

STOCK CODE 2809



# KING'S TOWN BANK

**ANNUAL  
REPORT**

**2021**

## **KTB's Annual Report Info.**

BANK [www.ktb.com.tw](http://www.ktb.com.tw)

MOPS [mops.twse.com.tw](http://mops.twse.com.tw)

Date of Publication: March, 2022

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See page 114 for details

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◆ Name of overseas exchange where securities are listed, and the methods for inquiring the foreign-listed securities: None.

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## Chapter 1 Letters to Shareholders

2021 was a year of uncertainty and hope. With the global mass production of vaccines, the popularization of vaccination, and the successive relaxation of domestic controls and border policies, daily life gradually resumed its usual pace, and with the monetary and fiscal stimulus measures, the economy also showed obvious rebound. Despite the emergence of the mutated virus that overshadowed the recovery, global economic growth has remained positive in 2021, even surpassing the pre-epidemic performance, but the recovery has been accompanied by labor shortages, supply chain bottlenecks and rising inflation, making the outlook still challenging. Looking forward to 2022, although the threat from the virus is still lingering, people's ability to respond to the epidemic has been greatly improved. However, in the face of high inflation, the FED's hawkish signal, the high base period of economic growth and the withdrawal of stimulus policies, the interest rate environment, corporate profits and consumer confidence will be the focus of attention in the new year.

Despite the many challenges, the Bank is committed to a sound financial structure and a more diversified and innovative business with the support of our customers and shareholders and the concerted efforts of all our staff. With the support of customers and shareholders and the efforts of our employees, the Bank stay on the course of improving its financial structure and providing more diverse and innovative product service offerings in the face of challenges. A summary of the Bank's 2021 business results and 2022 business plan is illustrated as follows:

### I. 2021 Business Result

#### (I) Financial environment of Taiwan and abroad in 2021 and change in the Bank's organization

##### 1. Financial environment of Taiwan and abroad in 2021

Looking back at the global economy in 2021, the COVID-19 epidemic still continues, and countries around the world are launching vaccination programs. Although vaccination coverage rates vary, major advanced economies are beginning to remove border controls in an attempt to restart economic activity and get people's lives back on track, with the protection of high vaccination coverage rates. The global economy has bounced back from the epidemic after countries adopted accommodative monetary policies and fiscal measures, and is growing stronger than expected. According to international economic institutions, economic growth in 2021 is expected to be around 5.54%.

In terms of the domestic economy, the domestic demand market was affected by the COVID-19 epidemic in 2021, especially the outbreak in May, which put the country on level 3 epidemic alert. Fortunately, after the government started a large-scale vaccination campaign, the vaccination coverage rate increased and the epidemic was effectively controlled. On July 27, the national epidemic alert was lowered from Level 3 to Level 2, and the epidemic control measures were gradually fine-tuned and relaxed. To revive the domestic demand market, the government launched a five-fold revival voucher in October, and private consumption slowly regained momentum. In the external demand market, the rebound in the global economy has led to an expansion in end-use demand, rising commodity prices, and continued demand for emerging technology applications, supporting the quarterly rise in exports. According to the estimate of the General Accounting Office of the Executive Yuan, the domestic economic growth rate has reached 6.45% in 2021.

Looking forward to 2022, in the global economy, although the epidemic has eased, there will still be threats and disruptions from variant viruses, as well as bottlenecks in the supply chain caused by the epidemic and inflationary pressures from rising raw materials, which will force countries to address inflationary issues and adopt monetary tightening policies to stabilize their economies. Overall, the global economy is expected to recover steadily in 2022, with an estimated economic growth rate of 4.2%,

## Chapter 1 Letter to shareholders

despite the variability. As for the domestic economy in 2022, it is expected to continue on the recovery track of 2021, depending on whether the domestic price index is on the move or not. With the continued strong exports, the return of overseas capital to domestic investment and the recovery of the private consumption market, the domestic economic growth rate is forecasted to reach 4.42% in 2022.

### 2. Changes in the Bank's organization

In line with the Bank's financial management business strategy, the Wealth Management Department was renamed as "Investment Service Department" on January 18, 2021, as approved by the Board of Directors, and is now in operation. In addition, to meet the operational needs, the "Bills Operation Center" under the Digital Service & Channel Management Department was renamed as "Centralized Operation Center" on November 22, 2021, and the Organizational Chart and Hierarchical Responsibility Schedule was revised to improve operational efficiency and enhance customer services. To enhance the Bank's ability to implement information security issues, the Chief Information Security Officer was appointed on December 21, 2021 to oversee the promotion of information security policies and the deployment of resources.

### (II) Operational planning and implementation results of management strategies

Item	2021	2020
Average deposit balance on NT Dollar accounