Debt Clearance".

Reclassified overdue loans are assorted into discounts and loans, while other overdue receivables reclassified from guarantees, acceptances, factoring accounts receivable, and receivables-other credit card, are classified as other financial assets.

Outstanding balances of overdue loans'unrecoverable parts are written-off under approval of Board of Directors.

#### 2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

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Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

#### 3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

#### 4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, trade receivables and notes receivable, other receivables, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment, as well as forward looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's, twA or higher per Taiwan Ratings', A(twn) and BBB- or higher per Fitch.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental

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impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than a year past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities

1) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

2) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet

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when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Interest rate benchmark reform financial liability financial instruments modifications

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Group will update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group will first update the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Thereafter, the Group will apply the policies on accounting for modifications to the additional changes.

**(f) Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

**(g) Property, plant, and equipment**

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

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- 1) Buildings: 5 years ~ 80 years
- 2) Machinery equipment: 1 year ~ 20 years
- 3) Transportation equipment: 4 years ~ 10 years
- 4) Miscellaneous equipment: 3 year ~ 50 years
- 5) The significant portion of buildings and their useful life are as follow:

| <u>Item</u>         | <u>useful life</u>  |
|---------------------|---------------------|
| Buildings           |                     |
| Main building       | 60 years ~ 80 years |
| Premises Renovation | 5 years             |

Depreciation methods, useful lives, and residual values are reviewed at each reporting date adjusted if appropriate.

#### (iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner occupied to investment property.

#### (h) Lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:
  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

#### (i) As a lease

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 5) there is any lease modification

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets for the location of ATM. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**(i) Intangible assets**

**(i) Computer software**

Computer software system expenses, which are recorded based on the cost of acquisition less accumulated depreciation and accumulated impairment, are amortized using a straight-line method over a period of 1 to 10 years. The amortization is recognized in profit or loss.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(ii) Goodwill**

Goodwill derives from enterprise acquisition is included in intangible assets.

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Goodwill is cash generating units, indefinite useful life intangible assets and intangible assets which are not available for use. There are regular impairment tests every year and the impairment losses are recognized and non-reversible if the recoverable amount is lower than the book value.

**(j) Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets and assets arising from employee benefits) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(k) Provisions**

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

**(l) Financial guarantee contract**

The Company recognized financial guarantee liabilities initially at their fair value at the date of providing guarantee. The Company receives commission income with arm's-length transaction at contract date; this is the income could represent the fair value of financial guarantee contract. The advanced service fee is recognized as deferred item and amortized by straight-line method over the contract period of the financial guarantee.

**(m) Revenue recognition**

Interest revenue arised from credits is estimated on an accrual basis. All interest accrued shall be suspended from the date the loans are classified as nonperforming loans. Interest earned from nonperforming loans shall be recognized as interest income when the interest has been collected by the Company. If the repayment of loan is extended under an agreement, the related interest should be recognized as deferred revenue, classified into other liability and recognized as income when collected.

Service fee income is recognized when collected or when the majority of project is completed. Service fee income is received when loans and receivables are recognized. The service fee income which are caused by loans or receivables shall be recognized as interest revenue when they meet a suggested policy announced by the Bankers Association of the Republic of China. This policy requires an individual loan that meets the materiality criteria to have its effective interest rate be consistent with its interest revenue. Overall, the service fees shall be adjusted from the original agreed interest rate to the effective interest rate.

Rental income of a property is incurred during the lease term. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

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**(n) Employee benefits**

(i) Short-term employee benefit

Short-term employee benefits are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Post-employment benefit: The Company's pension plan comprises defined contribution plan and defined benefit plan.

1) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which the related service is provided by employees.

2) Defined benefit plans

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

The Company's defined benefit pension plan follows the Labor Standards Act. Pension payments to employees are calculated based on years of service and average salary upon retirement. The Company will make monthly contributions to the employees' pension accounts, which are managed by the Employee Pension Fund Committee, and the contributions are deposited in the employees' pension accounts with Bank of Taiwan. The pension fund for management is contributed 8% of salaries to individual pension accounts monthly.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Deposits with favorable rate

The Company provides deposits with favorable rate to employees, which include fix amount deposits with favorable rate for current employees and post-employment fix amount deposits with favorable rate for retired and current employees. The rate difference between the favorable rate and the market rate is considered employee benefit.

According to article 30 of "Regulations Governing the Preparation of Financial Report by Public Banks", the additional interests resulted from the difference between deposit with favorable rate and the deposits with market interest rate need actuary per the regulations related to defined benefit plan in IAS 19. The parameters of actuarial assumptions should obey the competent authority if any regulation is applicable.

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**(o) Share-based payment**

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

**(p) Income taxes**

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on taxable profits (losses) for the year and any adjustments to the tax payable or receivable in respect of previous year. The amount of current tax payable or receivables are the best estimate of the tax amount expected to be paid or received.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**(q) Earnings per share (EPS)**

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potential dilutive ordinary shares.

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**(r) Operating segment**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company). Operating results of the operating segment are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. The Company's chief operating decision maker is the Board of Directors.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

In preparing these financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

When the Company decide whether to recognize impairment loss, they mainly assess if there are any observable evidence indicating possible impairment. The evidence may include observable information indicating unfavorable changes in debtor payment status, or sovereign or local economic situation related to debt payment in arrears. When analyzing expected cash flow, the estimates by the management are based on past losses experience on assets of similar credit risk characteristics. The Company quarterly reviews methods and assumptions behind the amount and schedule of expected cash flow, to reduce the difference between expected and actual loss. Please refer to Note 6(ak) for impairment loss on loans.

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Company strives to use market observable when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data.

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

**(6) Explanation of significant accounts:**

**(a) Cash and cash equivalents**

|                           | December 31,<br>2022 | December 31,<br>2021 |
|---------------------------|----------------------|----------------------|
| Cash on hand              | \$ 3,030,934         | 1,571,438            |
| Checks for clearance      | 212,790              | 201,158              |
| Deposits from other banks | 660,887              | 472,983              |
|                           | <u>\$ 3,904,611</u>  | <u>2,245,579</u>     |

The cash and cash equivalents presented in the statement of cash flows had the following components, please refer to note 6(b).

|  | December 31,<br>2022 | December 31,<br>2021 |
|--|----------------------|----------------------|
| Cash and cash equivalents reported in the balance sheet  | \$ 3,904,611         | 2,245,579            |
| Due from the Central Bank and call loans to banks following the definition of cash and cash equivalents under IAS 7 as accepted by FSC | 4,619,263            | 5,618,692            |
| Securities purchased under resell agreements following the definition of cash and cash equivalents under IAS 7 as accepted by FSC      | 3,142,837            | 10,480,858           |
| Cash and cash equivalents reported in the statement of cash flows  | <u>\$ 11,666,711</u> | <u>18,345,129</u>    |

**(b) Due from the Central Bank and call loans to banks**

|   | December 31,<br>2022 | December 31,<br>2021 |
|---|----------------------|----------------------|
| Deposit reserve - checking accounts                   | \$ 2,129,949         | 3,067,672            |
| Deposit reserve - demand accounts                     | 5,514,329            | 4,990,334            |
| Deposit reserve - foreign currency deposits           | 6,142                | 5,538                |
| Call loans to banks                                   | 2,489,314            | 2,551,020            |
| Deposits with Financial Information Service Co., Ltd. | 1,346,953            | 1,152,345            |
|   | <u>\$ 11,486,687</u> | <u>11,766,909</u>    |

The reserves for deposits are calculated at prescribed rates, using the average monthly balances of various deposit accounts, and are appropriated and deposited in the reserve account of the Central Bank of the Republic of China (Taiwan). Deposits reserve - demand accounts cannot be withdrawn except for the monthly adjustment to the required reserve permitted by relevant regulations.

Please refer to note (8) for information regarding the restrictions on part of the deposit reserve shown above.

Due from Central Bank and call loans to banks following the definition of cash and cash equivalents under IAS 7 as accepted by FSC are as follows:

|                                     | December 31,<br>2022 | December 31,<br>2021 |
|-------------------------------------|----------------------|----------------------|
| Call loans to banks                 | \$ 2,489,314         | 2,551,020            |
| Deposit reserve - checking accounts | 2,129,949            | 3,067,672            |
|                                     | <u>\$ 4,619,263</u>  | <u>5,618,692</u>     |

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

**(c) Financial assets (liabilities) at fair value through profit or loss**

|   | December 31,<br>2022 | December 31,<br>2021 |
|---|----------------------|----------------------|
| Financial assets:   |                      |                      |
| Securities of listed companies                              | \$ 71,481            | 52,455               |
| Beneficiary certificates                                    | 68,985               | 142,015              |
| Short-term bills  | 699,740              | 4,611,558            |
| Convertible bonds   | 1,924,793            | 686,936              |
| Derivatives   | 1,009                | 457                  |
|   | <u>\$ 2,766,008</u>  | <u>5,493,421</u>     |
|   |                      |                      |
|   | December 31,<br>2022 | December 31,<br>2021 |
| Financial liabilities at fair value through profit or loss: |                      |                      |
| Derivatives   | <u>\$ 202</u>        | <u>1,088</u>         |

The Company engages in derivative transactions to mitigate exchange rate risks and interest rate risks. The Company's financial hedging policy is to minimize its market price or cash flow exposures.

The nominal amount information of outstanding derivative contracts as of December 31, 2022 and 2021 was as follows:

|                      | December 31,<br>2022 | December 31,<br>2021 |
|----------------------|----------------------|----------------------|
| Derivative contracts | <u>\$ 356,218</u>    | <u>689,625</u>       |

The net gains on financial assets at fair value through profit or loss for the years ended December 31, 2022 and 2021, were \$28,071 thousand and \$30,565 thousand, respectively. The net gains on financial liabilities at fair value through profit or loss for the years ended December 31, 2022 and 2021, were \$886 thousand and \$5 thousand, respectively.

**(d) Financial assets at fair value through other comprehensive income**

|  | December 31,<br>2022 | December 31,<br>2021 |
|--|----------------------|----------------------|
| Debt investments at fair value through other comprehensive income:   |                      |                      |
| Corporate bonds  | \$ 9,060,142         | 10,134,596           |
| Equity investments at fair value through other comprehensive income: |                      |                      |
| Domestic listed stock  | 383,822              | 283,142              |
| Domestic unlisted stock  | 173,728              | 179,634              |
| Total  | <u>\$ 9,617,692</u>  | <u>10,597,372</u>    |

(i) Debt investments at fair value through other comprehensive income

The Company has assessed that the following securities are held within a business model whose objective is achieved by both collecting the contractual cash flows and by selling securities; therefore, they have been classified as debt investments at fair value through other comprehensive income.

For the gain or loss arising from the disposal of investment, please refer to note 6(ab).

(ii) Equity investments at fair value through other comprehensive income

(Continued)



**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

The Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes.

During the years ended December 31, 2022 and 2021, the dividends of \$24,926 thousand and \$12,671 thousand, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized.

In 2022, the Company has sold its shares held in the equity investments at fair value through other comprehensive income as a result of investment strategy. The shares of fair value \$65,574 thousand and \$22,237 thousand and the Company realized a gain \$1,989 thousand and \$3,105 thousand, which is already included in other comprehensive income. The gain has been transferred to retained earnings.

- (iii) For credit risk (including the impairment of debt investments) and market risk, please refer to note 6(ak).
- (iv) The financial assets of the Company had not been pledged as collateral.
- (v) The movement in the allowance for debt investments at fair value through other comprehensive income was as follows:

|  | <u>2022</u>     | <u>2021</u>  |
|--|-----------------|--------------|
| Balance on January 1                   | \$ 1,175        | 2,356        |
| Provision (reversal) during the period | (42)            | (1,181)      |
| Balance on December 31                 | <u>\$ 1,133</u> | <u>1,175</u> |

**(e) Financial assets measured at amortized cost**

|   | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|---|------------------------------|------------------------------|
| Government bonds                        | \$ 979,468                   | 986,907                      |
| Corporate bonds                         | 4,104,052                    | 3,507,002                    |
| Negotiable certificates of deposits     | 16,375,000                   | 16,610,000                   |
| Financial bonds                         | 300,625                      | 55,380                       |
| Subtotal                                | 21,759,145                   | 21,159,289                   |
| Less: the allowance for impairment loss | (10,748)                     | (8,468)                      |
| Total                                   | <u>\$ 21,748,397</u>         | <u>21,150,821</u>            |

- (i) The Company has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.
- (ii) For credit risk, please refer to note 6(ak).
- (iii) As of December 31, 2022 and 2021, the government bonds had been pledged as collateral. Please refer to note (8).
- (iv) The movement in the allowance for financial assets measured at amortized cost was as follows:

|                                 | <u>2022</u>      | <u>2021</u>  |
|---------------------------------|------------------|--------------|
| Balance on January 1            | \$ 8,468         | 9,242        |
| Provision during the period     | 1,510            | (565)        |
| Effect of exchange rate changes | 770              | (209)        |
| Balance on December 31          | <u>\$ 10,748</u> | <u>8,468</u> |

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

**(f) Securities purchased under resell agreements**

Securities purchased under resell agreements, and their sold back amounts, using determined price were as follow:

| Item              | December 31, 2022 |                  |              |                                    |
|-------------------|-------------------|------------------|--------------|------------------------------------|
|                   | Book value        | Resell agreement | Resell price | Resell price                       |
| Commercial papers | \$ 3,150,100      | 3,142,837        | 3,143,491    | Resell gradually before 2023.01.09 |

| Item              | December 31, 2021    |                   |                   |                                    |
|-------------------|----------------------|-------------------|-------------------|------------------------------------|
|                   | Book value           | Resell agreement  | Resell price      | Resell price                       |
| Commercial papers | \$ 8,461,000         | 8,554,979         | 8,555,572         | Resell gradually before 2022.01.12 |
| Corporate bonds   | 1,705,900            | 1,710,859         | 1,711,039         | Resell gradually before 2022.01.12 |
| Government bonds  | 213,300              | 215,020           | 215,042           | Resell gradually before 2022.01.10 |
|                   | <b>\$ 10,380,200</b> | <b>10,480,858</b> | <b>10,481,653</b> |                                    |

**(g) Receivables, net**

|   | December 31, 2022 | December 31, 2021 |
|---|-------------------|-------------------|
| Accounts Receivable Purchase-Non-Recourse | \$ 958            | -                 |
| Credit card accounts receivable           | 160,616           | 129,225           |
| Interest receivable                       | 293,987           | 206,665           |
| Accrued income                            | 4,804             | 9,145             |
| Acceptances receivable                    | 392               | -                 |
| Dividends receivable                      | 243               | 158               |
| Guarantee payments receivable             | 2,270             | 677,469           |
| Others                                    | 28,018            | 42,105            |
| Sub-total                                 | 491,288           | 1,064,767         |
| Less: allowance for doubtful accounts     | (25,044)          | (68,901)          |
|   | <b>\$ 466,244</b> | <b>995,866</b>    |

The movement in the allowance for receivables (including overdue receivables) during the year ended December 31, 2022 was as follows:

|  | 12-month ECL | Lifetime ECL-group | Lifetime ECL-individual | Lifetime ECL-not new financial assets acquired or credit-impaired | Lifetime ECL-new financial assets acquired or credit-impaired | expected credit loss accordance with IFRS9 | Difference of impairment loss in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal | Total  |
|--|--------------|--------------------|-------------------------|---|---|--|--|--------|
| Balance on January 1   | \$ 828       | 2,411              | -                       | 2,565   | -   | 5,804                                      | 63,099   | 68,903 |
| Reconciliation arising from financial instruments recognized at the beginning of the year: |              |                    |                         |   |   |  |  |        |
| -Transfer to lifetime ECL  | (3)          | 24                 | -                       | (21)  | -   | -  | -  | -      |
| -Transfer to credit-impaired financial assets  | (3)          | (66)               | -                       | 69  | -   | -  | -  | -      |

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

|  |                 |            |          |              |          |              |                |                |
|--|-----------------|------------|----------|--------------|----------|--------------|----------------|----------------|
| -Transfer to 12-month ECL  | 44              | (42)       | -        | (2)          | -        | -            | -              | -              |
| -Financial assets repaid   | (98)            | (113)      | -        | (245)        | -        | (456)        | -              | (456)          |
| New financial assets acquired  | 599             | (2,027)    | -        | 681          | -        | (747)        | -              | (747)          |
| <b>Difference of impairment in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal</b> |                 |            |          |              |          |              | 145,434        | 145,434        |
| Bad debts  | (605)           | (38)       | -        | (25)         | -        | (668)        | (8,364)        | (9,032)        |
| Recovered bad debts  | -               | -          | -        | 3,166        | -        | 3,166        | 10,797         | 13,963         |
| Foreign exchange gains (losses) and others   | 712             | 352        | -        | (3,443)      | -        | (2,379)      | (642)          | (3,021)        |
| Balance on December 31   | <u>\$ 1,474</u> | <u>501</u> | <u>-</u> | <u>2,745</u> | <u>-</u> | <u>4,720</u> | <u>210,324</u> | <u>215,044</u> |

The movement in the allowance for receivables during the year ended December 31, 2021 was as follows:

|  | 12-month ECL  | Lifetime ECL-group | Lifetime ECL-individual | Lifetime ECL-not new financial assets acquired or credit-impaired | Lifetime ECL-new financial assets acquired or credit-impaired | expected credit loss accordance with IFRS9 | Difference of impairment loss in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal | Total         |
|--|---------------|--------------------|-------------------------|---|---|--|--|---------------|
| Balance on January 1   | \$ 784        | 1,120              | -                       | 3,576   | -   | 5,478                                      | 46,852   | 52,330        |
| Reconciliation arising from financial instruments recognized at the beginning of the year:   |               |                    |                         |   |   |  |  |               |
| -Transfer to lifetime ECL  | (4)           | 17                 | -                       | (13)  | -   | -  | -  | -             |
| -Transfer to credit-impaired financial assets  | (6)           | (44)               | -                       | 50  | -   | -  | -  | -             |
| -Transfer to 12-month ECL  | 23            | (11)               | -                       | (12)  | -   | -  | -  | -             |
| - Financial assets repaid  | (133)         | (81)               | -                       | (497)   | -   | (711)                                      | -  | (711)         |
| New financial assets acquired  | 163           | 1,406              | -                       | 27  | -   | 1,596                                      | -  | 1,596         |
| <b>Difference of impairment in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal</b> |               |                    |                         |   |   |  | 16,729   | 16,729        |
| Bad debts  | (1,230)       | (136)              | -                       | (221)   | -   | (1,587)                                    | (814)  | (2,401)       |
| Recovered bad debts  | 97            | 31                 | -                       | 4,280   | -   | 4,408                                      | 332  | 4,740         |
| Foreign exchange gains (losses) and others   | 1,134         | 109                | -                       | (4,625)   | -   | (3,382)                                    | -  | (3,382)       |
| Balance on December 31   | <u>\$ 828</u> | <u>2,411</u>       | <u>-</u>                | <u>2,565</u>  | <u>-</u>  | <u>5,802</u>                               | <u>63,099</u>  | <u>68,901</u> |

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

**(h) Discounts and loans, net**

|                                    | December 31,<br>2022  | December 31,<br>2021 |
|------------------------------------|-----------------------|----------------------|
| Overdrafts                         | \$ 4,612              | 6,224                |
| Short-term loans                   | 26,399,543            | 20,713,861           |
| Medium-term loans                  | 75,295,745            | 69,313,923           |
| Long-term loans                    | 31,347,349            | 32,404,037           |
| Overdue loans                      | 176,357               | 181,795              |
| Accounts receivable-financing      | 8,621                 | -                    |
| Sub-total                          | 133,232,227           | 122,619,840          |
| Less: allowance for bad debts      | (1,767,833)           | (1,768,453)          |
| adjustment of discount and premium | (240,966)             | (242,555)            |
|                                    | <b>\$ 131,223,428</b> | <b>120,608,832</b>   |

The movement in the allowance for discounts and loans during the year ended December 31, 2022 was as follows:

|  | 12-month<br>ECL   | Lifetime<br>ECL-group | Lifetime<br>ECL-individual | Lifetime ECL-<br>not new<br>financial assets<br>acquired or<br>credit-impaired | Lifetime ECL-<br>new financial<br>assets<br>acquired or<br>credit-impaired | expected<br>credit loss<br>accordance<br>with IFRS9 | Difference of<br>impairment loss in<br>accordance with<br>the Regulations<br>Governing the<br>Procedures<br>for Banking<br>Institutions to<br>Evaluate Assets<br>and Deal | Total            |
|--|-------------------|-----------------------|----------------------------|--|--|---|---|------------------|
| Balance on January 1   | \$ 170,868        | 18,788                | -                          | 307,498  | -  | 497,154   | 1,271,299   | 1,768,453        |
| Reconciliation arising from<br>financial instruments recognized<br>at the beginning of the year:   |                   |                       |                            |  |  |   |   |                  |
| -Transfer to lifetime ECL  | (4,910)           | 15,186                | -                          | (10,276)   | -  | -   | -   | -                |
| -Transfer to credit-impaired<br>financial assets   | (809)             | (3,107)               | -                          | 3,916  | -  | -   | -   | -                |
| Transfer to 12-month ECL   | 3,293             | (1,335)               | -                          | (1,958)  | -  | -   | -   | -                |
| - Financial assets repaid  | (61,583)          | (11,157)              | -                          | (49,808)   | -  | (122,548)   | -   | (122,548)        |
| New financial assets acquired  | 138,746           | 271,392               | -                          | 4,738  | -  | 414,876   | -   | 414,876          |
| <b>Difference of impairment<br/>in accordance with the<br/>Regulations Governing the<br/>Procedures for Banking<br/>Institutions to Evaluate<br/>Assets and Deal</b> |                   |                       |                            |  |  |   | (357,827)   | (357,827)        |
| Bad debts  | -                 | -                     | -                          | -  | -  | -   | (119,251)   | (119,251)        |
| Recovered bad debts  | -                 | -                     | -                          | -  | -  | -   | 188,210   | 188,210          |
| Foreign exchange gains (losses)<br>and others  | (16,318)          | 7,328                 | -                          | 4,910  | -  | (4,080)   | -   | (4,080)          |
| Balance on December 31   | <b>\$ 229,287</b> | <b>297,095</b>        | <b>-</b>                   | <b>259,020</b>   | <b>-</b>   | <b>785,402</b>                                      | <b>982,431</b>  | <b>1,767,833</b> |

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**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

The movement in the allowance for discounts and loans during the year ended December 31, 2021, was as follows:

|  | 12-month<br>ECL   | Lifetime<br>ECL-group | Lifetime<br>ECL-individual | Lifetime ECL-<br>not new<br>financial assets<br>acquired or<br>credit-impaired | Lifetime ECL-<br>new financial<br>assets<br>acquired or<br>credit-impaired | expected<br>credit loss<br>accordance<br>with IFRS9 | Difference of<br>impairment loss in<br>accordance with<br>the Regulations<br>Governing the<br>Procedures<br>for Banking<br>Institutions to<br>Evaluate Assets<br>and Deal | Total            |
|--|-------------------|-----------------------|----------------------------|--|--|---|---|------------------|
| Balance on January 1   | \$ 202,218        | 15,969                | -                          | 357,393  | -  | 575,580   | 1,136,137   | 1,711,717        |
| Reconciliation arising from<br>financial instruments recognized<br>at the beginning of the year:   |                   |                       |                            |  |  |   |   |                  |
| -Transfer to lifetime ECL  | (219)             | 6,959                 | -                          | (6,740)  | -  | -   | -   | -                |
| -Transfer to credit-impaired<br>financial assets   | (2,174)           | (6,628)               | -                          | 8,802  | -  | -   | -   | -                |
| -Transfer to 12-month ECL  | 4,949             | (1,066)               | -                          | (3,883)  | -  | -   | -   | -                |
| - Financial assets repaid  | (74,550)          | (5,792)               | -                          | (91,225)   | -  | (171,567)   | -   | (171,567)        |
| New financial assets acquired  | 90,289            | 1,670                 | -                          | 4,365  | -  | 96,324  | -   | 96,324           |
| <b>Difference of impairment<br/>in accordance with the<br/>Regulations Governing the<br/>Procedures for Banking<br/>Institutions to Evaluate<br/>Assets and Deal</b> |                   |                       |                            |  |  |   | 101,940   | 101,940          |
| Bad debts  | -                 | -                     | -                          | -  | -  | -   | (173,038)   | (173,038)        |
| Recovered bad debts  | -                 | -                     | -                          | -  | -  | -   | 206,260   | 206,260          |
| Foreign exchange gains (losses)<br>and others  | (49,645)          | 7,676                 | -                          | 38,786   | -  | (3,183)   | -   | (3,183)          |
| Balance on December 31   | <u>\$ 170,868</u> | <u>18,788</u>         | <u>-</u>                   | <u>307,498</u>   | <u>-</u>   | <u>497,154</u>                                      | <u>1,271,299</u>  | <u>1,768,453</u> |

**(i) Other Financial Assets, Net**

|                              | December 31,<br>2022 | December 31,<br>2021 |
|------------------------------|----------------------|----------------------|
| Overdue receivables          | \$ 677,206           | -                    |
| Less: allowance for bad debt | (190,000)            | -                    |
|                              | <u>\$ 487,206</u>    | <u>-</u>             |

The movement in the allowance for bad debt during the year ended December 31, 2022. Please refer to note 6(g).

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**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

**(j) Property and equipment, net**

The cost, depreciation, and impairment of the property and equipment of the Company for the years ended December 31, 2022 and 2021, were as follows:

|  | Land              | Buildings        | Machinery<br>equipment | Transportation<br>equipment | Miscellaneous<br>equipment | Leasehold<br>improvements | Total            |
|--|-------------------|------------------|------------------------|-----------------------------|----------------------------|---------------------------|------------------|
| <b>Cost:</b>                               |                   |                  |                        |                             |                            |                           |                  |
| Balance at January 1, 2022                 | \$ 815,829        | 629,421          | 156,023                | 39,125                      | 246,888                    | 99,807                    | 1,987,093        |
| Additions                                  | -                 | -                | 23,162                 | 4,018                       | 17,103                     | 9,560                     | 53,843           |
| Disposals                                  | -                 | -                | (7,990)                | (2,600)                     | (1,854)                    | (84)                      | (12,528)         |
| Reclassification                           | -                 | -                | 2,790                  | -                           | -                          | -                         | 2,790            |
| Balance at December 31, 2022               | <u>\$ 815,829</u> | <u>629,421</u>   | <u>173,985</u>         | <u>40,543</u>               | <u>262,137</u>             | <u>109,283</u>            | <u>2,031,198</u> |
| Balance at January 1, 2021                 | \$ 815,829        | 629,421          | 146,097                | 35,526                      | 219,537                    | 99,642                    | 1,946,052        |
| Additions                                  | -                 | -                | 11,620                 | 6,832                       | 29,518                     | 165                       | 48,135           |
| Disposals                                  | -                 | -                | (1,694)                | (3,233)                     | (2,167)                    | -                         | (7,094)          |
| Balance at December 31, 2021               | <u>\$ 815,829</u> | <u>629,421</u>   | <u>156,023</u>         | <u>39,125</u>               | <u>246,888</u>             | <u>99,807</u>             | <u>1,987,093</u> |
| <b>Depreciation and impairment losses:</b> |                   |                  |                        |                             |                            |                           |                  |
| Balance at January 1, 2022                 | \$ -              | (319,563)        | (108,275)              | (22,520)                    | (190,643)                  | (77,270)                  | (718,271)        |
| Depreciation for the period                | -                 | (11,855)         | (16,371)               | (3,166)                     | (10,380)                   | (9,067)                   | (50,839)         |
| Disposals                                  | -                 | -                | 7,990                  | 2,351                       | 1,854                      | 84                        | 12,279           |
| Balance at December 31, 2022               | <u>\$ -</u>       | <u>(331,418)</u> | <u>(116,656)</u>       | <u>(23,335)</u>             | <u>(199,169)</u>           | <u>(86,253)</u>           | <u>(756,831)</u> |
| Balance at January 1, 2021                 | \$ -              | (307,649)        | (96,889)               | (22,111)                    | (182,649)                  | (69,113)                  | (678,411)        |
| Depreciation for the period                | -                 | (11,914)         | (13,080)               | (3,212)                     | (10,161)                   | (8,157)                   | (46,524)         |
| Disposals                                  | -                 | -                | 1,694                  | 2,803                       | 2,167                      | -                         | 6,664            |
| Balance at December 31, 2021               | <u>\$ -</u>       | <u>(319,563)</u> | <u>(108,275)</u>       | <u>(22,520)</u>             | <u>(190,643)</u>           | <u>(77,270)</u>           | <u>(718,271)</u> |
| <b>Carrying amounts:</b>                   |                   |                  |                        |                             |                            |                           |                  |
| Balance at December 31, 2022               | <u>\$ 815,829</u> | <u>298,003</u>   | <u>57,329</u>          | <u>17,208</u>               | <u>62,968</u>              | <u>23,030</u>             | <u>1,274,367</u> |
| Balance at January 1, 2021                 | <u>\$ 815,829</u> | <u>321,772</u>   | <u>49,208</u>          | <u>13,415</u>               | <u>36,888</u>              | <u>30,529</u>             | <u>1,267,641</u> |
| Balance at December 31, 2021               | <u>\$ 815,829</u> | <u>309,858</u>   | <u>47,748</u>          | <u>16,605</u>               | <u>56,245</u>              | <u>22,537</u>             | <u>1,268,822</u> |

No property and equipment was pledged as collateral.

**(k) Right-of-use assets**

The Company leases many assets including land and buildings, vehicles and ATM placement.

Information about leases for which the Company as a lessee was presented below:

|                              | Land        | Buildings      | Transportation<br>equipment | Superficies  | Total          |
|------------------------------|-------------|----------------|-----------------------------|--------------|----------------|
| <b>Cost:</b>                 |             |                |                             |              |                |
| Balance at January 1, 2022   | \$ -        | 242,171        | 4,360                       | 5,242        | 251,773        |
| Additions                    | -           | 53,967         | -                           | 2,298        | 56,265         |
| Disposal                     | -           | (45,179)       | -                           | (1,279)      | (46,458)       |
| Balance at December 31, 2022 | <u>\$ -</u> | <u>250,959</u> | <u>4,360</u>                | <u>6,261</u> | <u>261,580</u> |

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**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

|                              |             |                  |                |                |                  |
|------------------------------|-------------|------------------|----------------|----------------|------------------|
| Balance at January 1, 2021   | \$ -        | 214,056          | -              | 5,242          | 219,298          |
| Additions                    | -           | 28,115           | 4,360          | -              | 32,475           |
| Balance at December 31, 2021 | <b>\$ -</b> | <b>242,171</b>   | <b>4,360</b>   | <b>5,242</b>   | <b>251,773</b>   |
| Accumulated depreciation:    |             |                  |                |                |                  |
| Balance at January 1, 2022   | \$ -        | (125,417)        | (727)          | (3,223)        | (129,367)        |
| Depreciation for the year    | -           | (48,773)         | (1,453)        | (1,262)        | (51,488)         |
| Disposal                     | -           | 45,179           | -              | 1,279          | 46,458           |
| Balance at December 31, 2022 | <b>\$ -</b> | <b>(129,011)</b> | <b>(2,180)</b> | <b>(3,206)</b> | <b>(134,397)</b> |
| Balance at January 1, 2021   | \$ -        | (80,073)         | -              | (2,001)        | (82,074)         |
| Depreciation for the year    | -           | (45,344)         | (727)          | (1,222)        | (47,293)         |
| Balance at December 31, 2021 | <b>\$ -</b> | <b>(125,417)</b> | <b>(727)</b>   | <b>(3,223)</b> | <b>(129,367)</b> |
| Carrying amount:             |             |                  |                |                |                  |
| Balance at December 31, 2022 | <b>\$ -</b> | <b>121,948</b>   | <b>2,180</b>   | <b>3,055</b>   | <b>127,183</b>   |
| Balance at January 1, 2021   | <b>\$ -</b> | <b>133,983</b>   | <b>-</b>       | <b>3,241</b>   | <b>137,224</b>   |
| Balance at December 31, 2021 | <b>\$ -</b> | <b>116,754</b>   | <b>3,633</b>   | <b>2,019</b>   | <b>122,406</b>   |

**(I) Investment property, net**

Investment property comprises office buildings that are leased to third parties under operating leases, including properties that are held as right-of-use assets, as well as properties that are owned by the Company. The leases of investment properties contain an initial non-cancellable lease term of three to eight years, the rental income is fixed under the contracts.

|  | Land                | Buildings       | Total            |
|--|---------------------|-----------------|------------------|
| <b>Cost:</b>   |                     |                 |                  |
| Balance at December 31, 2022<br>(Balance at January 1, 2022) | <b>\$ 1,106,520</b> | <b>69,277</b>   | <b>1,175,797</b> |
| Balance at December 31, 2021<br>(Balance at January 1, 2021) | <b>\$ 1,106,520</b> | <b>69,277</b>   | <b>1,175,797</b> |
| <b>Depreciation and impairment losses:</b>                   |                     |                 |                  |
| Balance at January 1, 2022                                   | \$ (1,765)          | (41,713)        | (43,478)         |
| Depreciation for the period                                  | -                   | (1,091)         | (1,091)          |
| Balance at December 31, 2022                                 | <b>\$ (1,765)</b>   | <b>(42,804)</b> | <b>(44,569)</b>  |
| Balance at January 1, 2021                                   | \$ (1,765)          | (40,622)        | (42,387)         |
| Depreciation for the period                                  | -                   | (1,091)         | (1,091)          |
| Balance at December 31, 2021                                 | <b>\$ (1,765)</b>   | <b>(41,713)</b> | <b>(43,478)</b>  |
| <b>Carrying amounts:</b>                                     |                     |                 |                  |
| Balance at December 31, 2022                                 | <b>\$ 1,104,755</b> | <b>26,473</b>   | <b>1,131,228</b> |
| Balance at January 1, 2021                                   | <b>\$ 1,104,755</b> | <b>28,655</b>   | <b>1,133,410</b> |
| Balance at December 31, 2021                                 | <b>\$ 1,104,755</b> | <b>27,564</b>   | <b>1,132,319</b> |

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of one to five years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

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**COTA COMMERCIAL BANK CO., LTD.**  
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The fair value of investment properties (as measured or disclosed in the financial statements) was based on a valuation by the market comparison approach to compare the market value of real estate with similar conditions in adjacent areas and the development land analysis approach. The valuation is based on the remaining amount of the saleable amount minus the relevant costs and reasonable profits of the maximum floor area that can be used on the land. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3. The fair value of investment property as of December 31, 2022 and 2021 are \$1,303,726 thousand and \$1,299,433 thousand, respectively.

Related rent revenue and direct operating expenses are as below:

|                           | <u>2022</u>      | <u>2021</u>   |
|---------------------------|------------------|---------------|
| Rent revenue              | <u>\$ 17,833</u> | <u>17,313</u> |
| Direct operating expenses | <u>\$ 1,091</u>  | <u>1,091</u>  |

No investment property was pledged as collateral.

**(m) Intangible assets**

The costs amortization, and the impairment of the intangible assets of the Company as of and for the years ended December 31, 2022 and 2021, were as follows:

|                              | <u>Goodwill</u>   | <u>Software</u> | <u>Total</u>   |
|------------------------------|-------------------|-----------------|----------------|
| <b>Cost:</b>                 |                   |                 |                |
| Balance at January 1, 2022   | \$ 154,027        | 32,166          | 186,193        |
| Additions                    | -                 | 9,944           | 9,944          |
| Decreases                    | -                 | (539)           | (539)          |
| Balance at December 31, 2022 | <u>\$ 154,027</u> | <u>41,571</u>   | <u>195,598</u> |
| Balance at January 1, 2021   | \$ 154,027        | 30,323          | 184,350        |
| Additions                    | -                 | 4,330           | 4,330          |
| Decreases                    | -                 | (2,487)         | (2,487)        |
| Balance at December 31, 2021 | <u>\$ 154,027</u> | <u>32,166</u>   | <u>186,193</u> |
| <b>Amortization:</b>         |                   |                 |                |
| Balance at January 1, 2022   | \$ 51,738         | 13,809          | 65,547         |
| Amortization for the period  | -                 | 5,987           | 5,987          |
| Decreases                    | -                 | (539)           | (539)          |
| Balance at December 31, 2022 | <u>\$ 51,738</u>  | <u>19,257</u>   | <u>70,995</u>  |
| Balance at January 1, 2021   | \$ 51,738         | 11,318          | 63,056         |
| Amortization for the period  | -                 | 4,978           | 4,978          |
| Decreases                    | -                 | (2,487)         | (2,487)        |
| Balance at December 31, 2021 | <u>\$ 51,738</u>  | <u>13,809</u>   | <u>65,547</u>  |
| <b>Carrying amounts:</b>     |                   |                 |                |
| Balance at December 31, 2022 | <u>\$ 102,289</u> | <u>22,314</u>   | <u>124,603</u> |
| Balance at January 1, 2021   | <u>\$ 102,289</u> | <u>19,005</u>   | <u>121,294</u> |
| Balance at December 31, 2021 | <u>\$ 102,289</u> | <u>18,357</u>   | <u>120,646</u> |

Goodwill represents the excess of consideration over the net fair value of acquired tangible assets, identifiable intangible assets and liabilities in the acquisition of Fengyuan Credit Cooperative on January 1, 2006.

Fengyuan Credit Cooperative's original business and goodwill are identified as one cash-generating unit (CGU) in impairment test. The recoverable value of the CGU is based on the key assumptions such as operating revenues, operating costs, operating expenses and discount rate.

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**COTA COMMERCIAL BANK CO., LTD.**  
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The Company's goodwill has been tested for impairment, where the recoverable amount is determined based on the value in use. The accumulated goodwill impairment loss amounted to \$51,738 thousand.

No intangible assets were pledged as collateral.

**(n) Deposits from the Central Bank and other banks**

|                          | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|--------------------------|------------------------------|------------------------------|
| Postal deposits accepted | \$ 25,670                    | 25,670                       |
| Call loans to banks      | 43,704                       | -                            |
|                          | <u>\$ 69,374</u>             | <u>25,670</u>                |

**(o) Due to the Central Bank and banks**

|              | <u>December 31, 2021</u> |                      |                     |                   |
|--------------|--------------------------|----------------------|---------------------|-------------------|
|              | <u>Currency</u>          | <u>Interest Rate</u> | <u>Period</u>       | <u>Amount</u>     |
| Central Bank | NTD                      | 0.10%                | 2021.12.6~2022.6.30 | <u>\$ 570,180</u> |

As of December 31, 2021, the Company applied for the loans from the Central Bank for providing loans to small and medium enterprises affected by Covid-19 pandemic.

**(p) Payables**

|                      | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|----------------------|------------------------------|------------------------------|
| Notes payable        | \$ -                         | 50,000                       |
| Interest payable     | 138,945                      | 94,192                       |
| Tax payable          | 35,259                       | 29,948                       |
| Collections payable  | 51,174                       | 55,711                       |
| Accrued expenses     | 441,425                      | 361,572                      |
| Checks for clearance | 212,790                      | 201,158                      |
| Others               | 61,252                       | 53,703                       |
|                      | <u>\$ 940,845</u>            | <u>846,284</u>               |

**(q) Deposits and remittances**

|                         | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|-------------------------|------------------------------|------------------------------|
| Checking accounts       | \$ 2,478,165                 | 2,480,701                    |
| Cashiers' checks        | 959,204                      | 668,026                      |
| Demand deposits         | 30,712,999                   | 28,531,045                   |
| Time deposits           | 23,506,106                   | 28,772,667                   |
| Demand savings deposits | 48,881,058                   | 47,999,823                   |
| Term savings deposits   | 63,017,470                   | 59,508,112                   |
| Remittances outstanding | 1,459                        | 3,653                        |
|                         | <u>\$ 169,556,461</u>        | <u>167,964,027</u>           |

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**COTA COMMERCIAL BANK CO., LTD.**  
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**(r) Subordinate financial debentures**

|                                   | December 31,<br>2022 | December 31,<br>2021 |
|-----------------------------------|----------------------|----------------------|
| Subordinate financial debentures: |                      |                      |
| 107-2                             | \$ 600,000           | 600,000              |
| 107-1                             | 600,000              | 600,000              |
| 105-1                             | 1,800,000            | 1,800,000            |
|                                   | <b>\$ 3,000,000</b>  | <b>3,000,000</b>     |

(i) In order to increase the capital adequacy and raise medium-term and long-term operating funds, the Board of Directors of the Company resolved to issue subordinate financial debentures in a total amount of \$600,000 thousand on November 9, 2017, which was approved by the regulation authorities on August 31, 2018. The Company issued these debentures on December 12, 2018, and the subscription was completed during the year.

The details were as follows:

- 1) Issue price: At face value.
- 2) Issue period: From December 12, 2018 to December 12, 2025.
- 3) Interest rate: For 107-2A, 1.95%.
- 4) Interest accrual: Annually accrued and paid since the issued date.
- 5) Repayment of principal: Except for the liquidation, bankruptcy and reorganization, the holder of the debenture shall not request early repayment.

(ii) In order to increase the capital adequacy and raise medium-term and long-term operating funds, the Board of Directors of the Company resolved to issue subordinate financial debentures in a total amount of \$600,000 thousand on November 9, 2017, which was approved by the regulation authorities on March 5, 2018. The Company issued these debentures on June 21, 2018, and the subscription was completed during the year.

The details were as follows:

- 1) Issue price: At face value.
- 2) Issue period: From June 21, 2018 to Null.
- 3) Interest rate: For 107-1A, 3.06%, based on the Company's term deposits regular rate plus 1.65%.
- 4) Interest accrual: Annually accrued and paid since the issued date.
- 5) Repayment of principal: After the expiration of 5 years after the issuance of this bond, if the ratio of the Company's own capital to the risky assets after the redemption is calculated meets the minimum ratio requirements set by the competent authority, the Company may redeem it with the consent of the competent authority; Announcement on the 30th day of the redemption date, the interest payable plus the denomination, and all redemption.

(iii) In order to increase the capital adequacy and raise medium-term and long-term operating funds, the Board of Directors of the Company resolved to issue subordinate financial debentures in a total amount of \$1,800,000 thousand on June 23, 2016, which was approved by the regulation authorities on September 5, 2016. The Company issued these debentures on November 16, 2016, and the subscription was completed during the year.

The details were as follows:

- 1) Issue price: At face value.
- 2) Issue period: From November 16, 2016 to November 16, 2023.

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

- 3) Interest rate: For 105-1A, 2.1%.  
4) Interest accrual: Annually accrued and paid since the issued date.  
5) Repayment of principal: Outright repayment of principal at maturity.

**(s) Provisions**

|                                  | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|----------------------------------|------------------------------|------------------------------|
| Provisions for guarantees        | \$ 44,511                    | 44,481                       |
| Provisions of loan commitments   | 44,500                       | 44,500                       |
| Provisions for other             | 5,000                        | 5,000                        |
| Provisions for employee benefits | 55,560                       | 65,314                       |
| Provisions for other operations  | 21,232                       | 41,441                       |
|                                  | <u>\$ 170,803</u>            | <u>200,736</u>               |

Provisions were as follows:

|   | <u>January 1,<br/>2022</u> | <u>Current<br/>increase</u> | <u>Current<br/>reclassify</u> | <u>Exchange rate<br/>differences</u> | <u>December 31,<br/>2022</u> |
|---|----------------------------|-----------------------------|-------------------------------|--------------------------------------|------------------------------|
| Provisions for guarantees                     | \$ 44,481                  | -                           | -                             | 30                                   | 44,511                       |
| Provisions of loan commitments                | 44,500                     | -                           | -                             | -                                    | 44,500                       |
| Provisions for other                          | 5,000                      | -                           | -                             | -                                    | 5,000                        |
| Provisions for other operation<br>(Note 9(b)) | 41,441                     | -                           | (20,209)                      | -                                    | 21,232                       |

|   | <u>January 1,<br/>2021</u> | <u>Current<br/>increase.</u> | <u>Current<br/>reclassify</u> | <u>Exchange rate<br/>differences</u> | <u>December 31,<br/>2021</u> |
|---|----------------------------|------------------------------|-------------------------------|--------------------------------------|------------------------------|
| Provisions for guarantees                     | \$ 39,489                  | 5,000                        | -                             | (8)                                  | 44,481                       |
| Provisions of loan commitments                | 44,500                     | -                            | -                             | -                                    | 44,500                       |
| Provisions for other                          | 5,000                      | -                            | -                             | -                                    | 5,000                        |
| Provisions for other operation<br>(Note 9(b)) | 40,077                     | 1,364                        | -                             | -                                    | 41,441                       |

Provisions for employee benefits please refer to Note 6 (u).

**(t) Lease Liabilities**

The Company's lease liabilities was as follows:

|                    | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|--------------------|------------------------------|------------------------------|
| Less than one year | \$ 45,060                    | 43,315                       |
| More than one year | 86,175                       | 82,393                       |
|                    | <u>\$ 131,235</u>            | <u>125,708</u>               |

For the maturity analyses, please refer to note 6 (ak).

The amounts recognized in profit or loss was as follows:

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**COTA COMMERCIAL BANK CO., LTD.**  
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|   | 2022     | 2021  |
|---|----------|-------|
| Interest on lease liabilities                   | \$ 2,907 | 2,596 |
| Expenses relating to leases of low-value assets | \$ 4,911 | 5,019 |

The amounts recognized in the statement of cash flows by the Company were as follows:

|   | 2022      | 2021   |
|---|-----------|--------|
| Total cash outflow for leases (Including payment of lease liabilities, interest paid, and the amounts recognized above in profit or loss) | \$ 58,557 | 54,192 |

(i) Real estate leases

The Company leases land and buildings for its office space. The leases of office space typically run for five to seven years.

(ii) Other leases

The Company leases vehicles and equipment, with lease terms of three years. The leases term of superficies right is five years, and some cases are lease liabilities for leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

**(u) Employee benefits**

(i) Defined benefit plans:

The reconciliation in the present value of defined benefit obligations and fair value of plan assets as follows:

|  | December 31,<br>2022 | December 31,<br>2021 |
|--|----------------------|----------------------|
| Total present value of obligations                               | \$ 1,011,059         | 1,037,483            |
| Fair value of plan assets  | (1,199,497)          | (1,113,276)          |
| Recognized assets for defined benefit obligations (Other assets) | \$ (188,438)         | (75,793)             |

The Company makes defined benefit plan contributions to the pension fund account in the Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on the years of service and the average monthly salary for six months prior to retirement.

1) Composition of plan assets

The Company's employee retirement benefits are based on the policy of the labor dismissal and the implementation rules of the labor pension. The actual retirement pension entitlement of employees is calculated by applying the above two methods in stages according to their periods of service, and the payment base is determined according to the number of years in service, and the amount is determined by the hourly retirement salary.

According to the Labor Standards Law, the Company provides labor retirement reserves to 15% of the total monthly salary of employees (except for appointed managers) to the pension fund account in the Bank of Taiwan to meet the needs of employee pensions. In addition, to support the pension of the appointed managers, a special bank account is set up, which is paid monthly based on 8% of the total salary of the appointed managers.

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the financial statements shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

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The Company's Bank of Taiwan labor pension reserve account balance amounted to 1,199,497 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Change in present value of the defined benefit obligations

The change in present value of the defined benefit obligations were as follows:

|  | <u>2022</u>         | <u>2021</u>      |
|--|---------------------|------------------|
| Defined benefit obligations at January 1                     | \$ 1,037,483        | 1,078,528        |
| Current service costs and interest                           | 24,621              | 25,860           |
| Remeasurements of the net defined benefit liability (asset): |                     |                  |
| - Actuarial loss (gain) arising from financial assumptions   | 19,782              | 18,086           |
| Benefits paid by the plan assets                             | (60,192)            | (84,991)         |
| Liabilities of calculate corrections from last period        | (10,635)            | -                |
| Defined benefit obligations at December 31                   | <u>\$ 1,011,059</u> | <u>1,037,483</u> |

3) Change in fair value of defined benefit plan assets

The change in the fair value of the defined benefit plan assets were as follows:

|  | <u>2022</u>         | <u>2021</u>      |
|--|---------------------|------------------|
| Fair value of plan assets at January 1                       | \$ 1,113,276        | 1,121,597        |
| Interest income  | 6,945               | 6,979            |
| Remeasurements of the net defined benefit liability (asset): |                     |                  |
| - Return on plan assets excluding interest income            | 88,717              | 13,032           |
| Contributions made   | 49,787              | 50,838           |
| Benefits paid by the plan assets                             | (59,228)            | (79,170)         |
| Fair value of plan assets at December 31                     | <u>\$ 1,199,497</u> | <u>1,113,276</u> |

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss were as follows:

|   | <u>2022</u>      | <u>2021</u>   |
|---|------------------|---------------|
| Current service costs                                     | \$ 18,309        | 19,313        |
| Net Interest on the net defined benefit liability (asset) | (633)            | (432)         |
| Liabilities of calculate corrections                      | (10,635)         | -             |
|   | <u>\$ 7,041</u>  | <u>18,881</u> |
| Administration expenses                                   | <u>\$ 7,041</u>  | <u>18,881</u> |
| Actual return on assets                                   | <u>\$ 95,662</u> | <u>20,011</u> |

5) Actuarial gains and losses recognized in other comprehensive income recognized in other comprehensive income

The Company's actuarial gains and losses recognized in other comprehensive income were as follows:

|                                  | <u>2022</u>      | <u>2021</u>   |
|----------------------------------|------------------|---------------|
| Cumulative amount at January 1   | \$ 92,128        | 87,076        |
| Recognized during the period     | (68,935)         | 5,052         |
| Cumulative amount at December 31 | <u>\$ 23,193</u> | <u>92,128</u> |

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**COTA COMMERCIAL BANK CO., LTD.**  
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6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follow:

Actuarial assumptions in deciding the present value of the defined benefit obligations:

|                         | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------------------|--------------------------|--------------------------|
| Discount rate           | 1.750%                   | 0.625%                   |
| Future salary increases | 2.0%                     | 1.5%                     |

Actuarial assumptions in deciding cost of defined benefit plans:

|                         | <u>2022</u> | <u>2021</u> |
|-------------------------|-------------|-------------|
| Discount rate           | 0.625%      | 0.625%      |
| Future salary increases | 1.5%        | 1.5%        |

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$49,353 thousand.

The weighted average duration of the defined benefit plan is 11.22 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of defined benefit obligation shall be as follows:

|                         | <u>Influences of defined benefit obligations</u> |                       |
|-------------------------|--|-----------------------|
|                         | <u>Increase 0.25%</u>                            | <u>Decrease 0.25%</u> |
| December 31, 2022       |  |                       |
| Discount rate           | \$ (18,084)                                      | 18,613                |
| Future salary increases | 17,840   | (17,422)              |
| December 31, 2021       |  |                       |
| Discount rate           | \$ (20,751)                                      | 21,409                |
| Future salary increases | 20,454   | (19,933)              |

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Employee Promotions Deposits plans

The Company was obligated to pay present employees and retired employees fixed preferential interest rate for their deposits in conformity with "Rules Employee Preferential Deposit for Retired Employees for COTA commercial Bank". If the Company's preferential deposit interest rate for an employee as stated in the employment contract exceeds the market interest rate, the excess will be subject to IAS 19 "Employee Benefits" upon the employees' retirement.

The recognized defined benefit liabilities were as follows:

|   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Present value of defined benefit obligation                         | \$ 55,560                | 65,314                   |
| Fair value of plan assets   | -                        | -                        |
| Recognized liabilities for defined benefit obligations (Provisions) | <u>\$ 55,560</u>         | <u>65,314</u>            |

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

1) Movements in the present value of the defined benefit obligation

|   | December 31,<br>2022 | December 31,<br>2021 |
|---|----------------------|----------------------|
| Defined benefit obligation on January 1                     | \$ 65,314            | 64,191               |
| Current service cost and interest                           | 3,266                | 3,209                |
| Remeasurement of the net defined benefit liability (asset): |                      |                      |
| - Actuarial loss (gain) arising from financial assumptions  | (4,630)              | 2,373                |
| Past service cost   | 4,966                | 8,222                |
| Benefits paid by the plan assets                            | (13,356)             | (12,681)             |
| Defined benefit obligation on December 31                   | <b>\$ 55,560</b>     | <b>65,314</b>        |

2) Expenses recognized in profit or loss

As of December 31, 2022 and 2021, the Company's expenses recognized in profit or loss were \$3,602 thousand and \$13,804 thousand, respectively.

(iii) Defined contribution plans

The Company allocates 6% of each employee's monthly salaries to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to \$31,192 thousand and \$29,708 thousand for the years ended December 31, 2022 and 2021, respectively.

**(v) Income tax**

(i) The components of income tax in the years 2022 and 2021 were as follows:

|   | 2022              | 2021           |
|---|-------------------|----------------|
| Current tax expense                               |                   |                |
| Current period                                    | \$ 179,631        | 176,307        |
| Additional tax on undistributed earnings          | -                 | 42             |
| Adjustment for prior periods                      | (402)             | 49             |
|   | 179,229           | 176,398        |
| Deferred tax expense                              |                   |                |
| Origination and reversal of temporary differences | 17,516            | (6,491)        |
| Income tax expense                                | <b>\$ 196,745</b> | <b>169,907</b> |

The amount of income tax recognized in other comprehensive income for 2022 and 2021 was follows:

|   | 2022             | 2021           |
|---|------------------|----------------|
| Items that will not be reclassified subsequently to profit or loss: |                  |                |
| Remeasurement from defined benefit plans                            | <b>\$ 13,787</b> | <b>(1,011)</b> |

Reconciliation of income tax and profit before tax for 2022 and 2021 is as follows:

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

|   | 2022              | 2021           |
|---|-------------------|----------------|
| Profit before income tax  | \$ 1,050,307      | 905,452        |
| Income tax using the Company's domestic tax rate                  | \$ 210,061        | 181,091        |
| Tax effect of tax-exempt gains from sale of marketable securities | 4,792             | (2,527)        |
| Changes in unrecognized temporary differences                     | 2,000             | 3,000          |
| Additional tax on undistributed earnings                          | -                 | 42             |
| Changes in provision in prior periods                             | (402)             | 49             |
| Other adjustments   | (19,706)          | (11,748)       |
|   | <b>\$ 196,745</b> | <b>169,907</b> |

(ii) Deferred tax asset and liability

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

|  | December 31, 2022 | December 31, 2021 |
|--|-------------------|-------------------|
| Tax effect of deductible temporary differences | \$ 38,000         | 36,000            |

2) Recognized deferred tax assets and liabilities

Changes in the amounts of deferred tax assets and liabilities for 2022 and 2021 were as follows:

|  | Defined benefit plans | Fair value losses | Allowance of impairment loss | Others        | Total          |
|--|-----------------------|-------------------|------------------------------|---------------|----------------|
| <b>Deferred tax assets:</b>              |                       |                   |                              |               |                |
| Balance at January 1, 2022               | \$ 14,074             | 28,366            | 84,186                       | 36,476        | 163,102        |
| Recognized in profit or loss             | (2,961)               | (4,074)           | 5,645                        | (1,098)       | (2,488)        |
| Recognized in other comprehensive income | (13,787)              | -                 | -                            | -             | (13,787)       |
| Balance at December 31, 2022             | <b>\$ (2,674)</b>     | <b>24,292</b>     | <b>89,831</b>                | <b>35,378</b> | <b>146,827</b> |
| Balance at January 1, 2021               | \$ 14,238             | 32,183            | 76,303                       | 33,314        | 156,038        |
| Recognized in profit or loss             | (1,175)               | (3,817)           | 7,883                        | 3,162         | 6,053          |
| Recognized in other comprehensive income | 1,011                 | -                 | -                            | -             | 1,011          |
| Balance at December 31, 2021             | <b>\$ 14,074</b>      | <b>28,366</b>     | <b>84,186</b>                | <b>36,476</b> | <b>163,102</b> |

|                                  | Accrued land value increment tax | Fair value profit | Others        | Total          |
|----------------------------------|----------------------------------|-------------------|---------------|----------------|
| <b>Deferred tax liabilities:</b> |                                  |                   |               |                |
| Balance at January 1, 2022       | \$ 83,799                        | -                 | 27,360        | 111,159        |
| Recognized in profit or loss     | -                                | 15,099            | (71)          | 15,028         |
| Balance at December 31, 2022     | <b>\$ 83,799</b>                 | <b>15,099</b>     | <b>27,289</b> | <b>126,187</b> |
| Balance at January 1, 2021       | \$ 83,799                        | -                 | 27,798        | 111,597        |
| Recognized in profit or loss     | -                                | -                 | (438)         | (438)          |
| Balance at December 31, 2021     | <b>\$ 83,799</b>                 | <b>-</b>          | <b>27,360</b> | <b>111,159</b> |

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

3) Assessment of tax

The Company's tax returns for the years through 2020 were examined and approved by the Tax Authorities.

**(w) Share capital and other equity accounts**

As of December 31, 2022 and 2021, the Company's authorized capital consisted of \$12,000,000 thousand shares and issued shares worth \$9,785,841 thousand and \$9,500,815 thousand, respectively, with par value of \$10 per share.

Outstanding shares reconciliation as below:

| (thousand shares)      | Ordinary Share    |                |
|------------------------|-------------------|----------------|
|                        | 2022              | 2021           |
| Balance at January 1   | \$ 950,081        | 925,103        |
| Common stock dividend  | 28,503            | 24,978         |
| Balance at December 31 | <b>\$ 978,584</b> | <b>950,081</b> |

(i) Share capital

The Company increased its capital through a capitalization of its retained earnings amounting to \$285,026 thousand based on the resolution approved during the shareholders' meeting held on June 17, 2022, with the approval of the government authorities on August 1, 2022.

The Company increased its capital through a capitalization of its retained earnings amounting to \$249,778 thousand based on a resolution approved during the shareholders' meeting held on August 20, 2021. With the approval of the government authorities on November 1, 2021.

(ii) Capital surplus

The components of capital surplus were as follows:

|  | December 31,<br>2022 | December 31,<br>2021 |
|--|----------------------|----------------------|
| Statutory reserve and special reserve transferred in | \$ 742,056           | 742,056              |
| Share capital  | 169,638              | 169,638              |
| Shareholders' odd lot excess payment                 | 312                  | 288                  |
| Dividends not received overtime by shareholders      | 5,318                | 4,057                |
|  | <b>\$ 917,324</b>    | <b>916,039</b>       |

In accordance with the ROC Company Law, capital reserve is exclusively used for offsetting prior losses and conversion to capital and cannot be distributed as cash dividends. According to the ROC Company Law and relevant securities exchange regulations, a capital increase using capital reserve has to be reserves arisen from issuing stock or donated assets received and cannot exceed 10% of a Company's paid-in capital in any year. Capital reserve arisen from long-term equity investments cannot be used to offset prior losses or converted to capital.

(iii) Retained earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 30% is to be appropriated as legal reserve but the legal reserve has reached its total capital, or the financial business is sound and raise the legal reserve who under the ROC Bank Act, Have unrestricted preceding paragraph; And the operation needs of the Company with the Act provides for the extension or rotation of the special reserve, If there are reserve, together with the unallocated surplus at the beginning of the period, Drafted by the Board of Directors for distribution of profits brought to the shareholders' meeting dispatch shareholders dividends.

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

According to the Banking Law, cash dividends are limited to 15% of total capital until the balance of statutory reserve reaches the amount of capital.

Except as otherwise provided by law, cash dividend shall not be lower than 10% of the total dividend distributed. If the cash dividend distributed per share is lower than \$0.1, expect for otherwise resolved by the shareholder's meeting, it is not distributed.

1) Legal reserve

Under the ROC Bank Act, the Company must retain 10% of its earnings as legal reserve until such retention equals the amount of the total capital. According to the amendment of the ROC Bank Act as of January 2012, legal reserve is limited to the extent of 25% of the share capital. In addition, under the ROC Bank Act, the Bank shall retain 30% of its after-tax earnings as the legal reserve before distributing them. Before the amount of legal reserves reaches the amount of the total capital, the maximum amount of distributing earnings in cash shall not exceed 15% of the total capital. The restriction is not applied if the amount of legal reserves equals the amount of the total capital, or if the Bank is in a sound financial condition and when it complies the ROC Bank Act.

2) Special reserve

In accordance with permit NO.10510001510 as issued by the Financial Supervisory Commission, the Company shall retain 0.5% to 1% of its after-tax earnings as the special reserve before distributing the earning for 2016 to 2018. The special reserve from this as of December 31, 2022 and 2021 were approximately the same as \$11,929 thousand.

According to the regulation stipulated by the Securities and Futures Bureau, an amount equal to the net debit balance of other items of the shareholders' equity (including the exchange differences on translating foreign operations, unrealized gain or loss on financial assets at FVTOCI, the amount of items other than the current after-tax net profit, plus the current after-tax net profit included in the undistributed earnings of the current period, and the undistributed earnings of the previous period) are added to the special surplus reserve. However, supplementary undistributed surplus listed as special surplus reserve shall not be distributed. Thereafter, if there is any reversal of the decrease in shareholders' equity, the Bank is allowed to appropriate the retained earnings from the reversed amount.

3) Appropriation of earnings

Earning distribution for 2021 and 2020 was decided via the general meeting of shareholders held on June 17, 2022 and August 20, 2021, respectively. The details were as follows:

|  | 2021             |                   | 2020             |                |
|--|------------------|-------------------|------------------|----------------|
|  | Amount per share | Total amount      | Amount per share | Total amount   |
| Dividends distributed to ordinary shareholders |                  |                   |                  |                |
| Cash   | 0.25             | 237,520           | 0.25             | 231,276        |
| Shares   | 0.30             | 285,026           | 0.27             | 249,778        |
| Total  |                  | <b>\$ 522,546</b> |                  | <b>481,054</b> |

On March 8, 2023, the company's Board of Directors resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

|  | 2022             |                   |
|--|------------------|-------------------|
|  | Amount per share | Total amount      |
| Dividends distributed to ordinary shareholders |                  |                   |
| Cash   | 0.27             | 264,218           |
| Shares   | 0.25             | 244,646           |
| Total  |                  | <b>\$ 508,864</b> |

(Continued)



**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

4) Other equity accounts

|   | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Total            |
|---|---|---|------------------|
| Balance, January 1, 2022  | \$ (216)  | 50,207  | 49,991           |
| Disposed of investments in equity instruments designated at fair value through other comprehensive income | -   | (1,989)   | (1,989)          |
| Unrealized gains (losses) on financial assets, measured at fair value through other comprehensive income  | -   | (175,237)   | (175,237)        |
| Foreign currency translation differences (net of tax):  | 868   | -   | 868              |
| Balance, December 31, 2022  | <u>\$ 652</u>   | <u>(127,019)</u>  | <u>(126,367)</u> |

|   | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Total         |
|---|---|---|---------------|
| Balance, January 1, 2021  | \$ (1,015)  | 138,396   | 137,381       |
| Disposed of investments in equity instruments designated at fair value through other comprehensive income | -   | (3,105)   | (3,105)       |
| Unrealized gains (losses) on financial assets, measured at fair value through other comprehensive income  | -   | (85,084)  | (85,084)      |
| Foreign currency translation differences (net of tax):  | 799   | -   | 799           |
| Balance, December 31, 2021  | <u>\$ (216)</u>   | <u>50,207</u>   | <u>49,991</u> |

**(x) Earnings per share**

The basic and diluted earnings per share for 2022 and 2021 were calculated as follows:

|   | 2022              | 2021           |
|---|-------------------|----------------|
| <b>Basic earnings per share:</b>                                    |                   |                |
| Profit of the Company for the year                                  | <u>\$ 853,562</u> | <u>735,545</u> |
| Weighted-average number of ordinary shares at 31 December           | <u>978,584</u>    | <u>978,584</u> |
| Basic Earnings per share (in NT dollars)                            | <u>\$ 0.87</u>    | <u>0.75</u>    |
| <b>Diluted earnings per share:</b>                                  |                   |                |
| Profit of the Company for the year                                  | <u>\$ 853,562</u> | <u>735,545</u> |
| Weighted-average number of ordinary shares at 31 December           | 978,584           | 978,584        |
| Effect of dilutive potential ordinary shares:                       |                   |                |
| Employee share bonuses  | 5,945             | 5,256          |
| Weighted-average number of ordinary shares (diluted) at 31 December | <u>984,529</u>    | <u>983,840</u> |
| Diluted earnings per share (in NT dollar)                           | <u>\$ 0.87</u>    | <u>0.75</u>    |

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

**(y) Net interest income**

|  | <u>2022</u>                | <u>2021</u>             |
|--|----------------------------|-------------------------|
| <b>Interest income</b>   |                            |                         |
| Discount and loans   | \$ 3,271,890               | 2,910,250               |
| Due from banks   | 83,936                     | 27,268                  |
| Short-term bills and bonds   | 254,809                    | 186,373                 |
| Other  | 167,843                    | 170,242                 |
| Sub-total  | <u>3,778,478</u>           | <u>3,294,133</u>        |
| <b>Interest expense</b>  |                            |                         |
| Deposit  | 1,020,571                  | 683,423                 |
| Deposits from the Central Bank and banks and due to the Central Bank and banks | 996                        | 665                     |
| Financial bonds  | 74,170                     | 72,660                  |
| Other  | 12,400                     | 2,920                   |
| Sub-total  | <u>1,108,137</u>           | <u>759,668</u>          |
|  | <b><u>\$ 2,670,341</u></b> | <b><u>2,534,465</u></b> |

**(z) Service fee income**

|                                       | <u>2022</u>              | <u>2021</u>           |
|---------------------------------------|--------------------------|-----------------------|
| Service fee income                    |                          |                       |
| Insurance agency service fee          | \$ 173,925               | 129,824               |
| Fund service fee                      | 40,440                   | 40,932                |
| Guarantee service fee                 | 20,122                   | 27,593                |
| Consumer financial center service fee | 20,593                   | 17,211                |
| Remittance service fee                | 10,451                   | 10,489                |
| Credit card service fee               | 10,228                   | 8,630                 |
| Oversea Bonds Service fee             | 13,880                   | 114                   |
| Other                                 | 29,327                   | 25,280                |
| Sub-total                             | <u>318,966</u>           | <u>260,073</u>        |
| Service fee expense                   | <u>22,838</u>            | <u>21,696</u>         |
|                                       | <b><u>\$ 296,128</u></b> | <b><u>238,377</u></b> |

**(aa) Gains and losses on financial assets or liabilities measured at fair value through profit or loss**

|                                 | <u>2022</u>  | <u>2021</u>   |
|---------------------------------|--------------|---------------|
| <b>Disposal gains (losses)</b>  |              |               |
| Convertible bonds               | \$ 23,382    | 14,612        |
| Listed securities               | (6,161)      | 902           |
| Beneficiary certificates        | (9,815)      | 6,012         |
| Subtotal                        | <u>7,406</u> | <u>21,526</u> |
| <b>Valuation gains (losses)</b> |              |               |
| Convertible bonds               | (42)         | (826)         |

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

|                              |                         |                      |
|------------------------------|-------------------------|----------------------|
| Listed securities            | (2,555)                 | 2,398                |
| Short-term bills             | (713)                   | 540                  |
| Beneficiary certificates     | (6,109)                 | (1,124)              |
| Derivative                   | 1,437                   | (6,435)              |
| Subtotal                     | <u>(7,982)</u>          | <u>(5,447)</u>       |
| Dividend and interest income | <u>29,533</u>           | <u>14,491</u>        |
|                              | <b><u>\$ 28,957</u></b> | <b><u>30,570</u></b> |

**(ab) Realized gains and losses on financial assets measured at fair value through other comprehensive income**

|  | <u>2022</u>             | <u>2021</u>          |
|--|-------------------------|----------------------|
| Dividend income                          | \$ 24,927               | 12,671               |
| Gain on the disposal of debt instruments | -                       | 11,167               |
|  | <b><u>\$ 24,927</u></b> | <b><u>23,838</u></b> |

**(ac) Asset impairment (loss) revolving interest**

|   | <u>2022</u>              | <u>2021</u>         |
|---|--------------------------|---------------------|
| Financial assets at fair value through other comprehensive income | \$ 42                    | 1,181               |
| Financial assets at amortized cost                                | (1,510)                  | 565                 |
|   | <b><u>\$ (1,468)</u></b> | <b><u>1,746</u></b> |

**(ad) Other net non-interest income, net**

|   | <u>2022</u>             | <u>2021</u>          |
|---|-------------------------|----------------------|
| Rental income                                   | \$ 17,833               | 17,313               |
| Net gains on disposal of premises and equipment | 271                     | 471                  |
| Other operating reserves                        | 20,209                  | (1,364)              |
| Other revenues-net                              | (10,530)                | 2,079                |
|   | <b><u>\$ 27,783</u></b> | <b><u>18,499</u></b> |

**(ae) Bad debt expenses and provision for guarantee reserve**

|                     | <u>2022</u>             | <u>2021</u>          |
|---------------------|-------------------------|----------------------|
| Discounts and loans | \$ 51,300               | 23,759               |
| Guarantee           | -                       | 5,000                |
| Receivables         | <u>29,283</u>           | <u>14,235</u>        |
|                     | <b><u>\$ 80,583</u></b> | <b><u>42,994</u></b> |

**(af) Employee compensation and directors' and supervisors' remuneration**

In accordance with the Articles of incorporation, the Company should contribute no less than 6% of the profit as employee compensation and less than 2% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

For the year ended December 31, 2022 and 2021, the Company estimated its employee remuneration at \$68,498 thousand and \$59,051 thousand, and directors' and supervisors' remuneration at \$22,833 thousand and 19,684 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration of employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating expenses during 2022 and 2021. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2022 and 2021.

**(ag) Employee benefits expenses**

|                           | <u>2022</u>                | <u>2021</u>             |
|---------------------------|----------------------------|-------------------------|
| Salary expenses           | \$ 1,172,151               | 1,070,216               |
| Insurance expenses        | 92,339                     | 89,243                  |
| Retirement expenses       | 38,233                     | 48,589                  |
| Remuneration of directors | 38,769                     | 35,480                  |
| Other employee benefits   | 85,866                     | 93,582                  |
|                           | <u><b>\$ 1,427,358</b></u> | <u><b>1,337,110</b></u> |

**(ah) Depreciation and amortization expenses**

|  | <u>2022</u>              | <u>2021</u>          |
|--|--------------------------|----------------------|
| Depreciation of property and equipment | \$ 50,839                | 46,524               |
| Depreciation of right-of-use assets    | 51,488                   | 47,293               |
| Depreciation of investment property    | 1,091                    | 1,091                |
| Amortization of intangible assets      | 5,987                    | 4,978                |
|  | <u><b>\$ 109,405</b></u> | <u><b>99,886</b></u> |

**(ai) Other general and administrative expenses**

|                                   | <u>2022</u>              | <u>2021</u>           |
|-----------------------------------|--------------------------|-----------------------|
| Taxes and fees                    | \$ 215,327               | 188,287               |
| Insurance expense                 | 48,769                   | 47,887                |
| Rental expense                    | 4,911                    | 5,019                 |
| Occupational group membership fee | 22,607                   | 24,354                |
| Advertising and printing expense  | 26,207                   | 25,443                |
| Security fees                     | 23,957                   | 22,261                |
| Other                             | 143,434                  | 149,756               |
|                                   | <u><b>\$ 485,212</b></u> | <u><b>463,007</b></u> |

**(aj) Financial instruments**

(i) Fair value Measurement

1) Overview

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

Financial instruments are measured at fair value on initial recognition, which, in most cases, refers to the entry price. Subsequent valuation is based on the fair value basis except for financial instruments measured at amortized cost. The optimal evidence in deciding fair value is the exit price of an active market. Considering those financial instruments without an active market, the Company adopts the valuation techniques, or the references of the exit price offered by Bloomberg, Reuters and counterparties in fair value valuation.

2) Definition of three - level fair value hierarchy

a) Level 1

Fair value measurement for a financial instrument classified in Level 1 is determined as the quoted price for an identical financial instrument in an active market. The definition of active market has all of the following conditions: the products traded in the market are homogeneous, willing parties are available anytime in the market, and price information is available for the public. The Company's investments in listed and TPEX securities, beneficiary certificates, popular Taiwan central government bonds, and derivative financial instruments which had the quoted price in an active market, are classified to Level 1.

b) Level 2

Fair value measurement for a financial instrument classified in Level 2 is determined as the observable price other than quoted price in an active market including an observable input obtained in an active market, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The Company's investments in government bonds not in popular demand, corporate bonds, financial debentures, convertible bonds, and majority derivative instruments, are classified to Level 2.

c) Level 3

Input for a fair value measurement for a financial instrument classified in Level 3 is not based on obtainable data from the market (an unobservable input, such as volatility for a share option derived from the share's historical prices, as it does not generally represent current market expectations about future volatility). The equity instruments with no active market which the Company invested are Level 3.

3) Fair value hierarchy

a) The table below analyses recurring financial instruments carried at fair value

| <b>Fair value measurement for financial instruments</b>           | <b>December 31, 2022</b> |                |                |                |
|---|--------------------------|----------------|----------------|----------------|
|   | <b>Total</b>             | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
| <b>Non-derivative financial instruments</b>                       |                          |                |                |                |
| <b>Assets:</b>  |                          |                |                |                |
| Financial assets at fair value through profit or loss             |                          |                |                |                |
| Investment in stocks  | \$ 71,481                | 71,481         | -              | -              |
| Investment in bonds   | 1,924,793                | -              | 1,924,793      | -              |
| Short-term bills  | 699,740                  | 699,740        | -              | -              |
| Others  | 68,985                   | 68,985         | -              | -              |
| Financial assets at fair value through other comprehensive income |                          |                |                |                |
| Investment in stocks  | 557,550                  | 383,822        | -              | 173,728        |
| Investment in bonds   | 9,060,142                | 9,060,142      | -              | -              |
| <b>Derivative financial instruments</b>                           |                          |                |                |                |
| <b>Assets:</b>  |                          |                |                |                |
| Financial assets at fair value through profit or loss             | 1,009                    | -              | 1,009          | -              |
| <b>Liabilities:</b>   |                          |                |                |                |
| Financial liabilities at fair value through profit or loss        | 202                      | -              | 202            | -              |

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

| <u>Fair value measurement for financial instruments</u>           | <u>December 31, 2022</u> |                |                |                |
|---|--------------------------|----------------|----------------|----------------|
|   | <u>Total</u>             | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| <u>Instruments not measured at fair value</u>                     |                          |                |                |                |
| Financial assets at amortized cost                                | 21,688,484               | 16,375,000     | 5,313,484      | -              |
| Investment property   | 1,303,726                | -              | -              | 1,303,726      |
| <br>  |                          |                |                |                |
| <u>Fair value measurement for financial instruments</u>           | <u>December 31, 2021</u> |                |                |                |
|   | <u>Total</u>             | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| <u>Non-derivative financial instruments</u>                       |                          |                |                |                |
| <b>Assets:</b>  |                          |                |                |                |
| Financial assets at fair value through profit or loss             |                          |                |                |                |
| Investment in stocks  | \$52,455                 | 52,455         | -              | -              |
| Investment in bonds   | 686,936                  | -              | 686,936        | -              |
| Short-term bills  | 4,611,558                | 4,611,558      | -              | -              |
| Others  | 142,015                  | 142,015        | -              | -              |
| Financial assets at fair value through other comprehensive income |                          |                |                |                |
| Investment in stocks  | 462,776                  | 283,142        | -              | 179,634        |
| Investment in bonds   | 10,134,596               | 10,134,596     | -              | -              |
| <u>Derivative financial instruments</u>                           |                          |                |                |                |
| <b>Assets:</b>  |                          |                |                |                |
| Financial assets at fair value through profit or loss             | 457                      | -              | 457            | -              |
| <b>Liabilities:</b>   |                          |                |                |                |
| Financial liabilities at fair value through profit or loss        | 1,088                    | -              | 1,088          | -              |
| <u>Instruments not measured at fair value</u>                     |                          |                |                |                |
| Financial assets at amortized cost                                | 21,171,755               | 16,610,000     | 4,561,755      | -              |
| Investment property   | 1,299,433                | -              | -              | 1,299,433      |

b) Valuation techniques of financial assets and liabilities measured by fair value

If there is a quoted price in an active market for non-derivative financial assets and liabilities measured at fair value through profit or loss, financial assets at fair value through other comprehensive income, the quoted price is regarded as its fair value. Financial instruments with public market prices (except for stocks and depository receipt), such as government bonds, use the latest trade price TPEX Electronic Bond Trading System (EBTS) or reference theory price under as fair value. Foreign currency bonds use the latest trade price as fair value. If no quoted price available, the fair value is estimated using the valuation techniques of which the assumptions and estimates are in conformity with those information (available for the Company) used in pricing the financial instruments. Financial derivative instruments with an active market price use the market value as fair value. When there is no active market price, the valuation model is mainly adopted in evaluation. Derivative instruments —non-option use the discounted cash flow method; Derivative instruments — options mainly use the Black — Scholes Model in evaluation.

c) Fair value adjustment

i) Limitations to Evaluation Models and uncertain inputs

(Continued)



## COTA COMMERCIAL BANK CO., LTD.

### Notes to the Financial Statements

The outputs of evaluation models are estimated, while the model is possibly incapable of reflecting all relevant factors relating to financial instruments held by the Company. In such circumstances, the estimates are hence adjusted according to suitable extra parameters, such as model risk or liquidity risk. The Company's operation process of financial instrument evaluation policy considers the adjustment to evaluation, which is adequate and necessary so as to fairly present the financial instrument's fair value in statement of financial position. In the evaluation process, the pricing information and parameters are deliberately assessed and modulated in light of market situation.

ii) Credit risk valuation adjustment

Credit risk valuation adjustment can be classified into Credit value adjustments and Debit value adjustments. The adjustments reflect the possibility of delayed repayment by the counterparty or the Company in fair value and of failure in transaction's entire market value collected (paid) by the Company.

d) Reconciliation of Level 3 fair values

|   |  | 2022            |                   |                               |                     |                      |                  |                          |                |
|---|--|-----------------|-------------------|-------------------------------|---------------------|----------------------|------------------|--------------------------|----------------|
|   |  | profit or loss  |                   | Increase                      |                     | Decrease             |                  |                          |                |
| account   |  | Opening balance | In profit or loss | In other comprehensive income | Purchased or issued | Transfers in Level 3 | Sell or Disposal | Transfers out of Level 3 | Ending Balance |
| Financial assets at fair value through other comprehensive income |  | \$ 179,634      | -                 | (5,906)                       | -                   | -                    | -                | -                        | 173,728        |

|   |  | 2021            |                   |                               |                     |                      |                  |                          |                |
|---|--|-----------------|-------------------|-------------------------------|---------------------|----------------------|------------------|--------------------------|----------------|
|   |  | profit or loss  |                   | Increase                      |                     | Decrease             |                  |                          |                |
| account   |  | Opening balance | In profit or loss | In other comprehensive income | Purchased or issued | Transfers in Level 3 | Sell or Disposal | Transfers out of Level 3 | Ending Balance |
| Financial assets at fair value through other comprehensive income |  | \$ 156,278      | -                 | 23,356                        | -                   | -                    | -                | -                        | 179,634        |

e) Profit and loss for Level 3

For the years ended December 31, 2022 and 2021, the total gains and losses that were included in unrealized gains and losses from financial assets at fair value through other comprehensive income were as follows:

|  | 2022       | 2021   |
|--|------------|--------|
| Recognized as "unrealized gains and losses from financial assets at fair value through other comprehensive income" | \$ (5,906) | 23,356 |

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

f) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

| December 31, 2022  |                     |                                 |  |
|--|---------------------|---------------------------------|--|
| fair value   | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement  |
| <b>Financial assets at fair value through other comprehensive income</b> |                     |                                 |  |
| Stocks unlisted  | \$ 173,728          | Market Method                   | value growth rate  |
|  |                     | Net Asset Value                 | The estimated fair value would increase (decrease) if:<br>· the value growth rate was higher<br>· the Net Asset Value was higher |

| December 31, 2021  |                     |                                 |  |
|--|---------------------|---------------------------------|--|
| fair value   | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement  |
| <b>Financial assets at fair value through other comprehensive income</b> |                     |                                 |  |
| Stocks unlisted  | \$ 179,634          | Market Method                   | value growth rate  |
|  |                     | Net Asset Value                 | The estimated fair value would increase (decrease) if:<br>· the value growth rate was higher<br>· the Net Asset Value was higher |

g) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions by 5% to reflect reasonably possible alternative assumptions would have the following effects:

i) market method

|                   |   |                 | Profit or loss |                  |
|-------------------|---|-----------------|----------------|------------------|
|                   |   |                 | Favorable (5%) | Unfavorable (5%) |
| December 31, 2022 | Financial assets at fair value through other comprehensive income | Stocks unlisted | \$ 8,188       | (8,188)          |
| December 31, 2021 | Financial assets at fair value through other comprehensive income | Stocks unlisted | \$ 8,504       | (8,500)          |

ii) Net Asset Value

|                   |   |                 | Profit or loss |                  |
|-------------------|---|-----------------|----------------|------------------|
|                   |   |                 | Favorable (5%) | Unfavorable (5%) |
| December 31, 2022 | Financial assets at fair value through other comprehensive income | Stocks unlisted | \$ 2,700       | (2,700)          |
| December 31, 2021 | Financial assets at fair value through other comprehensive income | Stocks unlisted | \$ 2,800       | (2,750)          |

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## COTA COMMERCIAL BANK CO., LTD.

### Notes to the Financial Statements

(ii) Methods and assumptions used by the Company for fair value evaluation of financial instruments were as follows:

- 1) Fair value of short-term financial instruments are estimated by their book value on the balance sheet date. Since these instruments have short maturities, the book value is adopted as a reasonable basis in estimating the fair value. The method is applied to cash and cash equivalents, due from Central Bank and call loans to banks, securities purchased under reverse repurchase agreements, receivables, other assets, deposits from Central Bank and other banks, and payables.
- 2) If there is a quoted price in an active market for the financial asset, including financial instruments at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortized cost, the quoted price is regarded as its fair value. If there is no quoted price in an active market for the financial asset, its fair value is estimated based on the result of a valuation technique that refers to quoted prices provided by financial institutions. The discounted cash flow technique is used to estimate the fair value of a debt instrument where an active market does not exist. The estimates and assumptions made by the Company using the valuation method are consistent with the information made by the market participants, in which the Company can obtain, to estimate and assume the financial instruments.
- 3) Loans and deposits are both classified as interest-bearing financial assets; therefore, the book value of financial assets is equivalent to their fair value. The net book value of the nonaccrual account, after deducting provision for credit loss, is adopted as the fair value.
- 4) Financial Bonds Payable: It refers to the financial bonds issued by the Company. Their coupon rates are almost equal to the market interest rate, so it is reasonable to using the discounted present values of the expected future cash flow to estimate their fair values. The present values are almost equal to the carrying amounts.
- 5) Except those with quoted price in an active market, the fair values of the other financial instruments are attained by valuation techniques or quoted prices from counterparty. The fair value calculated using valuation techniques can refer to the present fair values of financial instruments with similar conditions and characteristics, the discounted cash flow method or other valuation techniques, including the modular valuation method of which the calculated values are computed using attainable market information (such as the commercial paper fixing rates of Reuters.)

#### (ak) Financial risk information

(i) Overview

The main risks that the Company faced, and the management strategies are as follows:

1) Management of capital adequacy ratio

The Company risk management considers the Bank as a continuous operation and is being based on the best practice of Basel III, to develop a complete risk management structure and capital adequacy management to ensure the Bank fulfills the minimum capital requirements and enable to bear pressure of capital shock.

2) Credit risk management

Credit strategy includes returns and risk diversification. The asset portfolio includes qualified retail bonds, corporate credit and mortgages. It is also distinguished based on the level of client risk to control the acceptable range of the overall credit risk. The Bank also made use of the risk transfer in credit guarantee fund to strengthen the collateral of small-and-medium enterprises, reduce breach of contract risk and accomplish benefits of risk capital at the same time. To effectively maintain the asset quality and risk return, the Bank has improved its credit investigation and review procedures. It has also managed its collateral and strengthened the development use of risk management instruments and credit risk management schemes.

3) Liquidity risk and market risk management

Assets and liabilities committee is responsible of the liquidity, security and profitability of assets and liabilities. The committee not only conducts regular assessment on the duration and the maturity analysis of assets and liabilities

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## COTA COMMERCIAL BANK CO., LTD.

### Notes to the Financial Statements

but also set limit structure and the related liquidity limits to control index, adjust capital gap in order to conform with the objective of risk appetite. Profitability is strengthened through the optimization of assets and liabilities structure. Market risk management includes investment in trading book and banking book. To prevent financial instruments from suffering from excessive fluctuations in market price, management measures and restrictions on investment are set, sensitivity index on market risk factors.

#### 4) Operational risk management

In order to integrate risk management culture with employees, the Company not only restricts employees by undertaking regulations, discipline and incentive and penalty measures, but also adopts standard operating procedures and internal control systems to enhance capability of information systems control and the timeliness and accuracy of information on risk management. Risk is controlled and reviewed regularly through the risk appetite, key risk indicator and warning system of risk events for early planning to improve measures.

#### (ii) Organizational structure of risk management

The organizational structure of risk management includes BOD, Risk Committee, Risk Management Committee, Assets and Liabilities Committee, Loan Review Committee, Department of Risk Management, Department of Audit, Department of Law, Credit Management Headquarter and Department of Credit Analysis and Appraisal and other management departments, with BOD as the ultimate responsible unit. The risk committee is subordinated to the BOD, and the member of risk committee is elected from the Board of Directors, who monitor risks on behalf of the BOD. The BOD and risk committee will delegate authorities to the general manager and committees in setting management rules as regards to risk identification, measurement, disclosure, report, monitoring and offsetting. The Company also established independent risk management department to monitor the credit risk, market risk, operational risk and liquidity risk. At the same time, the Company promotes the framework of new Basel capital agreement that identifies measures, discloses and reports management system and proposes each risk management report for management decision on a regular basis. Also, the law department is set up to carry out law risk management and procedures on review of legal compliance. The business units, which are subordinated to the general manager, ensure the coordination of each risk management policies; establish appropriate internal control and standard operating procedures and support the risk management project based on the business needs. The audit department is responsible for auditing the compliance of all internal and external business norms in all units, as well as the implementation of internal control in practice.

#### (iii) Credit risk

##### 1) The source and definition of credit risk

Credit risk is the risk of financial loss to the Company if a creditor or counterparty fails to meet its contractual obligations. Credit risk management should be adopted in all operating activities that involved in credit risk, including loans, investment in banking book, financial derivatives, transactions in repurchase agreement and other operating activities in relation to the credit risk.

##### 2) Management policy of credit risk

The Company has set standard control procedures on credit risk identification, measurement, and information on disclosures and reports to conduct rational identification, measurement, disclosures and effective control on credit risk. The Company also deliberates the fluctuation in economics and adjusts the credit risk structure accordingly to control the risks in credit portfolio within the risk appetite. These procedures include criteria for targeted client, credit investigation, credit approval or rejection, approval on exceptions, risk control and management, credit review, management on non-performing loans and requests and control of all related documents and information. Based on the risk management policies, the illustration of management process carried out by the competent authority is as follows:

##### a) Credit investigation

With respect to the criteria for targeted client, the Company should ask for all necessary documents from the clients in order to filter client accurately and control credit portfolio within the acceptable range.

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**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

b) Credit approval

Cases that have passed through the credit investigation are reviewed by the credit authority of each level. The credit authorities authorize credits in compliance with the credit limitation structure and authorization policies of the Company. The credit limitation structure and authorization policies of the Company are not only based on banking act and the rules stipulated by the authority, concerning the credit extended to same person or same affiliated enterprises/groups, stock collateral, industry and country, but also based on the professionalism of the credit authorities and the quality of asset control. The amounts of credit authorized are reviewed by the credit authorities on occasional basis.

c) Post-lending loan review mechanisms

The corporate banking business of the Company strengthens the tracking control of the financial and business conditions on creditors, carry out risk assessment report of credit asset portfolio on a regular basis, set-up warning system and adjust business development strategy to cope with economic conditions and changes in asset quality through the account management scheme and regular reassessment system. As regards to delinquent loans, the Company uses concentration management method, together with information systems and analysis model to conduct regular review to improve the performance on overdue to expedite the collection of nonperforming loans.

d) Development, application and verification of risk information system

The Company has actively developed quantify risk assessment model as a reference for credit decision. The Bank develops the credit rating model based on products and characteristics of counterparties and use the results from the model to filter new clients, risk pricing and limit management, to analyze and develop overdue management strategy on overdue loans based on client behavior pattern. To improve the effectiveness of credit investigation and ensure the consistency with the investigation standards, the Company built a credit investigation operating system, which not only strengthen the effectiveness of the Company operation and information system, but also improve the development of model for quantifying risk. The Company conducts verification on the risk assessment model on a regular basis and evaluates the effectiveness of the model and made necessary amendments.

The methods of risk measurement in the main operating departments are as follows:

i) Loans (including credit commitment and guarantee)

Classifications in credit assets and level of credit quality are illustrated as follows:

1. Classification of credit assets

The credit assets are classified into 5 categories, where the normal credit assets are classified as Category 1. After nonperforming credit assets are evaluated by assessing the status of the loan collaterals and the length of time overdue, they are classified under Category 2 assets that require special mention. Assets that are substandard are classified as Category 3, assets that are doubtful are classified as Category 4 and assets for which incurred a loss are classified as Category 5. The Bank has set "Regulations Governing the Procedures to Evaluate Credit Assets, Set Aside Loss Reserves and Handle Non-performing Credit, Non-accrual Loans and Bad Debts" as management for doubtful loans and as a basis for handling overdue loans.

2. Level of credit quality

The level of credit quality is set to accommodate the characteristics and the scale of operating business and conduct risk management.

ii) Due from the Central Banks and call loans to banks, investments in debt instruments and financial derivatives instruments

The Company always assesses the credit situation of the counterparty before entering into a transaction. The counterparty's rating and information on financial condition from domestic and international credit rating agency are being considered and different credit risk limits are set. The credit risk limits are approved by the BOD or the authority level. Overall, most of the investments are above investment grade ratings.

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**COTA COMMERCIAL BANK CO., LTD.**  
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3) Determination that credit risk has increased significantly since the initial recognition

The Company assesses the change in the probability of default of loans during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition. In order to make this assessment, the Company's considerations show the reasonable and supportable information that the credit risk has increased significantly since the initial recognition. The main considerations include: The borrowers of various types of credit assets that have not paid their principal and interest over the contract for more than 30 days and less than 90 days, and the recent credit rating of the debt instruments on the reporting date that has dropped by more than 3 grades (inclusive) from the original rating. Non-investment grades, financial guarantees, and letters of credit, not classified as reference indicators for significant increase in credit risk, are therefore, temporarily classified as a significant increase in credit risk.

4) Credit risk that has not increased significantly or is judged as low credit risk on the reporting date

The Company assesses that there is no significant increase in the risk of default in the expected renewal period of each type of credit assets or low credit risk on each reporting date. The 12-month expected credit loss is used as the risk change if the credit risk of the credit asset is low on the reporting date. It is also assumed that the credit risk of the credit assets has not increased significantly since the original recognition. The credit assets of the low credit risk refer to the credit rating of the borrower's principal and interest and debt instruments as above than BBB-.

5) Reversal policy

The merger Company shall determine the unrecoverable creditor's rights, report it to the Board of Directors for approval, and then resell it. Afterwards, the balance of the allowance will be adjusted.

6) Impairment of financial assets

If the financial assets are deducted from the objective evidence, the difference between the book value of the financial assets and the present value of the original effective interest rate of the estimated future cash flows should be recognized as the impairment loss. The impairment loss should be included in the current profit and loss. When determining the amount of the impairment, the estimated future cash flows are estimated to include the collateral and other credit enhancements.

The objective impairment certificate includes the following information:

- The issuer or the debtor's credit rating is reduced to the default level or the principal and interest are not settled.
- The loan has been overdue for 90 days or has been procured to the principal and clerk for the collateral, which is the overdue loan of Class A and Class B.

7) Measurement of expected credit losses

a) Assumption of adoption

After considering the factors, such as the attributes of financial assets and credit assets and the adequacy of default experience, the internal risk data or institutional information, such as external credit ratings, are used to estimate the credit risk component factors, such as the debtor's probability of default (PD), the loss given default (LGD), and the exposure at default (EAD).

For credit assets that have not significantly increased credit risk or low credit risk since the original recognition, the allowance loss is measured by the 12-month expected credit loss amount; the credit risk has been significantly increased or credit has been deducted since the original recognition production, expected credit losses during the existence of a measure of the amount.

The difference between all the cash flows expected to be received by the combined companies is based on all the contractual cash flows receivable during the expected period of the financial instrument and all the contractual terms of the consideration period (including the collateral held by the sale or other credit enhancements, etc.) The

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**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

difference between all cash flows that are expected to be charged is the credit risk loss measured by the amount discounted at the original effective interest rate as follows:

- The amount that is determined to be unbiased and weighted by chance, as assessed by each possible outcome.
- Time value of money.
- Reasonable and corroborative information relating to past facts, current conditions and future economic forecasts.

In addition, when the Company can obtain reasonable and corroborative information that is more forward-looking than the historical overdue information without undue cost or investment, it must use this information to assess changes in credit risk, that is, when assessing the risk of default, factors that take into consideration changes in overall economic indicators.

b) Forward-looking information considerations

Forward-looking information is taken into account when determining whether credit risk has significantly increased after the original recognition of credit assets and measures expected credit losses. The Company performs analysis with historical data and adjusts the probability of default based on "Taiwan business indicators" issued regularly by National Development Council, in which five light signals are used to indicate the current economy. The analysis is further taken into account when the Company assesses the overall expected credit loss.

8) Mitigation or hedging of risk

Based on the risk assessment of the credit counterparty and transactions, the Bank requires high liquidity and sufficient collateral or transfer of credit guarantee and guarantee association (for instance, Small and Medium Enterprise Credit Guarantee Fund) to strengthen the guarantee of loans. In order to avoid and control risks, the Company not only requires the provision of necessary legal documents, but also conducts field survey on the status of collateral and determines whether to reassess the value of collateral and demand for additional collateral or adjust the credit amount. The lists of management conduct by the Company are as follows:

- a) Setting the value of collateral and management measures, including types of acceptable collateral, valuation process and methods, frequency of revaluation, market assessment and law enforcement procedures.
- b) The liquidity and value of collateral and the degree of law enforcement should be assessed by independent party.
- c) The selection of appraise or appraisal institute, the requirements of appraisal and its related fees should be in compliance with the internal management procedures.
- d) Transfer of collateral, authority setting, and other insurance procedures should be completed before being appropriated, and the amount set, insured and other legal aspects should be complied with the Company regulations.

9) Maximum exposure of credit risk

Without taking collateral or other credit enhancement mitigation effect into account, the maximum exposure to credit risk of on-balance sheet financial assets are equal to their carrying values and the maximum exposure of credit risk of off-balance sheet financial instruments were as follows:

|                             | December 31,<br>2022 | December 31,<br>2021 |
|-----------------------------|----------------------|----------------------|
| Irrevocable loan commitment | \$ 17,768,054        | 16,160,155           |
| Credit card commitment      | 20,043               | 16,342               |
| Unused credit card limit    | 1,819,616            | 1,623,204            |
| Guarantees                  | 119,230              | 15,950               |
|                             | <b>\$ 19,726,943</b> | <b>17,815,651</b>    |

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The Company believe the adopting stringent selection processes and conducting regular review afterwards are the reasons why they can continuously control and minimize the credit risk exposure of their off-balance sheet items.

10) Concentrations of credit risk

Concentrations of credit risk arise when a number of counterparties or exposure have comparable economic characteristics, or such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic or other conditions.

Credit risk concentration can arise in a bank's assets, liabilities, or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes credit, loan and deposits, call loan to banks, investment, receivables and derivatives. The Bank maintains a diversified portfolio, limits its exposure on a continuous basis. The Company's most significant concentrations of credit risk are summarized as follows:

a) By Industry

|                         | December 31, 2022     |               | December 31, 2021  |               |
|-------------------------|-----------------------|---------------|--------------------|---------------|
|                         | Amount                | %             | Amount             | %             |
| Private enterprise      | \$ 40,161,123         | 30.14         | 36,667,591         | 29.90         |
| Public Sector           | 9,146,920             | 6.87          | 1,615,461          | 1.32          |
| Non-profit organization | 308,450               | 0.23          | 76,807             | 0.06          |
| Individuals             | 82,806,320            | 62.15         | 84,102,148         | 68.59         |
| Financial institutions  | 809,414               | 0.61          | 157,833            | 0.13          |
|                         | <b>\$ 133,232,227</b> | <b>100.00</b> | <b>122,619,840</b> | <b>100.00</b> |

b) By Geography

Not applicable since the Company conducts its business domestically.

c) By Collateral

|                   | December 31, 2022     |               | December 31, 2021  |               |
|-------------------|-----------------------|---------------|--------------------|---------------|
|                   | Amount                | %             | Amount             | %             |
| Non-secured       | \$ 24,357,990         | 18.28         | 13,229,969         | 10.79         |
| Securities        |                       |               |                    |               |
| Stock             | -                     | -             | -                  | -             |
| Bond              | 159,424               | 0.12          | 120,136            | 0.10          |
| Real estate       | 78,129,715            | 58.64         | 79,424,119         | 64.77         |
| Chattel           | 24,896,580            | 18.69         | 24,673,145         | 20.12         |
| Notes receivables | 25,167                | 0.02          | 19,948             | 0.02          |
| Guarantee         | 5,589,389             | 4.19          | 5,138,296          | 4.19          |
| Other             | 73,962                | 0.06          | 14,227             | 0.01          |
|                   | <b>\$ 133,232,227</b> | <b>100.00</b> | <b>122,619,840</b> | <b>100.00</b> |

11) Credit quality and overdue impairment loss of financial assets of the Company

Part of the financial assets, such as cash and cash equivalent, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, bills and bonds purchased under resell agreement, guarantee deposits paid and operation guarantee deposits and settlement funds are considered of minimum credit risk due to the good credit ratings of the trade counterparties.

Except for the abovementioned items, the credit quality analysis of the rest of the financial assets are as follows:

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**COTA COMMERCIAL BANK CO., LTD.**  
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a) Credit quality analysis of discounts and loans as well as receivables

| December 31, 2021                                | Neither past due nor impaired (A) | Past due not impaired (B) | Impaired (C) |         | Total (A)+(B)+(C) | Impairment allowance (D) | Net (A)+(B)+(C)-(D) |
|--|-----------------------------------|---------------------------|--------------|---------|-------------------|--------------------------|---------------------|
|  |                                   |                           | Individual   | Group   |                   |                          |                     |
| Receivables                                      |                                   |                           |              |         |                   |                          |                     |
| - Credit card                                    | 158,655                           | 378                       | -            | 1,583   | 160,616           | 13,801                   | 146,815             |
| - Revenue  | 4,804                             | -                         | -            | -       | 4,804             | -                        | 4,804               |
| - Interest                                       | 289,339                           | 1,654                     | 658          | 2,336   | 293,987           | 5,998                    | 287,989             |
| - Acceptances receivables                        | 393                               | -                         | -            | -       | 393               | -                        | 393                 |
| - Accounts receivable factoring without recourse | 958                               | -                         | -            | -       | 958               | -                        | 958                 |
| - Others   | 27,997                            | 21                        | -            | 2,270   | 30,288            | 5,245                    | 25,043              |
| Subtotal   | 482,146                           | 2,053                     | 658          | 6,189   | 491,046           | 25,044                   | 466,002             |
| Discounts and loans                              | 131,131,076                       | 619,258                   | 713,904      | 767,989 | 133,232,227       | 1,767,833                | 131,464,394         |
| Overdue receivables - other                      | -                                 | -                         | 677,206      | -       | 677,206           | 190,000                  | 487,206             |
| Off balance sheet items                          |                                   |                           |              |         |                   |                          |                     |
| - Guarantee                                      | -                                 | 1,551,556                 | -            | -       | 1,551,556         | 44,511                   | 1,507,045           |
| - Letter of credit                               | -                                 | 62,225                    | -            | -       | 62,225            | 5,000                    | 57,225              |
| - Agreed financing amount                        | 19,726,922                        | 21                        | -            | -       | 19,726,943        | 44,500                   | 19,682,443          |

| December 31, 2021         | Neither past due nor impaired (A) | Past due not impaired (B) | Impaired (C) |         | Total (A)+(B)+(C) | Impairment allowance (D) | Net (A)+(B)+(C)-(D) |
|---------------------------|-----------------------------------|---------------------------|--------------|---------|-------------------|--------------------------|---------------------|
|                           |                                   |                           | Individual   | Group   |                   |                          |                     |
| Receivables               |                                   |                           |              |         |                   |                          |                     |
| - Credit card             | 126,828                           | 280                       | -            | 2,117   | 129,225           | 46,020                   | 83,205              |
| - Revenue                 | 9,145                             | -                         | -            | -       | 9,145             | -                        | 9,145               |
| - Interest                | 203,095                           | 1,043                     | 525          | 2,002   | 206,665           | 4,069                    | 202,596             |
| - Others                  | 41,798                            | 677,480                   | -            | -       | 719,278           | 18,812                   | 700,466             |
| Subtotal                  | 380,866                           | 678,803                   | 525          | 4,119   | 1,064,313         | 68,901                   | 995,412             |
| Discounts and loans       | 121,014,909                       | 152,274                   | 570,174      | 882,483 | 122,619,840       | 1,768,453                | 120,851,387         |
| Off balance sheet items   |                                   |                           |              |         |                   |                          |                     |
| - Guarantee               | -                                 | 1,367,164                 | -            | -       | 1,367,164         | 44,481                   | 1,322,683           |
| - Letter of credit        | -                                 | 112,753                   | -            | -       | 112,753           | 5,000                    | 107,753             |
| - Agreed financing amount | 17,815,628                        | 24                        | -            | -       | 17,815,652        | 44,500                   | 17,771,152          |

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

b) Credit quality analysis of security investments

| December 31,<br>2022                                   | Neither past due nor impaired |         |        |            | Past due<br>Not<br>Impaired<br>(B) | Impaired<br>(C) | Total<br>(A)+(B)+(C) | Impairment<br>Allowance<br>(D) | Net<br>(A)+(B)+<br>(C)-(D) |
|--|-------------------------------|---------|--------|------------|------------------------------------|-----------------|----------------------|--------------------------------|----------------------------|
|  | Very Good                     | Good    | Normal | Total (A)  |                                    |                 |                      |                                |                            |
| Fair value<br>through other<br>comprehensive<br>income |                               |         |        |            |                                    |                 |                      |                                |                            |
| - Bond   | 9,060,142                     | -       | -      | 9,060,142  | -                                  | -               | 9,060,142            | -                              | 9,060,142                  |
| - Other  | 557,550                       | -       | -      | 557,550    | -                                  | -               | 557,550              | -                              | 557,550                    |
| Amortized cost   |                               |         |        |            |                                    |                 |                      |                                |                            |
| - Bond   | 21,578,903                    | 118,825 | 61,416 | 21,759,144 | -                                  | -               | 21,759,144           | 10,747                         | 21,748,397                 |
| - Other  | -                             | -       | -      | -          | -                                  | -               | -                    | -                              | -                          |

| December 31,<br>2021                                   | Neither past due nor impaired |      |        |            | Past due<br>Not<br>Impaired<br>(B) | Impaired<br>(C) | Total<br>(A)+(B)+(C) | Impairment<br>Allowance<br>(D) | Net<br>(A)+(B)+<br>(C)-(D) |
|--|-------------------------------|------|--------|------------|------------------------------------|-----------------|----------------------|--------------------------------|----------------------------|
|  | Very Good                     | Good | Normal | Total (A)  |                                    |                 |                      |                                |                            |
| Fair value<br>through other<br>comprehensive<br>income |                               |      |        |            |                                    |                 |                      |                                |                            |
| - Bond   | 10,134,596                    | -    | -      | 10,134,596 | -                                  | -               | 10,134,596           | 1,175                          | 10,133,421                 |
| - Other  | 462,776                       | -    | -      | 462,776    | -                                  | -               | 462,776              | -                              | 462,776                    |
| Amortized cost   |                               |      |        |            |                                    |                 |                      |                                |                            |
| - Bond   | 21,103,909                    | -    | 55,380 | 21,159,289 | -                                  | -               | 21,159,289           | 8,468                          | 21,150,821                 |
| - Other  | -                             | -    | -      | -          | -                                  | -               | -                    | -                              | -                          |

12) Management of Foreclosed Collateral

Foreclosed collateral is recorded at cost, using lower-at-cost or market approach as at balance sheet date. If collateral is not disposed of within the statutory period, the Bank should apply for an extension of the disposal period and increase its provision for possible losses if necessary.

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

13) Disclosures required in the “Regulations Governing the Preparation of Financial Reports by Public Banks”

a) Asset quality of nonperforming loan and overdue credits

| Items  |                                   | Period  | December 31, 2022                  |             |                    |                               |                         |
|--|-----------------------------------|---------|------------------------------------|-------------|--------------------|-------------------------------|-------------------------|
|  |                                   |         | Nonperforming Loans (NPL) (Note 1) | Total Loans | NPL Ratio (Note 2) | Allowance for Possible Losses | Coverage Ratio (Note 3) |
| Corporate Banking                              | Secured                           |         | 100,976                            | 29,672,766  | 0.34%              | 427,455                       | 423.32%                 |
|  | Unsecured                         |         | 12,026                             | 20,753,141  | 0.06%              | 183,683                       | 1,527.38%               |
| Consumer Banking                               | Mortgage loans (Note 4)           |         | 25,508                             | 15,470,421  | 0.16%              | 211,372                       | 828.65%                 |
|  | Cash card                         |         | -                                  | -           | - %                | -                             | - %                     |
|  | Small-scale credit loans (Note 5) |         | 12,974                             | 8,628,900   | 0.15%              | 138,855                       | 1,070.26%               |
|  | Other (Note 6)                    | Secured | 74,604                             | 58,631,653  | 0.13%              | 803,788                       | 1,077.41%               |
| Unsecured                                      |                                   | 297     | 75,346                             | 0.39%       | 2,680              | 902.13%                       |                         |
| Total loans                                    |                                   |         | 226,385                            | 133,232,227 | 0.17%              | 1,767,833                     | 780.90%                 |
|  |                                   |         | Overdue Receivables                | Receivables | Delinquency Ratio  | Allowance for Possible Losses | Coverage Ratio          |
| Credit cards                                   |                                   |         | 407                                | 160,616     | 0.25%              | 13,801                        | 3,390.91%               |
| Accounts receivable factoring without recourse |                                   |         | -                                  | -           | - %                | -                             | - %                     |

| Items  |                                   | Period  | December 31, 2021                  |             |                    |                               |                         |
|--|-----------------------------------|---------|------------------------------------|-------------|--------------------|-------------------------------|-------------------------|
|  |                                   |         | Nonperforming Loans (NPL) (Note 1) | Total Loans | NPL Ratio (Note 2) | Allowance for Possible Losses | Coverage Ratio (Note 3) |
| Corporate Banking                              | Secured                           |         | 107,872                            | 29,337,131  | 0.37%              | 429,844                       | 398.48%                 |
|  | Unsecured                         |         | 11,909                             | 9,180,561   | 0.13%              | 118,268                       | 993.10%                 |
| Consumer Banking                               | Mortgage loans (Note 4)           |         | 5,337                              | 15,001,457  | 0.04%              | 213,719                       | 4,004.47%               |
|  | Cash card                         |         | -                                  | -           | - %                | -                             | - %                     |
|  | Small-scale credit loans (Note 5) |         | 11,891                             | 9,351,203   | 0.13%              | 148,190                       | 1,246.23%               |
|  | Other (Note 6)                    | Secured | 67,139                             | 59,670,143  | 0.11%              | 855,355                       | 1,274.01%               |
| Unsecured                                      |                                   | 358     | 79,345                             | 0.45%       | 3,077              | 859.49%                       |                         |
| Total loans                                    |                                   |         | 204,506                            | 122,619,840 | 0.17%              | 1,768,453                     | 864.74%                 |
|  |                                   |         | Overdue Receivables                | Receivables | Delinquency Ratio  | Allowance for Possible Losses | Coverage Ratio          |
| Credit cards                                   |                                   |         | 464                                | 129,255     | 0.36%              | 46,020                        | 9,918.10%               |
| Accounts receivable factoring without recourse |                                   |         | -                                  | -           | - %                | -                             | - %                     |

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming / Non-accrued Loans.”

Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau’s letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loan business: NPL ratio = Nonperforming loans ÷ Total loan balance.

For credit card business: Delinquency ratio = Overdue credit card receivables ÷ Credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.

Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Overdue credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower or the spouse or the minor children of the borrower.

Note 5: Based on the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts, and exclude credit cards and cash cards.

Note 6: Other consumer banking loans refer to secured or unsecured loans that exclude mortgages, cash cards, credit cards and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), accounts receivable factoring without recourse are reported as overdue receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

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**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

b) Exemption of NPLs and overdue receivables

|  | December 31, 2022                                      |  | December 31, 2021                                      |  |
|--|--|--|--|--|
|  | Amount exempted from reporting as non-performing loans | Amount exempted from reporting as overdue account receivable | Amount exempted from reporting as non-performing loans | Amount exempted from reporting as overdue account receivable |
| Amounts of executed contracts on negotiated debts not reported (Note 1)                      | 1,318  | 187  | 2,411  | 347  |
| Amounts of executed debt settlement program and rehabilitation program not reported (Note 2) | 188,572  | 801  | 213,426  | 1,030  |
| <b>Total</b>   | <b>189,890</b>   | <b>988</b>   | <b>215,837</b>   | <b>1,377</b>   |

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiations and loan agreements is based on the Banking Bureau letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau letter dated September 15, 2008 (Ref. No. 09700318940).

c) Concentration of credit extensions

| December 31, 2022 |   |   |                                     |
|-------------------|---|---|-------------------------------------|
| Rank (Note 1)     | Business Groups' Standard Industrial Classification and Symbol (Note 2) | Total Amount of Credit Endorsement or Other Transactions (note 3) | Percentage of the Bank's Equity (%) |
| 1                 | AF Company -Private construction Industry                               | 859,992   | 6.39                                |
| 2                 | AA Company -Real Estate   | 626,000   | 4.65                                |
| 3                 | i Company -Private Food Products Manufacturing                          | 474,200   | 3.52                                |
| 4                 | AE Company -Private real Estate   | 470,790   | 3.50                                |
| 5                 | x Company -Real Estate Company  | 458,270   | 3.41                                |
| 6                 | l Company -Civil Engineering  | 382,500   | 2.84                                |
| 7                 | y Company -Real Estate  | 371,970   | 2.76                                |
| 8                 | t Company -Real Estate  | 349,600   | 2.60                                |
| 9                 | AG Company -Private real Estate   | 286,350   | 2.13                                |
| 10                | v Company -Private Wholesales   | 264,933   | 1.97                                |

| December 31, 2021 |   |   |                                     |
|-------------------|---|---|-------------------------------------|
| Rank (Note 1)     | Business Groups' Standard Industrial Classification and Symbol (Note 2) | Total Amount of Credit Endorsement or Other Transactions (note 3) | Percentage of the Bank's Equity (%) |
| 1                 | n Company- Real Estate  | 663,729   | 5.13                                |
| 2                 | AA Company -Real Estate   | 626,000   | 4.83                                |
| 3                 | x Company -Real Estate  | 528,240   | 4.08                                |
| 4                 | l Company -Civil Engineering  | 503,500   | 3.89                                |
| 5                 | i Company -Private Food Products Manufacturing                          | 482,800   | 3.73                                |
| 6                 | t Company -Real Estate  | 349,600   | 2.70                                |
| 7                 | y Company -Real Estate  | 337,970   | 2.61                                |
| 8                 | AD Company -Private financial service industry                          | 315,000   | 2.43                                |
| 9                 | k Company -Private Food Products Manufacturing                          | 279,300   | 2.16                                |
| 10                | x Company -Construction Industry  | 252,980   | 1.95                                |

(Continued)



# COTA COMMERCIAL BANK CO., LTD.

## Notes to the Financial Statements

Note 1: The top ten enterprise groups other than government or state-owned enterprises are ranked according to their total outstanding credit amount. If the borrowers belong to an enterprise group, the aggregate credit balance of the enterprise should be calculated and disclosed as a code number for each such borrower together with an indication of the borrowers' line of business. In addition, if the borrowers are enterprise groups, the enterprise group's industry sector with the maximum exposure to credit risk in its main industry sector should be disclosed, along with the "class" of the industry, in compliance with the Standard Industrial Classification System of the R.O.C. posted by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C.

Note 2: Enterprise group is as defined in Article 6 of the "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings".

Note 3: Consists of loans (foreign currency imports financing, foreign currency export financing, notes discounted, customer overdrafts, short-term unsecured loans, short-term secured loans, receivables from securities lending, medium-term unsecured loans, medium-term secured loans, long-term unsecured loans, long-term secured loans, non-performing loans), foreign currency long positions, accounts receivable-factoring discount, bankers' acceptance receivable, guarantees receivable.

### (iv) Liquidity risk

#### 1) Causes and definition of liquidity risk

The Company's definition for liquidity risk is the risk the Company encounter difficulty in meeting the obligations with its financial liabilities and cause the losses, for example, a saving account cancels its saving ahead of time, the ways or conditions to call loans to banks drop, creditors' credit become worsen and cause an exceptional condition, financial instruments cannot be financed and etc. The situation mentioned above may reduce the money for lending, trading, and investing activities. In some extreme situation, the lack of liquidity may decrease the level of balance sheet, sale assets, or the possibility of could not fulfill the promise of loan. Liquidity risk is containing in the inherent risk of bank operating, and could be affected by every industry individual or whole market's incident, which are included but not only as: credit event, consolidation or merger and acquisition, system shock, and natural disaster.

#### 2) Management policy of liquidity risk

The Company carries out its management procedures respectively and is monitored by their respective independent risk management department. The procedures include:

- a) Daily capital movement: monitoring future cash flows in order to ensure all requirements are fulfilled.
- b) Maintain adequate stock of liquid assets to buffer unexpected events that may interrupt cash flows.
- c) Monitor liquidity ratios of balance sheets in accordance with the internal management purposes and external regulatory requirements.

The monitoring and reporting procedures are based on the estimation of future 1 month, 1-3 months, 3-6 months, 6-12 months and more than one-year capital flow (The time interval is used to manage the liquidity risk). The estimation of future cash flow is based on the contract maturity date of financial liabilities and the estimated collection date of financial assets. The Bank monitors the interest rate risk, structure of assets and liabilities, and the liquidity conditions based on the related report and indices in ALCO and set alert and limits or MAT based on the key indices.

Related information is regularly provided to the risk management committee and BOD.

#### 3) To manage liquidity risk of financial assets hold and non-derivative financial liabilities maturity analysis

##### a) To manage liquidity risk of financial assets held

The financial assets include cash and assets that are of highly liquid and high quality for the purpose of paying liabilities and capital movement during emergency. The assets held for managing liquidity risk include cash and cash equivalents, due from the central bank and call loans to banks, financial assets at FVTPL, discounts and loans, financial assets at fair value through other comprehensive income and financial assets at amortized cost.

##### b) Maturity analysis for non-derivative financial liabilities

The Company's non-derivative financial liabilities are based both on the maturing of assets and liabilities, and the corresponding interest rate and controlled gaps that do not match. As the transaction conditions are uncertain

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**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

and are of different types, the maturity of assets and liabilities usually does not match. This may result in gains or losses. The following table shows the maturity analysis of liquidity based on liabilities.

| December 31, 2022                          | 0~30 days  | 31~90days  | 91~180 days | 181 days~1 year | Over 1 year | Total       |
|--|------------|------------|-------------|-----------------|-------------|-------------|
| Deposits from Central Bank and other banks | 43,704     | 25,670     | -           | -               | -           | 69,374      |
| Payables                                   | 709,999    | 42,474     | 133,554     | 27,475          | 27,398      | 940,900     |
| Current tax liabilities                    | -          | -          | 63,500      | -               | -           | 63,500      |
| Deposit and remittance                     | 12,247,317 | 18,161,456 | 23,166,229  | 49,008,192      | 66,973,267  | 169,556,461 |
| Financial debentures                       | -          | -          | -           | 1,800,000       | 1,200,000   | 3,000,000   |
| Lease liabilities                          | 4,195      | 8,299      | 11,631      | 20,935          | 86,175      | 131,235     |

| December 31, 2022                          | 0~30 days  | 31~90 days | 91~180 days | 181 days~1 year | Over 1 year | Total       |
|--|------------|------------|-------------|-----------------|-------------|-------------|
| Deposits from Central Bank and other banks | -          | 25,670     | -           | -               | -           | 25,670      |
| Other loans from Central Bank              | -          | -          | 570,180     | -               | -           | 570,180     |
| Payables                                   | 398,695    | 32,637     | 261,109     | 127,515         | 26,328      | 846,284     |
| Current tax liabilities                    | -          | -          | 65,503      | -               | -           | 65,503      |
| Deposit and remittance                     | 11,038,102 | 18,919,991 | 23,416,274  | 52,010,102      | 62,579,558  | 167,964,027 |
| Financial debentures                       | -          | -          | -           | -               | 3,000,000   | 3,000,000   |
| Lease liabilities                          | 4,251      | 8,130      | 10,867      | 20,067          | 82,393      | 125,708     |

4) The maturity analysis of lease agreement

The derivative instruments of the Company's possession which are settled by net amount include foreign derivative instruments, such as non-delivery forward contracts, foreign exchange options settled by net amount. After evaluation the Company concluded that the maturity date is the basic element to comprehend all the derivative financial instruments listed in the financial statement.

The maturity analysis of derivative financial liabilities settled by net amount is as follows:

|   | December 31, 2022 |            |             |              |               | Total      |
|---|-------------------|------------|-------------|--------------|---------------|------------|
|   | 0-30 days         | 31-90 days | 91-180 days | 180-365 days | Over 365 days |            |
| Financial assets at fair value through profit or loss, Derivative instruments |                   |            |             |              |               |            |
| - Foreign exchange  | \$ 188            | -          | -           | -            | -             | 188        |
| - Interest exchange   | 14                | -          | -           | -            | -             | 14         |
|   | <u>\$ 202</u>     | <u>-</u>   | <u>-</u>    | <u>-</u>     | <u>-</u>      | <u>202</u> |

|   | December 31, 2021 |            |             |              |               | Total        |
|---|-------------------|------------|-------------|--------------|---------------|--------------|
|   | 0-30 days         | 31-90 days | 91-180 days | 180-365 days | Over 365 days |              |
| Financial assets at fair value through profit or loss, Derivative instruments |                   |            |             |              |               |              |
| - Foreign exchange  | \$ 1,085          | -          | -           | -            | -             | 1,085        |
| - Interest exchange   | 3                 | -          | -           | -            | -             | 3            |
|   | <u>\$ 1,088</u>   | <u>-</u>   | <u>-</u>    | <u>-</u>     | <u>-</u>      | <u>1,088</u> |

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## COTA COMMERCIAL BANK CO., LTD.

### Notes to the Financial Statements

#### 5) Maturity analysis for off balance sheet items

The table below shows the maturity analysis of the off-balance sheet items of the Bank based on the remaining days from the financial statement date to the contract maturity date. For the financial guarantee contracts issued, the maximum amount of the guarantee is listed in the earliest time zone that the guarantee may be executed. The amount disclosed is based on the cash flows of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the financial statement.

| December 31, 2022                    | 0~30 days | 31~90 days | 91~180days | 181~365 days | Over 356 days | Total      |
|--------------------------------------|-----------|------------|------------|--------------|---------------|------------|
| Commitment of loans                  | 2,641,952 | 5,211,774  | 7,910,255  | 2,004,073    | -             | 17,768,054 |
| Commitment for letter of credit card | -         | 273        | 1,342      | 1,323        | 17,105        | 20,043     |
| Unused cycle quota of credit cards   | -         | 60,863     | 88,520     | 100,909      | 1,569,324     | 1,819,616  |
| Guarantees                           | -         | 72,130     | 15,600     | 31,500       | -             | 119,230    |

| December 31, 2022                    | 0~30 days | 31~90 days | 91~180days | 181~365 days | Over 356 days | Total      |
|--------------------------------------|-----------|------------|------------|--------------|---------------|------------|
| Commitment of loans                  | 2,707,880 | 5,401,310  | 8,050,965  | -            | -             | 16,160,155 |
| Commitment for letter of credit card | -         | 18         | 367        | 45           | 15,912        | 16,342     |
| Unused cycle quota of credit cards   | -         | 12,252     | 26,746     | 31,919       | 1,552,287     | 1,623,204  |
| Guarantees                           | -         | 14,450     | 1,500      | -            | -             | 15,950     |

(Note): Since the year 2004, the main of statistics is the credit card and cash card cardholders who have drawn recycle credit, and the balance after deducting the amount of recycle credit from the credit limit approved by the previous cardholders.

#### 6) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

##### a) Maturity analysis of assets and liabilities in New Taiwan Dollars

(in thousands of New Taiwan Dollars)

| December 31, 2022                |                |  |            |              |              |                 |             |
|----------------------------------|----------------|--|------------|--------------|--------------|-----------------|-------------|
|                                  | Total          | Amount for each remaining period to maturity |            |              |              |                 |             |
|                                  |                | 0~10 days                                    | 11~30 days | 31~90 days   | 91~180 days  | 181 days~1 year | Over 1 year |
| Main capital inflow on maturity  | \$ 183,249,486 | 18,282,097                                   | 9,439,932  | 4,903,493    | 12,429,183   | 24,544,974      | 113,649,807 |
| Main capital outflow on maturity | 201,424,080    | 5,234,914                                    | 9,870,984  | 23,107,376   | 31,115,449   | 52,493,979      | 79,601,378  |
| Gap                              | (18,174,594)   | 13,047,183                                   | (431,052)  | (18,203,883) | (18,686,266) | (27,949,005)    | 34,048,429  |

(in thousands of New Taiwan Dollars)

| December 31, 2021                |                |  |            |              |              |                 |             |
|----------------------------------|----------------|--|------------|--------------|--------------|-----------------|-------------|
|                                  | Total          | Amount for each remaining period to maturity |            |              |              |                 |             |
|                                  |                | 0~10 days                                    | 11~30 days | 31~90 days   | 91~180 days  | 181 days~1 year | Over 1 year |
| Main capital inflow on maturity  | \$ 183,106,401 | 17,059,262                                   | 19,879,660 | 4,189,164    | 10,790,040   | 19,149,198      | 112,039,077 |
| Main capital outflow on maturity | 199,058,500    | 5,250,868                                    | 9,233,514  | 24,263,219   | 32,170,887   | 51,881,009      | 76,259,003  |
| Gap                              | (15,952,099)   | 11,808,394                                   | 10,646,146 | (20,074,055) | (21,380,847) | (32,731,811)    | 35,780,074  |

Note: The table show the whole amount of the Company in NTD.

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

b) Maturity analysis of assets and liabilities in US Dollars

(in thousands of USD)

| December 31, 2022                |            |  |            |             |                 |             |
|----------------------------------|------------|--|------------|-------------|-----------------|-------------|
|                                  | Total      | Amount for each remaining period to maturity |            |             |                 |             |
|                                  |            | 0~30 days                                    | 31~90 days | 91~180 days | 181 days~1 year | Over 1 year |
| Main capital inflow on maturity  | \$ 142,885 | 61,910                                       | 22,675     | 11,238      | 750             | 46,312      |
| Main capital outflow on maturity | 142,885    | 57,362                                       | 13,858     | 6,269       | 11,818          | 53,578      |
| Gap                              | -          | 4,548  | 8,817      | 4,969       | (11,068)        | (7,266)     |

(in thousands of USD)

| December 31, 2021                |            |  |            |             |                 |             |
|----------------------------------|------------|--|------------|-------------|-----------------|-------------|
|                                  | Total      | Amount for each remaining period to maturity |            |             |                 |             |
|                                  |            | 0~30 days                                    | 31~90 days | 91~180 days | 181 days~1 year | Over 1 year |
| Main capital inflow on maturity  | \$ 150,372 | 82,355                                       | 38,150     | 1,022       | 3,000           | 25,845      |
| Main capital outflow on maturity | 150,372    | 50,723                                       | 10,296     | 6,164       | 7,610           | 75,579      |
| Gap                              | -          | 31,632                                       | 27,854     | (5,142)     | (4,610)         | (49,734)    |

Note: The table show the whole amount of the Company in USD.

(v) Financial risk information

1) Market risk

Market risk means the changes in market price that lead to the fair value and future cash flow volatility risk of the held financial instruments, even if it is not included in the financial statements. The risk factors usually refer to interest rate, exchange rate, equity investment and price. When the factors change, the Company's net operating income and the value of investment portfolio will have volatility risk.

The main market risks of the Company and its subsidiary are interest rate risk, exchange rate risk and equity investment risk. The main position of interest rate risk includes transactions with conditions, bonds, securities investments, interest rate swaps and so on. The main position of exchange risks includes forward exchange, foreign exchange swaps, and FX options and so on. The main position of equity investment risk includes stocks, funds, and stock market index futures and so on.

The major objective of the risk management of the Company is to control the risk under the scope approved by the Board of Directors by using effective management methods to utilize resource and create maximum economic profit. For major risks, the Company had established the risk management policies to serve as its primary principle, which covers managerial objective, organizational structure, accountability, and risk management procedures, and by implementing these mechanisms, operational risks can be controlled at an acceptable level.

Market risk is the risk that the Company's earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level, volatility or correlation of market risk factors, such as interest rate (including credit spread), foreign exchange rate, securities price and commodity price. The market correlation and liquidity of these types of instruments are also covered.

The Company divides market risk exposures into either trading or non-trading portfolios. The trading portfolio includes positions arising from trading activities, which aim at benefiting from short-term price movements, such as proprietary trading and market making. The non-trading portfolio includes positions not held for the purpose of earning capital gains.

Sensitivity analysis for exchange rate risk, interest rate risk and equity security price risk are as follows:

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

| December 31, 2022          |  |                  |              |
|----------------------------|--|------------------|--------------|
| Main risk                  | Range  | Amount influence |              |
|                            |  | Equity           | Gain or loss |
| Exchange rate risk         | USD/NTD, EUR/NTD increase 3%, other currency/NTD decrease 5% | -                | 22,987       |
| Exchange rate risk         | USD/NTD, EUR/NTD decrease 3%, other currency/NTD increase 5% | -                | (22,987)     |
| Interest rate risk         | Interest rate curve rise 20BPS                               | (39,983)         | (6,222)      |
| Interest rate risk         | Interest rate curve fall 20BPS                               | 39,983           | 6,222        |
| Price of equity stock risk | Price of equity stock rise 15%                               | 83,633           | 21,070       |
| Price of equity stock risk | Price of equity stock fall 15%                               | (83,633)         | (21,070)     |

| December 31, 2021          |  |                  |              |
|----------------------------|--|------------------|--------------|
| Main risk                  | Range  | Amount influence |              |
|                            |  | Equity           | Gain or loss |
| Exchange rate risk         | USD/NTD, EUR/NTD increase 3%, other currency/NTD decrease 5% | -                | 20,485       |
| Exchange rate risk         | USD/NTD, EUR/NTD decrease 3%, other currency/NTD increase 5% | -                | (20,485)     |
| Interest rate risk         | Interest rate curve rise 20BPS                               | (52,693)         | (2,636)      |
| Interest rate risk         | Interest rate curve fall 20BPS                               | 52,693           | 2,636        |
| Price of equity stock risk | Price of equity stock rise 15%                               | 26,945           | 71,642       |
| Price of equity stock risk | Price of equity stock fall 15%                               | (26,945)         | (71,642)     |

2) Exchange rate risk concentration information

All held foreign financial assets and liabilities are classified by currencies and represented using the carrying amounts.

(in thousands of New Taiwan Dollars)

|                         | December 31, 2022                  |                  |           |
|-------------------------|------------------------------------|------------------|-----------|
|                         | Foreign currency<br>(in thousands) | Exchange<br>Rate | NTD       |
| <b>Financial assets</b> |                                    |                  |           |
| <b>Monetary items</b>   |                                    |                  |           |
| USD                     | 143,121                            | 30.708           | 4,394,960 |
| HKD                     | 4,029                              | 3.9383           | 15,867    |
| CAD                     | 652                                | 22.6577          | 14,773    |
| JPY                     | 1,489,361                          | 0.2324           | 346,127   |
| CHF                     | 18                                 | 33.2014          | 598       |
| AUD                     | 15,727                             | 20.8292          | 327,581   |
| NZD                     | 2,037                              | 19.4320          | 39,583    |
| ZAR                     | 35,156                             | 1.8119           | 63,699    |
| GBP                     | 397                                | 37.0523          | 14,710    |
| EUR                     | 2,523                              | 32.7102          | 82,528    |
| CNY                     | 32,808                             | 4.4078           | 144,611   |

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

| <b>Financial liabilities</b> |           |         |           |
|------------------------------|-----------|---------|-----------|
| <b>Monetary items</b>        |           |         |           |
| USD                          | 118,202   | 30.708  | 3,629,747 |
| HKD                          | 3,843     | 3.9383  | 15,135    |
| CAD                          | 697       | 22.6577 | 15,792    |
| JPY                          | 1,499,597 | 0.2324  | 348,506   |
| CHF                          | 8         | 33.2014 | 266       |
| AUD                          | 15,651    | 20.8292 | 325,998   |
| NZD                          | 2,002     | 19.4320 | 38,903    |
| ZAR                          | 34,821    | 1.8119  | 63,092    |
| GBP                          | 419       | 37.0523 | 15,525    |
| EUR                          | 2,544     | 32.7102 | 83,215    |
| CNY                          | 33,013    | 4.4078  | 145,515   |

| <b>December 31, 2021</b>     |  |                          |            |
|------------------------------|--|--------------------------|------------|
|                              | <b>Foreign currency<br/>(in thousands)</b> | <b>Exchange<br/>Rate</b> | <b>NTD</b> |
| <b>Financial assets</b>      |  |                          |            |
| <b>Monetary items</b>        |  |                          |            |
| USD                          | 148,282                                    | 27.690                   | 4,105,920  |
| HKD                          | 4,690                                      | 3.5506                   | 16,654     |
| CAD                          | 896  | 21.6294                  | 19,373     |
| JPY                          | 583,120                                    | 0.2405                   | 140,240    |
| CHF                          | 144  | 30.1963                  | 4,357      |
| AUD                          | 12,214                                     | 20.0946                  | 245,431    |
| NZD                          | 3,077                                      | 18.8901                  | 58,123     |
| ZAR                          | 34,204                                     | 1.7337                   | 59,300     |
| GBP                          | 309  | 37.3067                  | 11,517     |
| EUR                          | 3,135                                      | 31.3340                  | 98,229     |
| CNY                          | 37,500                                     | 4.3466                   | 162,998    |
| <b>Financial liabilities</b> |  |                          |            |
| <b>Monetary items</b>        |  |                          |            |
| USD                          | 122,668                                    | 27.690                   | 3,396,683  |
| HKD                          | 4,333                                      | 3.5506                   | 15,386     |
| CAD                          | 884  | 21.6294                  | 19,125     |
| JPY                          | 578,938                                    | 0.2405                   | 139,235    |
| CHF                          | 132  | 30.1963                  | 3,999      |
| AUD                          | 12,312                                     | 20.0946                  | 247,412    |
| NZD                          | 3,168                                      | 18.8901                  | 59,847     |
| ZAR                          | 33,629                                     | 1.7337                   | 58,302     |
| GBP                          | 405  | 37.3067                  | 15,110     |
| EUR                          | 3,112                                      | 31.3340                  | 97,499     |
| CNY                          | 38,030                                     | 4.3466                   | 165,300    |

(Continued)



**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

3) Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as “IBOR reform”). The Company has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The LIBOR management authority announced that the issuance of one-week and two-month U.S. dollar LIBOR will be stopped immediately after December 31, 2021, and the issuance of U.S. dollar LIBOR for the remaining days will be extended to June 30, 2023. This would allow most old USD LIBOR contracts to expire before LIBOR ceases to be issued. The Company plans to cooperate with the arranger of syndicated loan to complete the modification of the contract terms or implement appropriate contingency terms in response to the change in interest rate benchmark reform.

The Company expects that the interest rate benchmark reform will affect its operation and risk management process because the main risk faced by the interest rate benchmark reform is the risk of operation, such as through renegotiating the loan contract with the counterparty, implementing new terms with the counterparty of the derivative instruments, updating contract terms and revising operational controls related to reform. Financial risk is mainly limited to interest rate risk.

The Risk Management Committee monitors and manages the transition to alternative rates. The Committee reports to the Company’s Board of Directors quarterly and cooperates with other operating departments as necessary. The committee also provides periodic reports to the management if interest rate risk and risks arising from IBOR reform.

The Company monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Company consider that a contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR(referred to as an “unreformed contract”).

The following tables show the total amounts of unreformed contracts and those with appropriate fallback language on January 1 and December 31, 2022. The amounts of financial assets are shown as follows:

|                         | USD LIBOR                            |   |
|-------------------------|--------------------------------------|---|
| December 31, 2022       | Total amount of unreformed contracts | Amount with appropriate fallback clause |
| <b>Financial assets</b> |                                      |   |
| Discounts and loans     | \$ 697,022                           | -                                       |
| <b>January 1, 2022</b>  |                                      |   |
| <b>Financial assets</b> |                                      |   |
| Discounts and loans     | 291,853                              | -                                       |

4) Disclosure required by the Regulations Governing the Preparation of Financial Reports by Public Banks.

a) The analysis table of interest rate sensitivity in New Taiwan Dollars

**December 31, 2022**

(in thousands 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                             | \$ 123,784,842 | 7,289,511      | 4,889,256          | 37,459,426  | 173,423,035 |
| Interest-rate-sensitive liabilities                        | 70,864,415     | 82,081,327     | 11,262,488         | 1,024,139   | 165,232,369 |
| Interest rate sensitivity gap                              | 52,920,427     | (74,791,816)   | (6,373,232)        | 36,435,287  | 8,190,666   |
| Net worth  |                |                |                    |             | 13,448,485  |
| Ratio of interest-rate-sensitive assets to liabilities (%) |                |                |                    |             | 104.96      |
| Ratio of interest rate sensitivity gap to net worth (%)    |                |                |                    |             | 60.90       |

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

December 31, 2021

(in thousands 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                             | \$ 124,006,987 | 6,128,280      | 2,582,661          | 41,024,948  | 173,742,876 |
| Interest-rate-sensitive liabilities                        | 58,559,956     | 83,507,739     | 19,617,763         | 3,039,025   | 164,724,483 |
| Interest rate sensitivity gap                              | 65,447,031     | (77,379,459)   | (17,035,102)       | 37,985,923  | 9,018,393   |
| Net worth  |                |                |                    |             | 12,950,379  |
| Ratio of interest-rate-sensitive assets to liabilities (%) |                |                |                    |             | 105.47      |
| Ratio of interest rate sensitivity gap to net worth (%)    |                |                |                    |             | 69.64       |

Note 1: The above amount included only U.S. dollar amounts held by the Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate sensitivity assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues and costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest-rate-sensitivity assets – Interest-rate-sensitivity liabilities.

Note 4: Ratio of interest-rate-sensitivity assets to liabilities=Interest-rate-sensitivity assets / Interest-rate-sensitivity liabilities.

b) The analysis table of interest rate sensitivity in US Dollars

December 31, 2022

(in thousands of USD)

| Items  | 1 to 90 Days | 91 to 180 Days | 181 Days to 1 Year | Over 1 Year | Total    |
|--|--------------|----------------|--------------------|-------------|----------|
| Interest-rate-sensitive assets                             | \$ 78,470    | 11,238         | 750                | 46,312      | 136,770  |
| Interest-rate-sensitive liabilities                        | 35,753       | 6,252          | 11,818             | 52,692      | 106,515  |
| Interest rate sensitivity gap                              | 42,717       | 4,986          | (11,068)           | (6,380)     | 30,255   |
| Net worth  |              |                |                    |             | 886      |
| Ratio of interest-rate-sensitive assets to liabilities (%) |              |                |                    |             | 128.40   |
| Ratio of interest rate sensitivity gap to net worth (%)    |              |                |                    |             | 3,414.79 |

December 31, 2021

(in thousands of USD)

| Items  | 1 to 90 Days | 91 to 180 Days | 181 Days to 1 Year | Over 1 Year | Total    |
|--|--------------|----------------|--------------------|-------------|----------|
| Interest-rate-sensitive assets                             | \$ 90,469    | 1,022          | 3,000              | 25,845      | 120,336  |
| Interest-rate-sensitive liabilities                        | 14,757       | 6,164          | 7,610              | 75,060      | 103,591  |
| Interest rate sensitivity gap                              | 75,712       | (5,142)        | (4,610)            | (49,215)    | 16,745   |
| Net worth  |              |                |                    |             | 519      |
| Ratio of interest-rate-sensitive assets to liabilities (%) |              |                |                    |             | 116.16   |
| Ratio of interest rate sensitivity gap to net worth (%)    |              |                |                    |             | 3,226.40 |

Note 1: The above amount included only U.S. dollar amounts held by the Bank, and excluded contingent assets and contingent liabilities.

Note 2: Interest rate sensitivity assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues and costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest-rate-sensitivity assets – Interest-rate-sensitivity liabilities.

Note 4: Ratio of interest-rate-sensitivity assets to liabilities=Interest-rate-sensitivity assets/Interest-rate-sensitivity liabilities.

**(a) Capital management**

(i) Introduction

In accordance with the “Regulations Governing the Capital Adequacy and Capital Category of Banks” announced by FSC, regular calculation and preparation of related reports and report to the authorities for review are required in order to perform financial disclosures and conduct internal capital adequacy management. In accordance with the operation plans and budget targets, also considering the Company’s development strategy, capital adequacy, liabilities ratios, and increased of return on equity.

(Continued)

## COTA COMMERCIAL BANK CO., LTD.

### Notes to the Financial Statements

- 1) Comply with the Company's business development strategy and balance risk control.
- 2) It meets the basic requirements for capital management (the minimum statutory capital adequacy ratio).
- 3) It is in line with the international capital management trend, which is better to gear to international standards.
- 4) Increase the rate of return to shareholders.

#### (ii) Regulatory capital

Based on the "Regulations Governing the Capital Adequacy and Capital Category of Banks" announced by FSC, self-owned capital is classified into Tier 1 capital and Tier 2 capital:

1) Tier 1 capital: includes common equity and other Tier 1 capital.

a) Common equity: Common equity includes common stock, capital surplus (excluding premium on preference shares issuance), accumulated surplus and equity adjustments, less the following items: intangible assets (including goodwill), unamortized loss on disposal of non-performing loans, major investments, deferred tax assets, deferred pension costs and the items originally deducted from Tier 1 capital and Tier 2 capital (excluding the major investment on financial related business).

b) Other Tier 1 capital including non-cumulative perpetual preferred stock and non-cumulative perpetual subordinated debts.

2) Tier 2 capital: includes cumulative perpetual preferred stock, cumulative perpetual subordinated debts, revaluation appreciation, convertible debt, operational provisions and loan-loss reserves.

(iii) The following table shows the calculation of the Company's own capital, risk-weighted assets and capital adequacy ratio. On December 31, 2022 and 2021, the Company complied with the capital management regulations of the competent authorities.

#### (iv) Capital adequacy ratio:

| Item   |                      | Year  | December 31, 2022 | December 31, 2021 |
|--|----------------------|---|-------------------|-------------------|
| Eligible Capital   | Common stock capital |   | 13,184,916        | 12,672,731        |
|  | Other tier 1 capital |   | 600,000           | 600,000           |
|  | Tier 2 Capital       |   | 1,741,376         | 2,165,718         |
|  | Eligible capital     |   | 15,526,292        | 15,438,449        |
| Risk-weighted Assets                                     | Credit risk          | Standardized approach                                     | 108,991,091       | 103,890,184       |
|  |                      | Internal-rating-based approach                            | -                 | -                 |
|  |                      | Secularization  | 10,732            | 9,664             |
|  | Operational risk     | Basic indicator approach                                  | 5,432,832         | 5,274,772         |
|  |                      | Standardized approach / Alternative standardized approach | -                 | -                 |
|  |                      | Advanced measurement approach                             | -                 | -                 |
|  | Market risk          | Standardized approach                                     | 4,663,869         | 4,386,441         |
|  |                      | Internal model approach                                   | -                 | -                 |
| Total Risk-weighted assets                               |                      | 119,098,524   | 113,561,061       |                   |
| Capital adequacy ratio                                   |                      |   | 13.04%            | 13.59%            |
| Ratio of common stock equity to risk-weighted assets (%) |                      |   | 11.07%            | 11.16%            |
| Ratio of tier 1 capital to risk-weighted assets (%)      |                      |   | 11.57%            | 11.69%            |
| Leverage Ratio%  |                      |   | 6.59%             | 6.46%             |

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

Note 1: Eligible capital, risk-weighted assets and risk exposure are calculated under the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and the "Explanation of Methods for Calculating the Eligible Capital and Risk-Weighted Assets of Banks."

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common equity capital + Other tier 1 capital excluding common stock equity + Tier 2 capital
- 2) Risk-weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk and market risk) x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.
- 5) Ratio of tier 1 capital to risk-weighted assets = (Common equity capital + additional tier 1 capital) ÷ Risk-weighted assets.
- 6) Leverage = Tier 1 capital ÷ Exposure measurement.

**(am) Investing and financing activities not affecting current cash flow**

The Company's investing and financing activities which did not affect the current cash flow to get the right-of-use assets by lease in the years ended December 31, 2022 and 2021, please refer to note6(k).

|  | January 1,<br>2022  | Cash flows      | Non-cash changes |                       |                     | December<br>31, 2022 |
|--|---------------------|-----------------|------------------|-----------------------|---------------------|----------------------|
|  |                     |                 | Add              | Fair value<br>changes | Changes in<br>other |                      |
| Financial liability at fair value through profit or loss | \$ 1,088            | -               | -                | (886)                 | -                   | 202                  |
| Subordinate financial debentures                         | 3,000,000           | -               | -                | -                     | -                   | 3,000,000            |
| Lease liabilities  | 125,708             | (50,739)        | 56,266           | -                     | -                   | 131,235              |
| Total liabilities from financing activities              | <b>\$ 3,126,796</b> | <b>(50,739)</b> | <b>56,266</b>    | <b>(886)</b>          | <b>-</b>            | <b>3,131,437</b>     |

|  | January 1,<br>2021  | Cash flows      | Non-cash changes |                       |                     | December<br>31, 2021 |
|--|---------------------|-----------------|------------------|-----------------------|---------------------|----------------------|
|  |                     |                 | Add              | Fair value<br>changes | Changes in<br>other |                      |
| Financial liability at fair value through profit or loss | \$ 1,093            | -               | -                | (5)                   | -                   | 1,088                |
| Subordinate financial debentures                         | 3,000,000           | -               | -                | -                     | -                   | 3,000,000            |
| Lease liabilities  | 139,810             | (46,577)        | 32,475           | -                     | -                   | 125,708              |
| Total liabilities from financing activities              | <b>\$ 3,140,903</b> | <b>(46,577)</b> | <b>32,475</b>    | <b>(5)</b>            | <b>-</b>            | <b>3,126,796</b>     |

**(7) Related-party transactions**

**(a) Relations parties of Name and Relationship**

| Relations parties of Name                       | Relationship  |
|---|---|
| Third Credit Cooperative Educational Foundation | Same director with the Company.                                     |
| Other   | Director, supervisors, managers of the Company and their relatives. |

**(b) Significant transactions with related parties**

- (i) Loans

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**

**Notes to the Financial Statements**

| December 31, 2022             |                                     |                 |                |                     |                      |                       |   |
|-------------------------------|-------------------------------------|-----------------|----------------|---------------------|----------------------|-----------------------|---|
| Type                          | Account Volume<br>(Number of Names) | Highest Balance | Ending Balance | Loan classification |                      | Collateral<br>(note2) | Differences in Transaction Terms from Those for Unrelated Parties |
|                               |                                     |                 |                | Normal Loans        | Non-performing loans |                       |   |
| Consumer loans                | 2                                   | \$ 1,251        | 737            | 737                 | -                    | No guarantee          | None  |
| Private housing mortgage loan | 3                                   | 6,992           | 6,272          | 6,272               | -                    | Real estate           | None  |
| Other loans                   | 12                                  | 61,213          | 37,753         | 37,753              | -                    | Real estate/cars      | None  |

| December 31, 2021             |                                     |                 |                |                     |                      |                       |   |
|-------------------------------|-------------------------------------|-----------------|----------------|---------------------|----------------------|-----------------------|---|
| Type                          | Account Volume<br>(Number of Names) | Highest Balance | Ending Balance | Loan classification |                      | Collateral<br>(note2) | Differences in Transaction Terms from Those for Unrelated Parties |
|                               |                                     |                 |                | Normal Loans        | Non-performing loans |                       |   |
| Consumer loans                | 1                                   | \$ 608          | 530            | 530                 | -                    | No guarantee          | None  |
| Private housing mortgage loan | 6                                   | 9,693           | 8,721          | 8,721               | -                    | Real estate           | None  |
| Other loans                   | 13                                  | 107,822         | 49,332         | 49,332              | -                    | Real estate/cars      | None  |

Loans for related parties are \$44,762 thousand and \$58,583 thousand on December 31, 2022 and 2021, and the ratio of it to total loan is 0.03% and 0.05%, respectively. Interest income from related parties is \$893 thousand and \$1,080 thousand for 2022 and 2021 and the ratio of it to total interest income is the same as 0.02% and 0.09%, respectively. The range for related parties' loan interest rate is 1.43%~2.75% and 1.320%~2.750% for 2022 and 2021, respectively.

Loans for main management are \$546 thousand and \$9,646 thousand on December 31, 2022 and 2021, and the ratio of it to total loan is 0.0004% and 0.0079%, respectively. Interest income from main management is \$142 thousand and \$170 thousand for 2022 and 2021 respectively, and the ratio of it to total interest income is the same as 0.0037% and 0.0135%. The range for related parties' loan interest rate is 2.055%~2.42% and 1.43%~2.25%.

(ii) Deposits

| Name of related parties  | December 31, 2022 |             |                            |
|--|-------------------|-------------|----------------------------|
|  | Ending Balance    | %           | The range of interest rate |
| The sum of separate accounts balances related parties' is lower than 1% of total deposits. | <b>\$ 348,971</b> | <b>0.20</b> | 0.03%~1.26%                |

| Name of related parties  | December 31, 2021 |             |                            |
|--|-------------------|-------------|----------------------------|
|  | Ending Balance    | %           | The range of interest rate |
| The sum of separate accounts balances related parties' is lower than 1% of total deposits. | <b>\$ 458,282</b> | <b>0.27</b> | 0.03%~0.90%                |

Interest resulting from such deposits was \$4,824 thousand and \$3,957 thousand for 2022 and 2021. The range for employee demand savings deposits interest rate were all 8.1% for 2022 and 2021.

(iii) Leases

In July 2017, the Company rented out an office building to Third Credit Cooperation Educational Foundation. A three-year lease contract was signed, in which the rental fee is determined based on nearby office rental rates. Rental income for the year ended December 31, 2022 and 2021 both amounted to \$120 thousand.

(iv) Donations

|   | 2022            | 2021         |
|---|-----------------|--------------|
| Third Credit Corporative Educational Foundation | <b>\$ 1,000</b> | <b>1,000</b> |

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

**(c) Compensation information for main management**

|   | <u>2022</u>      | <u>2021</u>   |
|---|------------------|---------------|
| Salary and other short-term employee benefits | \$ 59,593        | 51,587        |
| Post-employment benefits                      | 480              | 658           |
| Termination benefits                          | -                | -             |
| Other long-term employee benefits             | -                | -             |
| Share-based payment                           | -                | -             |
|   | <u>\$ 60,073</u> | <u>52,245</u> |

**(8) Pledged assets:**

| <u>Pledged assets</u>   | <u>Object</u>   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|---|--------------------------|--------------------------|
| Due from the Central Bank and call loans to banks:<br>Deposit reserve-demand accounts | Cooperate with the Central Bank in handling SME loan project financing collateral in response to the epidemic | \$ -                     | 570,180                  |
| Financial assets measured at amortized cost:  |   |                          |                          |
| Government bonds  | Placed as deposits in courts  | 79,800                   | 120,500                  |
| Government bonds  | Deposited as trust compensation   | 50,000                   | 50,000                   |
|   |   | <u>\$ 129,800</u>        | <u>740,680</u>           |

**(9) Significant commitments and contingencies:**

**(a)**

|                                    | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|------------------------------------|--------------------------|--------------------------|
| Collections received               | \$ 6,059,083             | 7,792,321                |
| Handled several guarantees         | 1,551,556                | 1,367,164                |
| Letter of credit                   | 62,225                   | 112,753                  |
| Undrawn loan commitments           | 17,907,327               | 16,192,447               |
| Unused cycle quota of credit cards | 1,819,616                | 1,623,204                |

**(b)**

Mr. Lin, together with five more individuals, jointly filed a lawsuit to the Taiwan High Court Taichung Branch against Mr. Chen, a former employee of the Company, for violating the Futures Trading Act, demanding for compensation for the damage. The above lawsuit has been approved by the 109 Civil Judgment of the Taiwan High Court Taichung Branch and the 111th Civil Judgment of the Supreme Court. On December 19, 2022, out of the above five individuals, three individuals, including Mr. Lee, were jointly compensated for a total principal, with interest, amounting to NTD\$21,460 thousand. However, the remaining two individuals failed to obtain any compensation, hence, filed an appeal to the Taiwan High Court Taichung Branch. In light of the situation, and for the sake of prudent and conservative estimation of losses and provisions, the Company estimated the total principal and interest of NT\$21,231 thousand to be paid as compensation to the remaining two individuals on behalf of Mr. Chen as of December 31, 2022. Also, the Company has engaged lawyers to handle the case and assessed that the above matter will not have any significant impact on its business and financial operation; please refer to the Note 6 (s).

(Continued)



**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

**(10) Significant Disasters Loss:None**

**(11) Significant Subsequent Events:None**

**(12) Other:**

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

| By item                    | By function | For the year ended December 31 |                   |       |              |                   |       |
|----------------------------|-------------|--------------------------------|-------------------|-------|--------------|-------------------|-------|
|                            |             | 2022                           |                   |       | 2021         |                   |       |
|                            |             | Cost of Sale                   | Operating Expense | Total | Cost of Sale | Operating Expense | Total |
| Personnel Expenses         |             |                                |                   |       |              |                   |       |
| Salaries                   | -           | 1,172,151                      | 1,172,151         | -     | 1,070,216    | 1,070,216         |       |
| Labor and health insurance | -           | 92,339                         | 92,339            | -     | 89,243       | 89,243            |       |
| Pension                    | -           | 38,233                         | 38,233            | -     | 48,589       | 48,589            |       |
| Remuneration of directors  | -           | 38,769                         | 38,769            | -     | 35,480       | 35,480            |       |
| Others                     | -           | 85,866                         | 85,866            | -     | 93,582       | 93,582            |       |
| Depreciation expenses      | -           | 103,418                        | 103,418           | -     | 94,908       | 94,908            |       |
| Amortization expenses      | -           | 5,987                          | 5,987             | -     | 4,978        | 4,978             |       |

(b) Balance sheet and trust property under the Company's trust accounts are disclosed as follows:

**Trust Balance Sheets**  
**December 31, 2022**

| Trust Assets              |                     | Trust Liabilities              |                     |
|---------------------------|---------------------|--------------------------------|---------------------|
| Cash in bank              | \$ 1,029,328        | Trust capital - money          | \$ 5,200,020        |
| Investment in mutual fund | 3,914,178           | Trust capital - PP&E           | 1,312,684           |
| Land                      | 1,010,179           | Provisions and accumulated     |                     |
| Oversea debt              | 560,788             | profit or loss                 | 1,769               |
| <b>Total Trust Assets</b> | <b>\$ 6,514,473</b> | <b>Total Trust Liabilities</b> | <b>\$ 6,514,473</b> |

**December 31, 2021**

| Trust Assets              |                     | Trust Liabilities              |                     |
|---------------------------|---------------------|--------------------------------|---------------------|
| Cash in bank              | \$ 924,317          | Trust capital - Money          | \$ 4,380,890        |
| Investment in mutual fund | 3,653,613           | Trust capital - PP&E           | 826,945             |
| Land                      | 613,522             | Provisions and accumulated     |                     |
| Oversea debt              | 16,516              | profit or loss                 | 133                 |
| <b>Total Trust Assets</b> | <b>\$ 5,207,968</b> | <b>Total Trust Liabilities</b> | <b>\$ 5,207,968</b> |

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

**Trust Property list of trust account**  
**December 31, 2022**

| Investment Item           | Book Amounts        |
|---------------------------|---------------------|
| Cash in bank              | \$ 1,029,328        |
| Investment in mutual fund | 3,914,178           |
| Land                      | 1,010,179           |
| Overseas debt             | 560,788             |
|                           | <b>\$ 6,514,473</b> |

**December 31, 2021**

| Investment Item           | Book Amounts        |
|---------------------------|---------------------|
| Cash in bank              | \$ 924,317          |
| Investment in mutual fund | 3,653,613           |
| Land                      | 613,522             |
| Oversea debt              | 16,516              |
|                           | <b>\$ 5,207,968</b> |

**Trust Income Statement**  
**December 31, 2022**

| Investment Item             | Book Amounts       |
|-----------------------------|--------------------|
| Trust income                |                    |
| Interest income             | \$ 135,186         |
| Gains on trust investments  | 34,036             |
| Total trust income          | 169,222            |
| Trust expense               |                    |
| Management fees             | 6,913              |
| Losses on trust investments | 197,943            |
| Total trust expense         | 204,856            |
| Loss before income taxes    | (35,634)           |
| Income tax expense          | -                  |
| Net loss                    | <b>\$ (35,634)</b> |

**Trust Income Statement**  
**December 31, 2021**

| Investment Item             | Book Amounts      |
|-----------------------------|-------------------|
| Trust Income                |                   |
| Interest income             | \$ 135,375        |
| Gain on trust investments   | 176,707           |
| Total trust income          | 312,082           |
| Trust Expense               |                   |
| Management fees             | 10,146            |
| Losses on trust investments | 144,521           |
| Total trust expense         | 154,667           |
| Profit before income taxes  | 157,415           |
| Income tax expense          | -                 |
| Net profit                  | <b>\$ 157,415</b> |

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

**(c) Profitability:**

Unit: %

| Items                  |                   | December 31, 2022 | December 31, 2021 |
|------------------------|-------------------|-------------------|-------------------|
| Return on assets ratio | Before income tax | 0.56              | 0.49              |
|                        | After income tax  | 0.46              | 0.40              |
| Return on equity ratio | Before income tax | 7.96              | 7.11              |
|                        | After income tax  | 6.47              | 5.77              |
| Net Income ratio       |                   | 27.07             | 25.82             |

Note 1: Return on assets ratio = Net income before/after income tax ÷ average total assets.

Note 2: Return on equity ratio = Net income before/after income tax ÷ average total stockholders' equity.

Note 3: Net income ratio = Net income after income tax ÷ Net revenue.

**(d) Seasonality of operations**

The Company is not affected by seasonal or cyclical factors.

**(13) Other disclosures:**

**(a) Information on significant transactions: None**

- (i) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 10% of the capital stock: None
- (ii) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 10% of the capital stock: None
- (iii) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 10% of the capital stock: None
- (iv) Service charge discounts on transactions with related parties in an aggregate amount of NT\$5 million or more: None
- (v) Receivables from related parties with amounts exceeding the lower of NT\$300 million or 10% of the capital stock: None
- (vi) Information on NPL disposal transaction: None
- (vii) Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information: None
- (viii) Business relationships and significant intercompany transactions: None
- (ix) Other significant transactions that may have substantial influence upon the decisions made by financial report users: None

**(b) Information on investees: None**

**(c) Information on investment in mainland China: None**

**(14) Segment information:**

- (a) The Company has set up three major business divisions, departments and offices to manage various business matters:
  1. Individual Banking Business Division: In charge of policy formulation of individual financial, marketing planning, business promotion, sales personnel performance management and counseling, credit investigation, and operation management of individual financial business and optimization. The individual banking business includes consumer finance, investment and

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

wealth management, credit card, trust, personal and property insurance agency business. 2. Corporate Banking Business Division: Responsible for policy formulation of corporation, marketing planning, business promotion, sales personnel performance management and counseling, credit investigation, and operation management of corporation banking business and optimization. The corporation banking products and services include enterprise loans, national syndicated loans, structured finance and other project loan. 3. Branch Banking Business Division: In charge of the overall policy formulation of the branch banking business office, branch banking business strategy planning, channel sales performance management and guidance, channel customer relationship management, financial channel trend and practice research, government financial policy implementation, operation management and optimization and so on.

The reportable department of the Company is a strategic business unit to provide different products and services. Since each strategic business unit requires different technology and marketing strategies, it must be managed separately.

**(b) The operation businesses of the segments which need to be disclosed were as follow:**

| <u>2022</u>              | <u>Individual<br/>Banking<br/>Business<br/>Division</u> | <u>Corporate<br/>Banking<br/>Business<br/>Division</u> | <u>Branch<br/>Banking<br/>Business<br/>Division</u> | <u>Others</u>       | <u>Subtotal</u>    | <u>Elimination</u> | <u>Total</u>       |
|--------------------------|---|--|---|---------------------|--------------------|--------------------|--------------------|
| <b>Revenue</b>           |   |  |   |                     |                    |                    |                    |
| Net interest income      | \$ 1,114,990  | 222,746  | 1,076,640   | 255,965             | 2,670,341          | -                  | 2,670,341          |
| Net service income       | 227,721   | 1,316  | 67,512  | (421)               | 296,128            | -                  | 296,128            |
| Other income-net         | -   | 108,619  | 320   | 77,457              | 186,396            | -                  | 186,396            |
| Income between segments  | (519,073)   | (75,438)   | 649,150   | (54,639)            | -                  | -                  | -                  |
| Total                    | <u>823,638</u>  | <u>257,243</u>   | <u>1,793,622</u>                                    | <u>278,362</u>      | <u>3,152,865</u>   | <u>-</u>           | <u>3,152,865</u>   |
| <b>Expenses</b>          |   |  |   |                     |                    |                    |                    |
| Bad debt                 | \$ 76,051   | 15,899   | 128,132   | (139,499)           | 80,583             | -                  | 80,583             |
| Operating expenses       | 389,553   | 82,136   | 782,024   | 768,262             | 2,021,975          | -                  | 2,021,975          |
| Total                    | <u>465,604</u>  | <u>98,035</u>  | <u>910,156</u>                                      | <u>628,763</u>      | <u>2,102,558</u>   | <u>-</u>           | <u>2,102,558</u>   |
| Income before tax        | <u>\$ 358,034</u>                                       | <u>159,208</u>   | <u>883,466</u>                                      | <u>(350,401)</u>    | <u>1,050,307</u>   | <u>-</u>           | <u>1,050,307</u>   |
| <b>December 31, 2022</b> |   |  |   |                     |                    |                    |                    |
| Assets                   | <u>\$ 37,593,983</u>                                    | <u>7,296,530</u>                                       | <u>167,130,101</u>                                  | <u>(24,064,616)</u> | <u>187,955,998</u> | <u>-</u>           | <u>187,955,998</u> |
| Liabilities              | <u>\$ 37,235,949</u>                                    | <u>7,137,321</u>                                       | <u>166,246,635</u>                                  | <u>(36,112,392)</u> | <u>174,507,513</u> | <u>-</u>           | <u>174,507,513</u> |

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**

**Notes to the Financial Statements**

| <u>2021</u>              | <u>Individual<br/>Banking<br/>Business<br/>Division</u> | <u>Corporate<br/>Banking<br/>Business<br/>Division</u> | <u>Branch<br/>Banking<br/>Business<br/>Division</u> | <u>Others</u>       | <u>Subtotal</u>    | <u>Elimination</u> | <u>Total</u>       |
|--------------------------|---|--|---|---------------------|--------------------|--------------------|--------------------|
| Revenue                  |   |  |   |                     |                    |                    |                    |
| Net interest income      | \$ 1,073,959  | 136,934  | 1,134,950   | 188,622             | 2,534,465          | -                  | 2,534,465          |
| Net service income       | 172,584   | 1,021  | 65,225  | (453)               | 238,377            | -                  | 238,377            |
| Other income-net         | 60  | (6,282)  | 353   | 81,476              | 75,607             | -                  | 75,607             |
| Income between segments  | (426,603)   | (49,196)   | 472,162   | 3,637               | -                  | -                  | -                  |
| Total                    | <u>820,000</u>  | <u>82,477</u>  | <u>1,672,690</u>                                    | <u>273,282</u>      | <u>2,848,449</u>   | <u>-</u>           | <u>2,848,449</u>   |
| Expenses                 |   |  |   |                     |                    |                    |                    |
| Bad debt                 | \$ 72,597   | 8,811  | 109,286   | (147,700)           | 42,994             | -                  | 42,994             |
| Operating expenses       | 369,122   | 73,340   | 738,764   | 718,777             | 1,900,003          | -                  | 1,900,003          |
| Total                    | <u>441,719</u>  | <u>82,151</u>  | <u>848,050</u>                                      | <u>571,077</u>      | <u>1,942,997</u>   | <u>-</u>           | <u>1,942,997</u>   |
| Income before tax        | <u>\$ 378,281</u>                                       | <u>326</u>   | <u>824,640</u>                                      | <u>(297,795)</u>    | <u>905,452</u>     | <u>-</u>           | <u>905,452</u>     |
| <br>                     |   |  |   |                     |                    |                    |                    |
| <u>December 31, 2021</u> | <u>Individual<br/>Banking<br/>Business<br/>Division</u> | <u>Corporate<br/>Banking<br/>Business<br/>Division</u> | <u>Branch<br/>Banking<br/>Business<br/>Division</u> | <u>Others</u>       | <u>Subtotal</u>    | <u>Elimination</u> | <u>Total</u>       |
| Assets                   | <u>\$ 37,099,643</u>                                    | <u>6,580,137</u>                                       | <u>165,702,716</u>                                  | <u>(23,054,227)</u> | <u>186,328,269</u> | <u>-</u>           | <u>186,328,269</u> |
| Liabilities              | <u>\$ 36,721,362</u>                                    | <u>6,579,812</u>                                       | <u>164,878,077</u>                                  | <u>(34,801,361)</u> | <u>173,377,890</u> | <u>-</u>           | <u>173,377,890</u> |

**(c) Geographic segment information:**

The Company's interest income and service fee income are both from the customers in Taiwan. The Company's non-current assets are all located in Taiwan.

**(d) Information on major customers:**

For the years ended December 31, 2022 and 2021, no individual customer of the Company accounted for 10% or more of the Bank and its subsidiaries' revenue in the statements of income.

(Continued)

**COTA COMMERCIAL BANK CO., LTD.**  
**Statement of Depreciation and Amortization Expenses**  
**For the year ended December 31, 2022**

Please refer to note 6 (j), (k), (l), (m) and (ah) for depreciation and amortization.

**Statement of Other General and  
Administrative Expenses**

Please refer to note 6(ai) for other general and administration expenses.



# 7

## Financial Status Analysis, Operation Performance Analysis and Risk Management



## 7-1. Financial Status

Unit: TWD thousand

| Item            | Year | 2022        | 2021        | Difference |      |
|-----------------|------|-------------|-------------|------------|------|
|                 |      |             |             | Amount     | %    |
| Total Asset     |      | 187,955,998 | 186,328,269 | 1,627,729  | 0.87 |
| Total Liability |      | 174,507,513 | 173,377,890 | 1,129,623  | 0.65 |
| Total Equity    |      | 13,448,485  | 12,950,379  | 498,106    | 3.85 |

Remarks: Equity increased was due to Capital Increased by earnings and retained earnings.

## 7-2. Operation Performance

Unit: TWD thousand

| Item                     | Year | 2022      | 2021      | Increase/Decrease Amount | Increase/Decrease Ratio (%) |
|--------------------------|------|-----------|-----------|--------------------------|-----------------------------|
|                          |      |           |           |                          |                             |
| Interest expense         |      | 1,108,137 | 759,668   | 348,469                  | 45.87                       |
| Non-interest income, net |      | 482,524   | 313,984   | 168,540                  | 53.68                       |
| Net revenue              |      | 3,152,865 | 2,848,449 | 304,416                  | 10.69                       |
| Bad debt expense         |      | 80,583    | 42,994    | 37,589                   | 87.43                       |
| Operating expense        |      | 2,021,975 | 1,900,003 | 121,972                  | 6.42                        |
| Income before income tax |      | 1,050,307 | 905,452   | 144,855                  | 16.00                       |
| Net income               |      | 853,562   | 735,545   | 118,017                  | 16.04                       |

Remarks of Ratio Changes analysis:

- Interest expense increased in 2022 was due to the increase in interest rates by the Central Bank and the Bank's increase in interest rates.
- Net non-interest income increased by TWD168,540 thousand was due to net fee income increased TWD57,751 thousand in 2021, FVPL increased by TWD1,089 thousand, and exchange gains increased by TWD107,202 thousand.
- The provision for Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans and IFRS 9, increased by \$37,589 thousand compared with 2021.

## 7-3. Cash Flow

### 7-3-1. Cash Flow Analysis for the Past Year and Remedy for Shortage of Liquidity:

Unit: TWD thousand

| Initial Cash Residual<br>(1) | Yearly Operating Cash Flow<br>(2) | Yearly Cash Inflow<br>(3) | Residual Cash Amount (deficiency)<br>(1)+(2)+(3) | Cash Deficiency Contingency Plan |                |
|------------------------------|-----------------------------------|---------------------------|--|----------------------------------|----------------|
|                              |                                   |                           |  | Investment Plan                  | Financial Plan |
| 18,345,129                   | (5,741,158)                       | (937,260)                 | 11,666,711                                       | -                                | -              |

Remarks:

1. Cash Flow Analysis

- Operating activities: The net cash inflow from operating activities due primarily to loans, deposits remittances and investment in financial products
- Investing activities: The net cash inflow from investing activities due primarily to purchase or sell property or equipment.
- Financial activities: The net cash outflow from financial activities due issuing and repaying financial bonds or cash dividend distribution.

2. Improvement plan on shortage of liquidity: Not applicable as an occurrence of shortage.

## 7-3-2. Cash Flow Analysis for Coming Year

Unit: TWD thousand

| Initial Cash Residual<br>(1) | Estimated Yearly Operating Cash Flow<br>(2) | Estimated Yearly Cash Inflow<br>(3) | Estimated Residual Cash Amount (deficiency)<br>(1)+(2)+(3) | Cash Deficiency Contingency Plan |                |
|------------------------------|---|-------------------------------------|--|----------------------------------|----------------|
|                              |   |                                     |  | Investment plan                  | Financial Plan |
| 11,666,711                   | (2,092,034)                                 | (815,784)                           | 8,758,893  | -                                | -              |

### Remarks:

The Bank predicts that the net cash outflow from operating activities will be TWD 2,092,034 thousand in 2023. In addition, the Bank estimates the cash outflow from investment and financial activities will be TWD815,784 thousand due to cash dividend distribution and repayment and issuance of financial debentures.

## 7-4. Impact of Major Capital Expenditures in Recent Year

### 7-4-1. Utilization of major capital expenditures and sources of Funds: None

### 7-4-2. Expected potential benefit: None

## 7-5. Reinvestment Policy, Improvement Plan and Investment Plan in Next Year

### 7-5-1. Reinvestment Policy

The reinvestment items major in financial business of COTA Bank and the goal of holding long-term earned dividends. Regarding new reinvestment, the authorized unit shall submit proposal to "Asset, Liability Management Committee" for discussion and then get approval from standing committee of board. The authorized unit shall closely monitor operation and financial condition of invested companies and report to "Asset, Liability Management Committee" in timely basis to ensure investment performance.

### 7-5-2. Source of Profit

The cash dividend from reinvest companies:

Taiwan depository and clearing corporation; Taiwan Financial Asset Service Corp.; Taiwan Asset Management Corp.; Sunny Asset Management Corp.

### 7-5-3. Improvement Plan

None.

### 7-5-4. Investment Plan in Next Year

The Bank sets its main operation target in banking business, therefore no new reinvestment plan undertaking for coming year.

## 7-6. Risk Management

### 7-6-1. Financial Risk Information

#### 7-6-1-1. Credit Risk

#### Credit Risk Management System

Year 2022

| Items   | Contents   |
|---|--|
| 1. Strategies, Objectives, Policies, and Processes                          | <p>The Bank's credit risk policies and processes comply with Basel II and supervisory regulations. The Bank also created credit risk guidelines in written form such as the code of credit, the bylaws of credit information, the law of the credit responsibility and accountability, the bylaws of handle collateral, the business strategy and law of financial derivatives and all kinds of operation handbooks. They provide strict standard on loans, monitor credit risk, and manage non-performing loans. At the same time, since the change in economic cycle will affect the quality of the loan portfolio, the Bank will execute credit policies to ensure credit exposures under control. The Bank will consider developing the internal credit scoring system. The system will identify and estimate risks from all credit exposures.</p> <p>The Bank established a framework for managing credit risk. The framework may execute risk analysis and monitor risk process. It also may discover potential risks that the Bank may response adequately. In addition, it may assess the relation between risk and return to ensure the goal of the Bank's business.</p>                                    |
| 2. The Structure, and Organization of the Risk Relevant Management Function | <p>(1) The Board of Directors:<br/>The Bank's board of directors is the supervisor of credit risk management. The board is responsible for the Bank's business strategies and operation guidelines, and is responsible for reviewing credit risk framework and policies. It also authorizes management to execute credit risk management.</p> <p>(2) Risk Management Committee:<br/>The committee executes the board's risk polices and reports risk profile to the board.</p> <p>(3) Credit Reviewing Committee:<br/>The committee reviews the large amount of loans, specific non-performing loans, and the appointed loans.</p> <p>(4) Risk Management Dept:<br/>The subcommittee integrates credit risk strategies, designs processes, and introduces credit identification, measurement, monitor, and reporting systems.</p> <p>(5) Other Bank's Units:<br/>They should understand credit risks under any circumstances, should deal with the assignment of risk management, and should assist risk management subcommittee in risk monitor.</p> <p>(6) Audit Dept.:<br/>The office should establish audit plan and process, and should review the Bank's credit and investment risks at least once a year.</p> |
| 3. The Scope and Nature of the Risk Reporting and/or Measurement Systems    | <p>The Bank adjusts credit risk system to produce enough information according as the change of loan portfolio. The information includes: statistics of pass due loans, evaluation of non-performing loans, and statistics of large amount credit exposure. The board and senior management will receive the information periodically, and will make appropriate business and credit risk decision. In addition, the credit risk measurement to the Bank considers the following factors:</p> <ol style="list-style-type: none"> <li>(1) Loan characteristics, contract contents, and customers' financial conditions</li> <li>(2) The possible effect of the exposures from market change</li> <li>(3) Collateral and guarantee</li> <li>(4) The possible future risk change of the customers or counterparties</li> </ol>  |

| Items   | Contents   |
|---|--|
|   | (5) Besides specific trading risks, measuring loan portfolio risks<br>The Bank gradually establishes internal rating framework and measures and analyzes loan risks through quantitative indexes and qualitative methods.  |
| 4. Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations | The Bank follows the diversified principal on loans and complies with loan limit regulations such as the same person, the same party, relative corporation, stakeholder, and stocks as collateral for the loan. To avoid credit concentration risk, the Bank reviews and adjusts credit exposures regularly. For controlling the quality of the loan assets and mitigating credit risks, the Bank depends on the credit condition of the borrowers and uses a number of techniques to mitigate the credit risks. For example, the Bank demands collateral and guarantee...etc.<br>The Bank had formulated "The Directions of lending rate pricing". The standard of lending rate considered the market rate, capital cost, operating cost, risk expected loss cost, reasonable profit. For market competition, the customer integral contribution will be the factor of lending pricing.<br>The Bank had formulated "The Directions of the Loan Reviewing Operation" which reviews and follows the cases of the loan and strengthens after-loan management. If the Bank discovers the doubtful loans in the process, it should take necessary measures to protect debt obligations. In order to maintain an effectively monitors hip over credit risk, the Bank had established the indexes of the risk evaluation that regularly monitor the change of them and help to estimate the potential reasons of the future risk occurrence. |
| 5. Approach for calculating the Bank's capital requirement  | Standardized approach<br>Effective June 30, 2021, The Bank adopted the loan-to-value (LTV) method for "Residential Real Estate" and "Commercial Real Estate" secured by real estate and the credit risk standard method for "Land Acquisition, Development and Construction Collateral (ADC)" in accordance with the "Instructions and Tables for Calculation of Bank's Own Capital and Risk Assets" issued by the FSC on January 12, 2021.  |

### Exposure amount after risk mitigation and capital requirement of the standard approach

Dec. 31, 2022

Unit: TWD thousand

| Category  | Exposure amount after risk mitigation | Capital Requirement |
|---|---------------------------------------|---------------------|
| Sovereigns  | 26,734,289                            | 19,137              |
| Non central government public sector entities       | 9,071,710                             | 190,506             |
| Banks (multilateral development banks)              | 3,542,375                             | 98,073              |
| Corporate (Securities firm and insurance companies) | 14,669,605                            | 1,299,912           |
| Regulatory retail portfolios                        | 38,854,977                            | 2,747,433           |
| Secured by residential property                     | 82,335,105                            | 6,735,464           |
| Equities investment                                 | 173,728                               | 18,241              |
| Other assets  | 6,092,929                             | 334,525             |
| Total   | 181,474,718                           | 11,443,291          |

Note 1: Accrued capital is multiplied by risk allowances and statutory minimum capital adequacy ratios for risk offsets. (10.5% from 2019 onwards)

Note 2: The table excludes securitization exposure.

## 7-6-1-2. Assets Securitization Risk

### Assets Securitization Risk Management System

Year 2022

| Items   | Contents   |
|---|--|
| 1. Strategies and Processes   | <p>The Bank does not play the role such originator, service, credit enhance agency, or financial liquidity provider and expects to be an investor. The internal regulations for securitizations concentrate on the investor field. If there is necessary on originator field, it will be created in the future.</p> <p>Not only the Bank obeys article 74-1 of the Banking Act, but also it had formulated some investment limits such as total position limit, underlying instrument limit, and internal authorized limit.</p>  |
| 2. The Structure, and Organization of the Risk Relevant Management Function   | <p>(1) The Board of Directors:<br/>The Bank's board of directors is the supervisor for securitization risk management. The board is responsible for the Bank's business strategies, and is responsible for reviewing securitization decisions. It also monitors effective operation for managing framework.</p> <p>(2) Risk Management Committee:<br/>The committee reviews the guidelines and policies of the securitization, controls indicators, and coordinates assignments relative to risk management.</p> <p>(3) Investment Subcommittee:<br/>For strengthening portfolio management and trading quality of the securitization, the subcommittee depends on the market condition to plan investment strategies.</p> <p>(4) Risk Management Dept:<br/>The subcommittee draws strategies and processes of the securitization, designs and introduces risk identification, measurement, monitor, and reporting system.</p> <p>(5) Audit Dept:<br/>The office should establish audit plan and process, and should review the Bank's risk management at least once a year.</p> |
| 3. The Scope and Nature of the Risk Reporting and/or Measurement Systems  | <p>The Bank reports the periodic information of the securitization exposures to the senior management. It also discloses in the annual report and on the website. The principal of the valuation should confirm the criteria of methodology and the fairness of the data. Furthermore, the managing reports should effectively control exposure positions and should provide appropriate measurement results to assist risk management processes.</p>  |
| 4. Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations   | <p>The Bank regularly accesses the effectiveness of the strategies of the hedge positions and reviews the limits of the securitizations investment according to the volatility of the market prices.</p> <p>Both of the strategies and limits will report to Investment Subcommittee and make decision. Mitigations such as collaterals, guarantee, and credit derivatives apply to the standardized approach of the credit risk.</p>  |
| 5. Approach for calculating the Bank's capital requirement  | Standardized approach  |
| 6. General periodic disclosures including :<br>(1) The purpose of securitization and the types of risks borne and retained by the Bank for re-securitization<br>(2) Other risks associated with securitized assets(e.g. liquidity risk) | Not applicable   |



| Items  | Contents       |
|--|----------------|
| (3) The different roles played by the Bank Asset securitization and the level of participation in every stage<br>(4) Describe the monitoring procedures adopted for credit risk and market risk exposures associated with asset securitization<br>(5) Risk management policies adopted by the Bank to mitigate credit risks associated with securitization and re-securitization |                |
| 7. Provide an overall description of the Bank's accounting policies on securitization  | Not applicable |
| 8. The name of the external Credit Assessment Institution(ECAI) engaged for asset securitization within the Banking book and the ECAI's involvement in every type of securitized asset   | Not applicable |
| 9. Describe any material changes of quantitative information since the last reporting period (e.g. shift of asset balances between the Banking book and the trading book)  | Not applicable |

Remarks:

Item 6-9 only applicable to Originating Banks which there is flow in the external position.

### Assets securitization exposures and capital requirements

Dec. 31, 2022

Unit: TWD thousand

| Type of Exposures           |           | Type of Assets         | Traditional           |                            |                            |               | Synthetic                |                           | TOTAL                    |                            |                                  |  |
|-----------------------------|-----------|------------------------|-----------------------|----------------------------|----------------------------|---------------|--------------------------|---------------------------|--------------------------|----------------------------|----------------------------------|--|
|                             |           |                        | Risk Exposures        |                            |                            |               | Capital Requirements (2) | Risk Exposures            | Capital Requirements (4) | Risk Exposures (5)=(1)+(3) | Capital Requirements (6)=(2)+(4) | prior to Securitization Capital Requirements |
|                             |           |                        | Purchasing or Holding | Provide Liquidity Facility | Provide credit enhancement | Sub-Total (1) |                          | Purchasing or Holding (3) |                          |                            |                                  |  |
| Non-<br>Originating<br>Bank | Banking   | Asset-based securities | Purchasing            | -                          | -                          | 53,662        | 859                      | -                         | -                        | 53,662                     | 859                              | -  |
|                             | Book      |                        | -                     | -                          | -                          | -             | -                        | -                         | -                        | -                          | -                                | -  |
|                             | Trading   | -                      | -                     | -                          | -                          | -             | -                        | -                         | -                        | -                          | -                                | -  |
|                             | Book      | -                      | -                     | -                          | -                          | -             | -                        | -                         | -                        | -                          | -                                | -  |
|                             | Sub-Total | -                      | -                     | -                          | -                          | -             | -                        | -                         | -                        | -                          | -                                | -  |
| Originating<br>Bank         | Banking   | -                      | -                     | -                          | -                          | -             | -                        | -                         | -                        | -                          | -                                | -  |
|                             | Book      | -                      | -                     | -                          | -                          | -             | -                        | -                         | -                        | -                          | -                                | -  |
|                             | Trading   | -                      | -                     | -                          | -                          | -             | -                        | -                         | -                        | -                          | -                                | -  |
|                             | Book      | -                      | -                     | -                          | -                          | -             | -                        | -                         | -                        | -                          | -                                | -  |
|                             | Sub-Total | -                      | -                     | -                          | -                          | -             | -                        | -                         | -                        | -                          | -                                | -  |
| TOTAL                       |           | -                      | -                     | -                          | -                          | 53,662        | 859                      | -                         | -                        | 53,662                     | 859                              | 0  |

Filling out forms to help:

- The "Asset Class" column, depending on the type of asset issued securitized (e.g. credit card, home equity loan, auto loan) or the type of securities invested (e.g. Subdivision of mortgage basic securities, commercial real estate basic securities, asset-based securities and secured creditor's rights certificates).
- The amount of the excess risk in the bank book shall be filled with the amount of the risk insurance after the risk is offset.
- The column "Providing liquidity financing limits" should include the amount of insured and unsecured.

## Information of Securitization products

### (1) Summary table of investment securitization products information

As of Dec.31,2022,Unit: TWD thousand

| Project (Note1) | Accounting Subject | Original cost | Accumulated valuation of gains and losses | Accumulated Impairment | Carrying amount |
|-----------------|--------------------|---------------|---|------------------------|-----------------|
| ABS             | 141199             | 61,416        | N.A.                                      | 7,754                  | 53,662          |

Note1: This table includes both domestic and foreign securitized products, subjects and ledger accounts are filled in according to the following categories:

- (1) Mortgage Backed Securities(MBS):Includes Residential Mortgage Backed Securities(RMBS),Commercial Mortgage Backed Securities(CMBS), Collateralized Mortgage Obligation(CMO) and others.
- (2) Asset Backed Security(ABS):Includes Collateralized Loan Obligation(CLO), Collateralized Bond Obligation(CBO), Collateralized Credit Card Obligation, Collateralized Car Loan Obligation, Collateralized Car Loan Obligation, Collateralized Consumer Loans/Cash Cards Obligation, Collateralized Leasing Obligation and others.
- (3) Asset Backed Commercial Paper(ABCP)
- (4) Collateralized Debt Obligation
- (5) Real Estate Asset Trusts
- (6) Bonds issued by Structured investment vehicle (SIV)
- (7) Other Securitization products

Note2: This table includes the beneficiary securities or asset-based securities held by banks as founding institutions.

### (2)

(2-1) The original cost of investing in securitization products alone is more than 300 million dollars. (Excludes the Bank as a founding entity held for credit enhancement purposes), the following information should be disclosed:

Unit: TWD thousand

| Security Name (Note2)     | Accounting Subject | Currency                                  | Issuers and locations  | Date of purchase | Expiration date          | Interest rate              | Credit Rating (Note3) |
|---------------------------|--------------------|---|------------------------|------------------|--------------------------|----------------------------|-----------------------|
| N/A                       |                    |   |                        |                  |                          |                            |                       |
| Interest repayment method | Original cost      | Accumulated valuation of gains and losses | Accumulated Impairment | Carrying amount  | Attachment point (Note4) | Asset pool content (Note5) |                       |

Note1: This table includes both domestic and foreign securitization products.

Note2: Different coupons of the same securitization products shall be filled in with their full names.

Note3: Please fill in the results of your most recent credit rating.

Note4: Attachment point means the proportion of the total issuance of sub-securities in order of repayment to the total issuance of securitization products in order of repayment to the number of securitization products held by the bank.

Note5: Asset pool refers to founding institution trusts and trustees, or the transfer of asset groups of special purpose companies, In this column, please fill in the asset types of the asset groups(indicate the primary or secondary order),details, the carrying amount and the number of transactions denominated in the original currency.

(2-2) The holding positions due to credit enhancement purpose as an originator, the following information should be disclosed:

Unit: TWD thousand

| Security Name             | Accounting Subject | Currency                                  | Date of purchase       | Expiration date | Interest rate    | Credit Rating      |
|---------------------------|--------------------|---|------------------------|-----------------|------------------|--------------------|
| N/A                       |                    |   |                        |                 |                  |                    |
| Interest repayment method | Original cost      | Accumulated valuation of gains and losses | Accumulated Impairment | Carrying amount | Attachment point | Asset pool content |

Note: The definitions of each field are described in the table(2-1)

(2-3) Banks act as buyers of credit-impaired assets of securitization products or as liquidators, the following information should be disclosed:

Unit: TWD thousand

| Security Name | Currency | Founding agency | Expiration date | Contract content | Implementation of the Contract |
|---------------|----------|-----------------|-----------------|------------------|--------------------------------|
| N/A           |          |                 |                 |                  |                                |

Note: Banks have contracted asset purchases, please specify the reference market price of the asset purchased.

(3) Banks act as securitization products guarantee agencies or provide liquidity financing lines, the following information should be disclosed:

Unit: TWD thousand

| Security Name | Currency        | Founding agency | Expiration date  | Interest rate      |
|---------------|-----------------|-----------------|------------------|--------------------|
| N/A           |                 |                 |                  |                    |
| Credit Rating | Assume the role | amount          | Attachment point | Asset pool content |

Note1: For those who are acting as securitization commodity guarantee agencies, please fill in the "Guarantee Agency", provide liquidity financing quota, please fill in "Provider of liquid financing amount".

Note2: If the bank is the guarantor institution, please fill in the guarantee amount, If it is a liquidity financing line, please fill in the amount.

Note3: The definitions of each field are described in the table (2-1)

### 7-6-1-3. Operational Risk

#### Operational Risk Management System

Year 2022

| Items  | Contents   |
|--|--|
| 1. Strategies and Processes  | The Bank's operational strategies and processes are restrained the division of labor, employees training, effective control framework, and internal control procedure of each level. In aspect of internal control, the Bank had fully formulated the system of the internal audit, self-audit, law obedience, and business operational rules that may to search on the internal website for employees' real time operation. The Bank reduces operational loss by internal and external audit to monitor and trace the risks. In order to assist all employees executing the processes of the operational risk, Risk Management Center is developing applied implements for managing operational.  |
| 2. The Structure and Organization of the Relevant Risk Management Function | <p>(1) The Board of Directors:<br/>The Bank's board of directors is the supervisor for risk management. The board is responsible for the Bank's business strategies, and is responsible for reviewing significant decisions.</p> <p>(2) Asset, Liability and Risk Management Committee:<br/>The committee follows risk management policies and procedures that the board of directors had approved. In addition, the committee is responsible to review the guidelines and policies of the operational risk, controls indicators, and coordinates assignments relative to risk management.</p> <p>(3) Risk Management Center:<br/>The subcommittee draws strategies and processes of the operational risk, designs and introduces risk identification, measurement, monitor, and reporting system. Moreover, the subcommittee develops the loss event databases of operational risk, gathers risk information from all Banks' units, and reports to ALM committee and the board of the directors regularly.</p> <p>(4) Headquarters' Units<br/>They should totally understand the risk that they are facing. When they codify operational regulations, they should consider operational risk management. They also should assist risk management subcommittee to accomplish all kinds of risk monitor.</p> |

| Items   | Contents  |
|---|---|
|   | <p>(5) Other Bank's Units:<br/>Everyone should comply with the Bank's regulations and should control operational risk. If risk event occurs, everyone should deal with the event immediately and should report to management.</p> <p>(6) Audit Office:<br/>The office should execute auditing processes independently and should provide improvement suggestion timely.</p>   |
| 3. The Scope and Nature of the Risk Reporting and/or Measurement Systems  | The Bank had established the operational processes for business practices. The processes have been executed on daily operation management and to reduce the occurrence of the operational risk. The executive circumstance of the internal and external audit, self-audit, and the system of law obedience regularly reports to the board. The Bank adopts Supervisory regulation to classify loss event types and executes reporting system of the loss data of the operational risk and establishes whole bank's loss database of the operational risk. The Bank reports the periodic information of the operational risk to the Asset and Liability Management Committee and The Board of Directors. The Bank conducts the self-assessment of the operational events before the end of May every year, compliance system, internal audit system, and self-inspection system to manage and reduce operational risk. |
| 4. Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations | The Bank hedges and mitigates risks through strengthening internal control system, implementing operational risk monitor, training employees, insurance, and outsourcing. The Bank's emergency center and crisis subcommittee had formulated the strategic manual of the disasters and the contingency measures of the operating crisis to ensure every business that may continue to operate normally when the crisis occurs and to protect significant loss of the Bank.  |
| 5. Approach for calculating the Bank's capital requirement  | Basic indicator approach  |

## The Operational Risk Capital Charge

Dec. 31, 2022

Unit: TWD thousand

| Year  | Annual Gross Income | Capital Charge |
|-------|---------------------|----------------|
| 2020  | 2,720,687           |                |
| 2021  | 2,837,992           |                |
| 2022  | 3,133,852           |                |
| Total | 8,692,531           | 434,627        |

## 7-6-1-4. Market Risk

### Market Risk Management System

Year 2022

| Items                       | Contents  |
|-----------------------------|---|
| 1. Strategies and Processes | <p>In order to establish effective market risk management system, the Bank formulated market risk managing standard and other related regulations for the benchmark of the market risk management. To ensure the Bank's market risk under control, the functional responsibility divides into trading and settlement, and will involve in risk control system. The system is responsible for the risk identification, measurement, monitor, and reporting procedure.</p> <p>The strategies of the Bank's market risk are as follows: considering the characteristic of each instrument and market condition, regularly measuring endurable risks, expecting balance of returns and risks, optimizing investment allocation. The purpose of all strategies is to improve performance. On the other hand, the Bank formulated a limit system to effectively control risks and reduce exposures.</p> |

| Items   | Contents   |
|---|--|
| 2. The Structure and Organization of the Relevant Risk Management Function  | <p>(1) The Board of Directors:<br/>The Bank's board of directors is the supervisor for risk management. The board is responsible to review market risk management system and market risk strategies, and to ensure the system reflects the Bank's business strategies.</p> <p>(2) Asset, Liability and Risk Management Committee:<br/>The committee executes risk management strategies and frameworks that the board of directors had approved. In addition, the committee is responsible to review the principals, strategies, and monitoring indexes of the risk managing system and to coordinate and monitor each risk management relative to matters.</p> <p>(3) Investment Subcommittee:<br/>The subcommittee plans investment strategies and makes decision what the positions should be sold or hold.</p> <p>(4) Risk Management Center:<br/>The subcommittee draws strategies and processes of the market risk management, designs and introduces risk identification, measurement, monitor, and reporting system.</p> <p>(5) Related Units:<br/>They execute necessary duties of the risk management such monitoring traders and cooperate with Risk Management Center to finish each item of the risk monitor.</p> <p>(6) Audit Office:<br/>The office should establish audit plan and process, and should review the Bank's risk management at least once a year.</p> |
| 3 The Scope and Nature of the Risk Reporting and/or Measurement Systems   | Market risk information system should be able to control exposures and provide appropriate risk measurement results. For the purpose of the evaluation, the positions divide into trading book and banking book. The banking book positions evaluate once a month, the trading book positions evaluate on a daily basis. The information about gain/loss and exposures will deliver to management which includes market risk management reporting, derivative financial instruments gain/loss assessment. As close to gain/loss the stop-loss warning of pointers would keep attention to the market changes and take measure to avoid over-limit. Related Units monitor the position of TWD and foreign currency assets, gain/loss and stop-loss alert system for keep the market risk within the limits of the bank strength. In 2015, the Bank will use the PIRS system established by TEJ to pricing Bonds, CBAS, Option to reflect the real market price and compliance with regulations.   |
| 4. Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations | The Bank's hedging strategy of the financial products include to use spots or derivatives to evade market price risks and to review each risk limit regularly such as trading position limits, traders' position limits, and stop loss limits. If the assessment indicates the risk overloaded, the Bank will transfer risks and reduce exposures. If dealers exceed their position limits, Risk Management Center should inform the facts and procedures to management and report daily until under limits. If dealers exceed their stop loss limits, they are required to execute positions.   |
| 5. Approach for calculating the Bank's capital requirement  | Standardized approach  |

### The Market Risk Capital Charge

Dec. 31, 2022

Unit: TWD thousand

| Risk Category         | Capital Charge |
|-----------------------|----------------|
| Interest Rate Risk    | 227,691        |
| Equity Position Risk  | 83,886         |
| Foreign Exchange Risk | 61,533         |
| Option Position       | 0              |
| Total                 | 373,110        |

## 7-6-1-5. Liquidity Risk

According to operating cash flow, market movement, and minimum requirement of the liquidity reserves ratio, the Bank diversifies funding resources and maintains funding stability. Short-term investment considers the safety of the underlying assets, marketable on the secondary market, and lower liquidity risk such as NCDs, treasury bonds, corporate bonds, and bank debentures. The Bank takes some steps to manage liquidity, for example, monitoring the structural change of assets and liabilities in each period, editing “The Gapping Report of the TWD Cash Flow” weekly, making the reporting sheets of the risk management every month and reporting to Asset and Liability Management Committee, and transferring and operating funds effectively.

According to “Standards Implementing the Liquidity Coverage Ratio of Banks” promulgated by FSC and the Central Bank on Dec. 29, 2014, our bank Liquidity Coverage Ratio (LCR) was 193.26% which meets the minimum required 100% set by the competent authority.

The Bank’s Net Stable Funding Ratio (NSFR) for the fourth quarter of 2022 was 142.64%, which meets the requirement of a ratio of no less than 100%.

### Analysis for Time-to-Maturity of the Bank’s TWD Assets and Liabilities as of Dec. 31, 2022

Unit: TWD thousand

|                                 | Total        | Volumes during the period prior to the due date |            |              |              |                 |             |
|---------------------------------|--------------|---|------------|--------------|--------------|-----------------|-------------|
|                                 |              | 0~10 Days                                       | 11~30 days | 31~90 days   | 91~180 days  | 181 days~1 year | Over 1 year |
| Major inflows of matured funds  | 183,249,486  | 18,282,097                                      | 9,439,932  | 4,903,493    | 12,429,183   | 24,544,974      | 113,649,807 |
| Major outflows of Matured funds | 201,424,080  | 5,234,914                                       | 9,870,984  | 23,107,376   | 31,115,449   | 52,493,979      | 79,601,378  |
| Maturity Gap                    | (18,174,594) | 13,047,183                                      | (431,052)  | (18,203,883) | (18,686,266) | (27,949,005)    | 34,048,429  |

Note: The bank portion refers to the amount of TWD in the whole bank.

### Analysis for Time-to-Maturity of the Bank’s USD Assets and Liabilities as of Dec. 31, 2022

Unit: USD thousand

|                                 | Total   | Volumes during the period prior to the due date |            |             |                  |             |
|---------------------------------|---------|---|------------|-------------|------------------|-------------|
|                                 |         | 0~30 days                                       | 31~90 days | 91~180 days | 181 days -1 year | Over 1 year |
| Major inflows of matured funds  | 142,885 | 61,910  | 22,675     | 11,238      | 750              | 46,312      |
| Major outflows of Matured funds | 142,885 | 57,362  | 13,858     | 6,269       | 11,818           | 53,578      |
| Maturity Gap                    | 0       | 4,548   | 8,817      | 4,969       | (11,068)         | (7,266)     |

Note1: The bank portion refers to the amount of USD in the whole bank.

Note2: If overseas assets account for more than 10% of the total assets of the Bank, additional disclosure information should be provided.

## 7-6-1-6. Interest Rate Risk

To avoid the risk of adverse impact on the Bank’s surplus and capital due to interest rate changes, the Bank has set a deposit rate pricing Guidelines, benchmark interest rate pricing points, fixed reserve rate index pricing points, internal interbank current interest rate pricing points and outside. Foreign exchange rate setting and operation points. The Organisers and Risk Management Department of the Assets and Liability Management Committee shall keep this to the forefront at all times. Interest rate risk, review and tracking in a timely manner. The Risk Management Department is responsible for monitoring the risk of interest rates in bank books. Calculate and aggregate the relevant interest rate risk data to the Risk Management Committee and the Board of Directors.



The measurement system and model of the Bank's bank book interest rate risk are based on the National Federation of Banking Chambers of Commerce of the Republic of China. The public version of the calculation procedure developed by the HKICF without adjusting any parameters and oscillation scenarios has been set by the HKICCA. Pressure Scenario calculates the ratio of the maximum economic value shock ( $\Delta$  EVE) to net capital of the first type for each quarter of the year

The rate of more than 15% has not occurred, which is in line with the statutory requirements.

### Summary report on interest rate risk Dec. 31, 2022

|          |         |
|----------|---------|
| Currency | USD&TWD |
| USD/TWD  | 30.708  |

Unit: TWD thousand

| interest rate risk currency                                    | 1. Surplus point  |  | 2. Economic values points |                              |                           |                               |                              |  |  |
|--|---|--|---------------------------|------------------------------|---------------------------|-------------------------------|------------------------------|--|--|
|  | Earnings impact for the next 12 months (Parallel Move Up) | The next 12 months of surplus impact (Parallel Down) | Currently EVE             | EVE Shock (Parallel Move Up) | EVE Shock (Parallel Down) | EVE Shock (Steep oscillation) | EVE Shock (Flat oscillation) | EVE Shock (Short-term interest rates rise) | EVE Shock (Short-term interest rate decline) |
| TWD  | (497,805)   | 492,187  | 4,692,586                 | 1,260,054                    | 0                         | 163,869                       | 132,092                      | 664,410                                    | 0  |
| USD  | 35,802  | (35,861)   | 949,098                   | 0                            | 24,477                    | 16,152                        | 0                            | 0  | 31,899                                       |
| The first type of capital on the base date                     |   |  | 12,791,902                |                              |                           |                               |                              |  |  |
| The ratio of EVE shocks to capital type I (Extreme value test) |   |  |                           | 9.14%                        | 0.18%                     | 1.19%                         | 0.96%                        | 4.67%                                      | 0%   |

## 7-6-2. Impact of Alterations in Domestic and Foreign Major Policies and Laws on the Bank's Financial Operations and Adopting Measures

### 7-6-2-1. Self-disciplinary Code of Banking Practice on the Fair Treatment of Elderly Customers implemented

#### • Change in Regulations

The Bank provides care services to senior financial management customers aged 65 or above for the implementation of the "Self-disciplinary Code of Banking Practice on the Fair Treatment of Elderly Customers".

#### • Impact and Response Measures

- Enhanced prudential assessment procedures for KYC, KYP and suitability analysis, including the requirement to fill out a "Health Care Questionnaire" during KYC assessment, in order to provide financial products or services that are suitable for the customer's risk attributes and affordability.
- The purchase and conversion of financial products must be accompanied by an officer who is present to leave a video track; the acceptance process and the response will be detailed in the "Record of Acceptance of Special Customer Group Transactions" to protect customers' rights.
- At least 5% (at least 5 persons) of the senior customers managed by the Financial Controller will be visited each month. When applying for the purchase or conversion of securities, we should fill out the "Elderly Customer Marketing Appropriateness Assessment Form" for appropriateness assessment.

d. Evaluation of product and customer suitability is required when soliciting insurance. During the marketing process, required to record solicitations and conduct caring telephone interviews with customers, and will organize education and training from time to time in the future to promote the implementation of compliant operations.

## **7-6-2-2. Internal Control Principles for Prevention of Misappropriation of Client Funds by financial consultants**

- Change in Regulations

In order to avoid private fund dealings between the financial consultants and customers, banks should establish a control mechanism that includes at least the following: establishing an account monitoring mechanism, setting up an abnormal reporting mechanism, and conducting regular or occasional spot checks on the financial consultants' office to prevent consultants keeping customers' passbooks, seals or signed blank transaction slips by stealth.

- Impact and Response Measures

The Bank has established the "Internal Control and Risk Management Practices for Wealth Management Business" with relevant account monitoring, abnormal reporting and transaction monitoring and abnormal management mechanisms.

## **7-6-2-3. The impact of the General Data Protection Regulation (hereinafter referred to as GDPR)**

- Change in Regulations

With the development of digital economy technology and the impact of globalization, the issue of personal data protection has brought many new challenges. On May 24, 2016 The EU passed The General Data Protection Regulation (GDPR) to upgrade the thickness of regulations on protecting personal data and establish an applicable management standard in the EU. GDPR, which was implemented on May 25, 2018, replaces the European Union's 1995 Data Protection Directive.

- Impact and Adopting Measures

The bank has not established branches or subsidiaries in the EU. After reviewing the Bank's business development policies and actual business conditions, the Bank has revised the Bank's guideline for personal data maintenance and management.

## **7-6-2-4. To align with international standards and promote sustainable finance, we actively cooperate with policies to continue advancing "elderly care trusts" in order to implement inclusive finance.**

- Change in Regulations

On September 29, 2022, the Financial Supervisory Commission (FSC) issued the second phase of the Trust 2.0 "Comprehensive Trust" promotion plan (implemented from September 1, 2022, to December 31, 2024). The plan has three key objectives: providing trust services that meet the needs of different life stages, expanding and deepening cross-industry alliances in the trust industry, and enhancing the understanding and awareness of the elderly, individuals with dementia, and persons with disabilities regarding trust services. Among these objectives, particular focus is placed on the "elderly care trusts" for the elderly and individuals with dementia.

- Impact and Adopting Measures

With the rapid increase in the elderly population and the growing severity of dementia as a social issue, our bank is committed to continuously promoting trust services for the elderly and providing a more age-friendly and dementia-friendly approach to our customers. We will also utilize trust mechanisms to ensure the security of their assets and provide life protection. Furthermore, in alignment with the second phase of the Trust 2.0 plan, we aim to collaborate with stakeholders from the information technology and healthcare industries, leveraging the methods and knowledge of medical institutions in cognitive function assessments. This will enhance our understanding of the cognitive status, communication abilities, and overall health conditions of the elderly and individuals with dementia. We will provide suitable transactions and services based on their cognitive abilities to safeguard their

rights and interests. In recent years, to align with international standards and promote sustainable development, our bank has been actively promoting sustainable financial products and services. From the perspective of the essence and functionality of trusts, they are an integral part of the bank's sustainable development efforts. By practicing our core values of "benefiting others" and fulfilling our social responsibilities, we will continue to dedicate our efforts to the advancement of "elderly care trusts." We will also collaborate with regulatory authorities to assist in the development of trust business through various channels, allowing our bank to become the most trusted institution among the general public.



#### **7-6-2-5. Impact on Procedures for reporting the scope of major contingencies by financial institutions and other matters to be observed**

- Change in Regulations

Financial Supervisory Commission announced Procedures for reporting the scope of major contingencies by financial institutions and other matters to be observed on Mar. 22, 2017. It includes the major contingencies reporting institution, scope, procedure, addition the check account occurred per bounce check amount exceeding TWD100 million, Financial Holding company or the head office of domestic bank get the information of foreign subsidiaries or branches that descended rating by the local authorities or the audit report mentioned about "not rule out taking counter measures" or "will retain the power of administrative sanctions", and subsumed the reporting mechanism under the financial institution internal control and check system.

- Impact and Adopting Measures

The bank had subsumed the above compliance matters under the financial institution internal control and check system.

## **7-6-2-6. “Domestic Bank Climate Risk Financial Disclosure Guidelines” implemented and released.**

### • Change in Regulations

In order to align with international standards and enhance domestic banks' management of climate-related risks and financial disclosure, the Financial Supervisory Commission (FSC) formulated and released the “Domestic Bank Climate Risk Financial Disclosure Guidelines” under the letter No. 1100148194 on November 30, 2021. The guidelines require banks to conduct their first climate risk-related financial disclosure for the year 2022 by the end of June 2023, and subsequently disclose relevant information for the previous year by the end of June each year. Banks can gradually implement the financial disclosure in a progressive manner. If there are any items that cannot be disclosed or specified, banks must explain the reasons, current progress, and future plans regarding such matters.

### • Impact and Adopting Measures

Our bank has incorporated climate risk management into the “Risk Management Policy and Procedures” and established the “Climate Risk Management Guidelines” and other measures. These initiatives have been discussed and approved by the Board of Directors. We have also completed relevant tasks in accordance with the operational timeline and planning specified by the regulatory authorities.

## **7-6-2-7. Compliance with the “Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions”**

### • Change in Regulations

In response to the international trend of automatic exchange of financial account information, the Treasury issued the “Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions” (CRS) on November 16, 2017, which has been in effect since its release.

### • Impact and Response Measures

In order to comply with the Code of Practice, the Bank has established relevant practices, set up computer programs, and conducted staff education and training to comply with the Code of Practice.

## **7-6-2-8. On December 16, 2021, the Central Bank issued the revised “Regulations of the Central Bank on Financial Institutions’ Real Estate Mortgage Loan Operations” under the directive No. 1100048812. The revised regulations came into effect on December 17, 2021.**

### • Change in Regulations

New regulations have been introduced regarding loans for natural persons to purchase high-priced residential properties from financial institutions. The maximum loan amount for such properties shall not exceed 40% of the appraisal value of the residential property (including land) or the lower of the appraisal value and the transaction amount. These regulations also apply to individuals who already have two or more housing loans when purchasing high-priced residential properties. The maximum loan-to-value ratio for land purchase loans (for residential or commercial areas designated in urban planning) is reduced to 50%. Borrowers should provide specific construction plans for the purchased land and undertake to commence construction within a certain period. Additionally, to expedite land development, the loan agreement should specify that borrowers who fail to commence construction within a certain period after loan disbursement will be subject to additional interest rates and/or loan recalls. Post-loan tracking management should be implemented, including verifying whether borrowers have commenced construction within a certain period. The maximum loan-to-value ratio for loans on unsold residential properties is reduced to 40%.

### • Impact and Response Measures

In response to the legal amendments, our bank will handle the transactions in accordance with the regulations.

### **7-6-2-9. Compliance with “Guidelines Governing Anti-Money Laundering and Combating the Financing of Terrorism by the Banking Sector”**

- Change in Regulations

Because the Money Laundering Prevention Act, the Terrorism Prevention Act, the Financial Supervisory Commission and financial-related associations have added or amended regulations for the promulgation of anti-money laundering and anti-terrorism related acts, on January 1, 2017, the Bank established an independent and specialized unit for Anti Money Laundering and Combating the Financing of Terrorism under the Compliance and Legal Affairs Department and amended the Bank’s guideline for Anti Money Laundering and Combating the Financing of Terrorism in accordance with the Law. The Company conducts ongoing training for directors, senior management and staff on the topic of Anti Money Laundering and Combating the Financing of Terrorism, and builds information systems to strengthen internal control practices and implement the requirements of the law.

- Impact and Adopting Measures

The Bank has been required by regulations to verify customer identification and to maintain evidence of transactions with customers, and to monitor accounts and transactions on an ongoing basis: this includes ongoing reviews of customers’ business relationships and detailed reviews of their trading processes to ensure that transactions are consistent with the business and risks of the customers and, where necessary, their sources of funding; regular reviews of the adequacy of information obtained to identify customers and actual beneficiaries, and to ensure that such information is updated, particularly for high-risk customers.

### **7-6-2-10. The conversion process of existing contracts related to LIBOR is expected to be completed in the first half of 2023.**

- Change in Regulations

According to a survey conducted by the Asia Pacific Loan Market Association, approximately 54.8% of member institutions expect to complete the conversion process of existing LIBOR contracts in the first half of 2023. Regarding alternative reference rates, 47.8% of member institutions prefer using Term SOFR, while 33.3% prefer using SOFR calculated on a compound-in-arrears basis. The survey results indicate a growing trend of market participants adopting Term SOFR in the Asia Pacific market. The Loan Syndications and Trading Association has published potential adjustment methods for pricing strategies in SOFR-based loans, including: (a) adding a fixed spread adjustment, (b) applying different spread adjustments for loans with different tenors, and (c) increasing the loan margin to align the interest income of SOFR-linked loans with that of LIBOR-linked loans. Currently, USD LIBOR exhibits a higher upward trend compared to SOFR, making different spread adjustments more favorable for borrowers. This helps accelerate the negotiation of LIBOR conversion contracts, reducing legal and operational risks associated with the LIBOR transition.

- Impact and Adopting Measures

Our bank will proceed with the conversion of LIBOR contracts for our syndicated loans in line with the aforementioned market conditions. The conversion process is expected to be completed in the first half of 2023.

### **7-6-3. Impact of Technological and Industrial Changes (including cyber security risk) on the Bank’s Financial Operations and Adopting Measures**

As the speed development of Network and Technological, Financial Technological Companies that have advantage of E-Commerce provide new forms of Financial Services. The Bank had provided e-bank service to reduce cost and enhance business efficiency. Although it brings convenience and cost-down, it still had some risks of the information safety such as program errors, system crashes, or hacker attacks. They will therefore create unpredictable losses and operational risks. To avoid the occurrence of the loss events, the Bank will train employees to recognize the information safety and to deal with emergent events. This will reduce the probability of the risk occurrence. In response to the trend of the times, the Digital Banking Department was established to accelerate the digitization of financial services products and to promote organizational reform.



To cope with the rapid changes in the market, we established a dedicated cyber security unit and a chief cyber security officer to strengthen the cyber security and information resources integration. We provide various online services and financial products under the requirements of information security regulations of the competent authorities, and conduct periodically various information security evaluation and improvement operations and drills to ensure safe and reliable services. In order to enhance the Bank's assets quality and reduce loan risks, the related loan departments provide industrial research reports without a fixed schedule and observe the industrial changes at any time.

#### **7-6-4. Impact on the Bank of Changes in the Bank's Image and Adopting Measures**

With the corporate spirit of "take from the society, Give back to society", not only host social welfare seminars through the bank founded "COTA Culture and Education Foundation" but also co-host blood donation activities with the Taichung Blood Donation Center to sponsoring in various social welfare activities by actual actions. The Bank's core values are "integrity", "accountabilities", "altruism", "technology", and "environmental care" and the implementation of the principles of financial consumer protection and fair treatment of customers in financial services. Promote the implementation of corporate social responsibility (CSR) and emphasize compliance with laws and regulations system, anti-money laundering and anti-finance terrorism. In the future, we will strengthen ESG sustainable development, guide customers to focus on sustainability issues and promote green finance-related businesses. We are committed to balancing the quality of assets and risk-reward to create competitiveness for the long-term development of the bank to become an all-round quality bank.

#### **7-6-5. Expected Benefits and Potential Risks of Mergers and Acquisitions and Adopting Measures**

Currently, no merger or acquisition plan.

#### **7-6-6. Expected Benefits and Potential Risks of Branches Location Expansion and Adopting Measures**

To expand the scale of customer service, increase business efficiency, and create brand awareness and market share, the Bank cautiously evaluates to expand business location every year cause of the business unit might create operating risk and credit risk.

#### **7-6-7. Risk Arising from the Concentration of Business and Adopting Measures**

- Our bank has implemented risk control limits for credit extension and investment activities concerning the same borrower or related parties, as well as for the same group of related companies across various industries. These limits are reported to the Risk Management Committee for review and oversight. In order to ensure compliance with banking regulations and prudential ratios, we utilize an information management system to generate relevant control reports. This allows us to monitor the concentration of business activities in real-time, mitigate risks, maintain asset quality, and ensure the sound operation of the bank.
- For the concentration control of real estate loans, including construction loans, home purchase loans, and renovation loans, we have established indicators and incorporated them into regular monitoring reports. Additionally, various control measures have been implemented to manage the concentration of construction loans in accordance with the approved targets set by the regulatory authorities.

#### **7-6-8. The Influence and Risk Posed by Changes in Operating Control Rights and Adopting Measures**

There have been no changes in operating control.



### 7-6-9. The Influence and Risk Posed by Mass Shares Transfer of Directors, Supervisors or Major Shareholders with Shares holding over 1% and Adopting Measures: None

### 7-6-10. Lawsuits

The first instance, the plaintiff, Lin O O et al for violation of the Futures Trading Act by the defendant, Chen O O(former bank staff) et al, to filed an incidental civil action for damages against the bank. Taichung District Court of Taiwan adjudicated that the bank and Chen O O shall be liable for joint and several damages to the plaintiff, Lin O O et al. Amount of damages was approximately TWD27,292,810 and the interest rate shall accrue at 5% per annum from August 19, 2011 to the date of repayment. The second instance, Taichung Branch of the Taiwan High Court adjudicated that the bank shall be liable for joint and several damages amount was approximately TWD15,380,010 and the interest rate shall accrue at 5% per annum from August 19, 2011 to the date of repayment, and 60% of the cost of litigation. The Bank has appointed an attorney to appeal to the Supreme Court. The Company assesses that the above litigation events have not yet had a material impact on its financial operations and that there will be no material changes in its operating policies and decisions.

### 7-6-11. Other Significant Risks and Adopting Measures

Other risks such as strategically risk, goodwill risk, and the risk of the obedience of laws, the Bank will adjust the business policy in accordance with the change of the market condition and the modification of the laws to enhance business flexibility and competition.



## 7-7. Crisis Handling System

- 7-7-1. In order to manage crisis handling system, the Bank formulated some related rules, taking measures, and adopting manual of disasters to effectively reduce damage and protect customers' rights. The Bank also established contingent task team to execute contingency solving measures.
- 7-7-2. In order to rapidly deal with disasters, the Bank established the emergency call and reporting system in the ordinary time. The managers of each unit charges with contact assignment.
- 7-7-3. In the event of significant and unforeseeable contingencies, the Bank will report the event to competent authority in addition to inform police department or related institution to take emergency remedy approaches.
- 7-7-4. In the event of natural disasters, the Bank will obey "The operating directions of the averting disasters for financial institutions" and "The operating directions of closed business as disasters occurring for financial institutions" formulated by competent authority. For check cleaning and dishonored check information filing, the Bank will obey "The operating directions of check cleaning and dishonored check information filing for partly office terminate area" formulated by the Taiwan Cleaning House.
- 7-7-5. When the delegation of business to others (called trustee), in order to avoid affecting the Bank's operation or customers' rights and interests due to the deterioration of the trustee's service quality, temporary termination of contract or cessation of operation, the Bank has formulated the " Outsourcing Business emergency response plan and customer dispute handling procedures" to provide customers with a channel to resolve customer complaints and improve customer satisfaction with the Bank's services.

## 7-8. Other Significant Matters: None

# 8

## Special Notes



**8-1. Data of Affiliated Company**

**8-1-1. Organization Chart of Affiliated Company: None**

**8-1-2. Profile of Affiliated Company: None**

**8-1-3. Infer Controller and Subsidiary Own the Same Shareholders' Data: None**

**8-1-4. Data of Affiliated Company's Director and Supervisor: None**

**8-1-5. Business Operation of Affiliated Company: None**

**8-1-6. Consolidated Financial Statement of Affiliated Company Details: N/A**

**8-1-7. Affiliated Statement: N/A**

**8-2. Private Placement of Securities: None**

**8-3. Holdings or Disposal the Stock of COTA Bank by Subsidiaries: None**

**8-4. Other Matters for Supplementary Explanation: None**

**8-5. Pursuant to Item2, Paragraph 3, Article 36 of Security and Exchange Act,  
the Incidence**

**Exerting Material Influence on Shareholder s' Rights or Security Prices:  
As of press time, none**



# Chronological Highlights





## Chronological Highlights

|            |   |
|------------|---|
| 2018.01.12 | Mr. Ying-Che Chang, Mr. Xian-De Lai, Mr. Min-Chang Lin-Corporation Representative of Chuan Cheng Hat Co., Ltd. and Mr. Kun-Hsien Lin were elected as managing directors in board of directors, Mr. Liao Sung-Yie was elected as Chairman in board of directors of the 8th Session of 2rd extraordinary meeting. |
| 2018.03.12 | Issued commemoration passbook of Taichung World Flora EXPO 2018   |
| 2018.04.13 | Received Performance rank A of 'Startup key industry loan'.   |
| 2018.05.02 | Accessible interface web ATM and get version 2.0 conformance level A launched.  |
| 2018.05.22 | Issued commemoration debit card of Taichung World Flora EXPO 2018   |
| 2018.05.30 | Mobile banking cardless withdrawal launched.  |
| 2018.06.22 | Annual Shareholders' Meeting.   |
| 2018.07.03 | Obtained approval of foreign exchange licenses for branches of Fengxin, Zhongshan, Daya, Qiaotou and Taiping.   |
| 2018.09.13 | Publically announced capital increase issuance of new shares by cash in 2018.   |
| 2018.10.01 | Obtained approval of foreign exchange licenses for branches of Dadu, Longjing and Tianzhong.  |
| 2018.10.04 | A sponsor of Asialink Sketchwalk Taichung 2018  |
| 2018.10.12 | Held Leopard cat for one day of clerk at Taichung branch  |
| 2018.10.13 | A sponsor of EDEN Social Welfare Foundation '2018 Touching Life'.   |
| 2018.11.03 | A sponsor of Credit Union League of the Republic of China '3 on 3 basketball game'.   |
| 2018.11.19 | Be honored of FISC E-Cash Flow Services Innovation Awards   |
| 2018.12.15 | A sponsor of GLSF'11th Bicycles sending Love'   |
| 2018.12.15 | "Passion for Love" charity blood donation event was held.   |
| 2018.12.20 | The MOU Signing Ceremony on Financial Supply Chain Blockchain with Tradevan   |
| 2018.12.26 | According to Taiwan Ratings Corp, COTA Bank Debt Rating Data: Long-term: twBBB+, Short-term: twA-2, Outlook: Stable.  |
| <hr/>      |   |
| 2019.02.24 | A sponsor of Association for Victims Support (AVS) 20th anniversary event – Thanksgiving Concert  |
| 2019.04.29 | Received Performance rank A of 'Startup key industry loan'.   |
| 2019.05.22 | Certification to ISO 27001 Information Security Management System (ISMS)  |
| 2019.06.14 | Annual Shareholders' Meeting.   |
| 2019.06.21 | Barrier free mobile banking launched.   |
| 2019.07.26 | Record date for the issuance of new shares through capitalization of retained earnings and rights offering for capital increase.  |
| 2019.08.16 | Cash dividend payment date.   |
| 2019.09.12 | Foreign exchange non-discretionary individually managed money trust launched.   |
| 2019.10.01 | EASYCARD/ATM CARD launched.   |
| 2019.10.19 | A sponsor of EDEN Social Welfare Foundation '6th Touching Life Festival'.   |
| 2019.10.21 | Apply online for personal micro credit loans launched.  |
| 2019.11.02 | A sponsor of Credit Union League of the Republic of China '3 on 3 basketball game'.   |
| 2019.11.10 | A sponsor of "Taiwan's Rice Heaven - Tianzhong Marathon"  |
| 2019.11.19 | Be honored of MOC "14th Arts & Business Awards" Silver Winner   |
| 2019.12.14 | "Passion for Love" charity blood donation event was held.   |



|            |   |
|------------|---|
| 2019.12.23 | China Credit Rating Co., Ltd. has issued the following credit ratings for our bank: long-term debt credit rating of "twBBB+", short-term debt credit rating of "twA-2", and the outlook is "stable".  |
| 2019.12.25 | Be honored of "The 13th Golden Security Award" from JCIC  |
| 2020.04.08 | English interface for Personal Internet Banking launched.   |
| 2020.06.20 | Annual Shareholders' Meeting.   |
| 2020.08.31 | Publically announced capital increase issuance of new shares in 2020.   |
| 2020.09.30 | Wire transfers using a phone number launched.   |
| 2020.10.12 | Qiaotou Branch moved to 683 Chenggong South Road., Qiaotou District, Kaohsiung City.  |
| 2020.10.16 | Publically announced capital increase issuance of new shares in 2020.   |
| 2020.10.31 | A sponsor of EDEN Social Welfare Foundation - 2020 Barrier Free Festival.   |
| 2020.11.08 | A sponsor of Taiwan's Rice Heaven - Tianzhong Marathon  |
| 2020.11.14 | A sponsor of Credit Union League of the Republic of China - 3 on 3 basketball game.   |
| 2020.11.14 | A sponsor of Old tree 119 Association – Plant Supplement Event Marathon.  |
| 2020.12.02 | A sponsor of Consumers Foundation – Thanks 40th Event.  |
| 2020.12.08 | Cash capital increase stock distribution date.  |
| 2020.12.12 | "Passion for Love" charity blood donation event was held.   |
| 2020.12.18 | China Credit Rating Co., Ltd. has issued the following credit ratings for our bank: long-term debt credit rating of "twBBB+", short-term debt credit rating of "twA-2", and the outlook is "stable".  |
| 2020.12.18 | Held 2020 shareholder's extraordinary shareholders meeting and elected 9th session directors  |
| 2020.12.29 | Mr. Kun-Hsien Lin, Chuan Cheng Hat Co., Ltd., Mr. Hong-Chi Chang and Mr. Jung-Hsien Chiu were elected as managing directors in board of directors, and Mr. Liao Sung-Yie was elected as Chairman in board of directors of the 9th Session of 1rd board of directors meeting.  |
| 2021.03.02 | Car loans e-payment launched  |
| 2021.03.15 | Subsequent mortgage loans launched  |
| 2021.06.23 | Insurance Agency Department moved to 8F., 580 Jinhua North Road, North District, Taichung City 404, Taiwan  |
| 2021.06.28 | Credit Card Center moved to 10F., 580 Jinhua North Road, North District, Taichung City 404, Taiwan  |
| 2021.07.01 | "Set up Individual Banking Group, Corporate Banking Group and Branch Banking Group.<br>Consumer Banking Center merge with Credit Card Center to form the Consumer Banking Department.<br>General Administration Department to slip into to Human Resources Department and General Administration Department.<br>Branch Administration Department retains the business related to branch units, and the rest is divided into Accounting Department and Financial Markets Department.<br>Set up Financial Markets Department and Human Resources Department<br>Electronic Banking Department renamed to Digital Banking Department<br>SME Banking Center renamed to Corporate Banking Department<br>Except for Secretariat of the Board of Directors, others all called department" |
| 2021.07.20 | Trust Department moved to 11F., 580 Jinhua North Road, North District, Taichung City 404, Taiwan  |
| 2021.08.03 | Digital Account launched.   |
| 2021.08.20 | Annual Shareholders' Meeting.   |



## Chronological Highlights

- 2021.08.24 International Banking Department and Offshore Banking Branch moved to 3F., .339, Dazhi Road, East District, Taichung City 401, Taiwan
- 2021.09.01 In response to the "Trust 2.0" program, "Life Care Trust for the Elderly and Persons with Disabilities" and "Reservation Trust" services launched.
- 2021.10.20 Public charity screening of director Yang Lizhou's film "Love Beyond Suffering" at the Golden Horse Film Festival.
- 2021.10.27 Online application and collateral assessment for new customers of credit loans are now available.
- 2021.11.01 Record date for the issuance of new shares through capitalization of retained earnings and rights offering for capital increase.
- 2021.11.03 The signing of a memorandum of cooperation on "Live in peace elder care Trust" and the establishment of this business were conducted with Rental Housing Service Business Association of the ROC.
- 2021.11.20 "Passion for Love" charity blood donation event was held.
- 2021.11.25 "Wealth Management Department has launched overseas bond sales operations. Cash dividend payment date."
- 2021.12.17 Ex-rights date for capital increase shares in 2021.
- 2021.12.28 China Credit Rating Company has released the credit ratings for our bank. The long-term debt credit rating is "twBBB+" and the short-term debt credit rating is "twA-2". The rating outlook is "stable".
- 
- 2022.03.05 Hosting the "2022 COTA Commercial Bank Love Earth Tree-Planting and Carbon Reduction Event" at the company-owned land in Toupeng Lane, Shigang District, Taichung City.
- 2022.03.24 Establishing the "Insurance Premium Trust" business.
- 2022.03.29 Qingpu Branch opening.
- 2022.04.19 Wuri Branch opening.
- 2022.05.17 COTA bank collaborates with the "Taichung Mountaineering Association" to jointly adopt and maintain the Dongmao Mountain Trail under the jurisdiction of the East District Forest Management Office of the Forestry Bureau.
- 2022.06.17 Annual Shareholders' Meeting.
- 2022.06.21 Adding the 3rd floor of No. 258 Minzu Road, Banqiao District, New Taipei City as a non-operational office space for the deployment of personnel from the head office for co-working purposes.
- 2022.08.01 The record date for the issuance of new shares through capitalization of earnings and the implementation of a rights offering for the year 2022.
- 2022.08.22 Cash dividend payment date.
- 2022.09.19 COTA Bank was honored with the "Elderly Care Trust Award" in the first phase evaluation of the Financial Supervisory Commission's Trust 2.0 Program, recognizing our commitment to the core value of "Benefit Others" and providing the most caring financial services.
- 2022.09.24 The Consumer Banking Department organized the "Xinfu Rafting" event: Joining hands with COTA Commercial Bank to create a sustainable ecosystem for the Rafting Creek.
- 2022.09.27 Ex-rights and capital increase stock distribution date.
- 2022.11.14 Online credit card application is available.
- 2022.12.13 "Passion for Love" charity blood donation event was held.
- 2022.12.19 China Credit Rating Co., Ltd. has issued the following credit ratings for our bank: long-term debt credit rating of "twBBB+", short-term debt credit rating of "twA-2", and the outlook is "stable".



## Head Office and Branches

| Unit                                      | Address  | Tel            | Fax            |
|---|--|----------------|----------------|
| Head Office                               | 59 Shihfu Road, Central District, Taichung City 400, Taiwan              | 886-4-22245171 | 886-4-22275237 |
| Trust Department                          | 11F., 580 Jinhua North Road, North District, Taichung City 404, Taiwan   | 886-4-22807366 | 886-4-22809021 |
| International Banking Department          | 3F., 339, Dazhi Road, East District, Taichung City 401, Taiwan           | 886-4-22800336 | 886-4-22800360 |
| Offshore Banking Branch                   | 3F., 339, Dazhi Road, East District, Taichung City 401, Taiwan           | 886-4-22800336 | 886-4-22800360 |
| Consumer Banking Department               | 10F., 580 Jinhua North Road, North District, Taichung City 404, Taiwan   | 886-4-22384596 | 886-4-22378150 |
| Consumer Banking Department (Credit Card) | 10F., 580 Jinhua North Road, North District, Taichung City 404, Taiwan   | 886-4-22805288 | 886-4-22807688 |
| Corporate Banking Department              | 2F., 339, Dazhi Road, East District, Taichung City 401, Taiwan           | 886-4-22370028 | 886-4-22372595 |
| Wealth Management Department              | 11F., 580 Jinhua North Road, North District, Taichung City 404, Taiwan   | 886-4-22800361 | 886-4-22809747 |
| Insurance Agency Department               | 8F., 580 Jinhua North Road, North District, Taichung City 404, Taiwan    | 886-4-22800126 | 886-4-22801527 |
| Taichung Branch                           | 59 Shihfu Road, Central District, Taichung City 400, Taiwan              | 886-4-22245161 | 886-4-22234491 |
| Banking Department                        | 32-1 Gongyuan Road, Central District, Taichung City 400, Taiwan          | 886-4-22211186 | 886-4-22229536 |
| Chenggong Branch                          | 580 Jinhua Road, North District, Taichung City 404, Taiwan               | 886-4-22304100 | 886-4-22304701 |
| Xitun Branch                              | 458 Sec. 2, Henan Road, Xitun District, Taichung City 407, Taiwan        | 886-4-27062968 | 886-4-27063816 |
| Guoguang Branch                           | 333 Sec. 3, Fusing Road, South District, Taichung City 402, Taiwan       | 886-4-22245111 | 886-4-22229281 |
| Dazhi Branch                              | 339 Dazhi Road, East District, Taichung City 401, Taiwan                 | 886-4-22815998 | 886-4-22815977 |
| Linsen Branch                             | 99 Linsen Road, West District, Taichung City 403, Taiwan                 | 886-4-23725151 | 886-4-23723024 |
| Nanmen Branch                             | 75 Nanmen Road, South District, Taichung City 402, Taiwan                | 886-4-22871146 | 886-4-22862412 |
| Jinhua Branch                             | 255 Jinhua North Road, North District, Taichung City 404, Taiwan         | 886-4-22333550 | 886-4-22335164 |
| Nantun Branch                             | 410 Nantun Road, Nantun District, Taichung City 408, Taiwan              | 886-4-24718500 | 886-4-24758522 |
| Beitun Branch                             | 751 Sec. 4, Wunsin Road, Beitun District, Taichung City 406, Taiwan      | 886-4-22426565 | 886-4-22417153 |
| Fengyuan Branch                           | 330 Xiangyang Road, Fengyuan District, Taichung City 420, Taiwan         | 886-4-25151788 | 886-4-25151895 |
| Zhanghua Branch                           | 181 Sec. 2, Zhongzheng Road, Zhanghua City, Zhanghua County 520, Taiwan  | 886-4-7298686  | 886-4-7298585  |
| Yuanlin Branch                            | 189 Sec. 1, Datong Road, Yuanlin Town, Zhanghua County 510, Taiwan       | 886-4-8383888  | 886-4-8383666  |
| Taipei Branch                             | 246 Yangguang Street, Neihu District, Taipei City 114, Taiwan            | 886-2-87512588 | 886-2-87512788 |
| Taoyuan Branch                            | 9 Sec. 2, Chenggong Road, Taoyuan Dist., Taoyuan City 330, Taiwan        | 886-3-3470505  | 886-3-3357373  |
| Panchiao Branch                           | 260 Minzu Road, Panchiao City, New Taipei City 220, Taiwan               | 886-2-89536001 | 886-2-89536011 |
| Fengxin Branch                            | 353, Zhongshan Road, Fengyuan District, Taichung City 420, Taiwan        | 886-4-25261181 | 886-4-25269540 |
| Zhongshan Branch                          | 36, Daming Road, Fengyuan District, Taichung City 420, Taiwan            | 886-4-25277155 | 886-4-25269553 |
| Kaohsiung Branch                          | 1, Wenfu Road, Zuoying District, Kaohsiung City 813, Taiwan              | 886-7-3505685  | 886-7-3506711  |
| Tainan Branch                             | 438, Sec 2, Datung Road, South District, Tainan City 702, Taiwan         | 886-6-2130966  | 886-6-2149088  |
| Xinzhuang Branch                          | 287, Chung Ping Road, Xinzhuang District, New Taipei City 242, Taiwan    | 886-2-22768887 | 886-2-22768611 |
| Xinzhu Branch                             | 196, Minsheng Road, East District, Hsinchu City 300, Taiwan              | 886-3-5313225  | 886-3-5323611  |
| Fengshan Branch                           | 478, Wenheng Road, Fengshan District, Kaohsiung City 830, Taiwan         | 886-7-7676772  | 886-7-7678719  |
| Daya Branch                               | 336, Yahuan Road, Daya District, Taichung City 428, Taiwan               | 886-4-25692549 | 886-4-25693431 |
| Qiaotou Branch                            | 683 Chenggong South Rd., Qiaotou District, Kaohsiung City 825, Taiwan    | 886-7-6116860  | 886-7-6112208  |
| Dadu Branch                               | 426-7, Sec.1, Shatian Road, Dadu District, Taichung City 432, Taiwan     | 886-4-26930289 | 886-4-26930293 |
| Longjing Branch                           | 196, Sec. 1, Zhongyang Rd., Longjing Dist., Taichung City 434, Taiwan    | 886-4-26397699 | 886-4-26397106 |
| Tianzhong Branch                          | 136, Sec. 2, Yuanji Rd., Tianzhong Township, Changhua County 520, Taiwan | 886-4-8750886  | 886-4-8751268  |
| Taiping Branch                            | 233, Huantai E. Rd., Taiping Dist., Taichung City 411, Taiwan            | 886-4-23915189 | 886-4-23915255 |
| Qingpu Branch                             | 378&380, Sec. 1, Gaotie S. Rd., Zhongli Dist., Taoyuan City 320, Taiwan  | 886-3-2876611  | 886-3-2873305  |
| Wuri Branch                               | 482, Sec. 1, Sanrong Rd., Wuri Dist., Taichung City 414, Taiwan          | 886-4-23369808 | 886-4-23366258 |

## COTA Commercial Bank Code of Ethical

### Article 1

In order to guide the conduct of our company's personnel in accordance with ethical standards, this code of conduct is hereby established for adherence. The term "personnel of our company" referred to in this code of conduct refers to directors, executives, and other employees. The term "executives" referred to in this code of conduct includes the general manager, deputy general manager, supervisors, managers, assistant managers, as well as other individuals who hold responsibilities for managing company affairs and have signing authority. The term "employees of our company" referred to in this code of conduct refers to executives and other employees.

### Article 2

Directors should uphold a high level of self-discipline. In cases where a proposed agenda item in the board of directors has a conflict of interest with a director personally or with a legal entity represented by the director, posing a risk of detriment to the company's interests, and when a director perceives or the board of directors resolves that they should abstain, they should abstain from participating. Personnel of the company should handle their duties in an objective and efficient manner, and they should not use their positions within the company to provide improper benefits to themselves, their spouses, parents, children, or relatives within the second degree of kinship. When the company has financial loans or provides guarantees to or engages in significant asset transactions or (sales) transactions with related enterprises of the aforementioned individuals, the company should prevent conflicts of interest. The aforementioned individuals should proactively disclose whether they have any potential conflicts of interest with the company.

### Article 3

Employees of the company shall not engage in the following activities:

- 3.1 Intentionally or personally benefiting through the use of company assets, information, or by taking advantage of their positions.
- 3.2 Engaging in competition with the company. When the company has opportunities for profit, employees have a responsibility to maximize the legitimate and legal benefits that the company can obtain.

### Article 4

Employees of the company shall conduct their business activities in a fair, honest, and transparent manner. They must not directly or indirectly offer, promise, request, or accept any improper benefits, or engage in any other dishonest behavior that violates integrity, laws, or obligations in order to obtain or maintain personal gains. However, the provision of gifts or entertainment in accordance with social customs or company policies is permitted and not subject to this restriction.

### Article 5

Employees of the company shall handle with care and maintain confidentiality regarding matters, confidential information, customer or shareholder data that they become aware of in the course of their duties. They have an obligation to maintain confidentiality and, unless authorized or required by law, they must not disclose such information to others or use it for purposes unrelated to their work. The confidential information that must be safeguarded includes all undisclosed information that could potentially be used or disclosed by competitors to the detriment of the company or its customers.

### Article 6

Employees of the company should treat customers, competitors, and colleagues involved in the company's sales and procurement activities fairly. They must not manipulate, conceal, or abuse information obtained through their positions for personal gain, make false statements regarding significant matters, or engage in other unfair transactional practices. Company employees are expected to adhere to ethical standards and should not assist clients in engaging in tax evasion schemes.

### Article 7

Employees of the company have a responsibility to protect the company's assets and ensure their effective and lawful use for official purposes.

### Article 8

Employees of the company shall comply with various relevant laws and regulations, including the Banking Act, Securities and Exchange Act, Personal Data Protection Act, and Anti-Money Laundering Act. Directors who discover a significant risk of substantial harm to the company should handle the matter promptly and appropriately. They should immediately notify the Audit Committee or the independent directors of the Audit Committee and report to the Board of Directors, as well as notify the relevant regulatory authorities.

### Article 9

The company shall strengthen the promotion of ethical values and encourage employees to report any suspected or discovered violations of laws, regulations, or the Code of Ethics. In addition to following the "Internal Reporting and Case Handling Procedures of Bank XYZ," employees may proactively report such cases to the Chairman, independent directors, internal audit supervisors, or other appropriate personnel, providing sufficient information for the company to address subsequent matters. If individuals who make reports face retaliation, threats, or harassment, they should immediately report the incidents to the internal audit supervisor or other appropriate personnel, and the company shall promptly take appropriate actions in response.

### Article 10

In the event of directors or employees being involved in violations of the Code of Ethics, appropriate actions should be taken by submitting the matter to the board of directors or the personnel evaluation committee for deliberation. However, for cases involving significant violations of laws and regulations, legal responsibilities should be pursued. If a director or executive of the company is determined to have violated the Code of Ethics or has been found guilty by a court of law, the company should promptly disclose on the Public Information Observation Platform the job title, name, date of violation, reasons for the violation, specific provisions violated, and the actions taken regarding the individuals involved in the violation of the Code of Ethics.

### Article 11

If there is a necessity to exempt directors or executives from complying with the provisions of this code, it must be approved by the board of directors through a resolution. The approved exemptions, including the job title and name of the exempted individuals, the date of board approval for the exemption, any objections or reservations from independent directors, the duration of the exemption, the reasons for the exemption, and the criteria for granting the exemption, must be promptly disclosed on the Public Information Observation Platform. This allows shareholders to assess the appropriateness of the board's decision, prevents arbitrary or questionable exemptions from occurring, and ensures that there are appropriate control mechanisms in place for any exempted situations to protect the company.

### Article 12

The restrictions and regulations regarding the Chairman and the General Manager concurrently holding positions in non-financial businesses include:

- 12.1 Internal management of concurrent positions: This includes mechanisms to prevent conflicts of interest, measures to avoid improper use of information, the fiduciary duty of the responsible person, a hierarchical accountability mechanism, alignment of job titles with responsibilities, and clear reporting systems. Additionally, the Chairman, General Manager, or equivalent positions in non-financial businesses may not concurrently hold the positions of Chairman or General Manager in the company.
- 12.2 If the Chairman or General Manager of The company concurrently holds positions in non-financial businesses, they should provide commitments to comply with the above regulations and avoid conflicts of interest. These commitments should include at least the following:
  - 12.2.1 The individual holds a concurrent position in a non-financial business without the responsibilities of Chairman, General Manager, or equivalent positions.
  - 12.2.2 The individual, during their tenure in the company, will implement mechanisms to manage relationships with related parties and comply with relevant regulations.
  - 12.2.3 The individual will fulfill their fiduciary duty to the company, prioritize the company's interests in cases of conflicts of interest with their concurrent positions, and abstain from engaging in transactions or investments related to the concurrent business that may involve information acquired during their tenure as a responsible person in the company.

### Article 13

The company should disclose its established Code of Ethics in the annual report, prospectus, and on the Public Information Observation Platform. The same applies when making revisions to the Code of Ethics.

### Article 14

The Code of Ethics of The company is implemented after being approved by the Audit Committee and the Board of Directors, and it is also reported to the shareholders' meeting. Any revisions to the code are likewise subject to the same process.





COTA Commercial Bank

2022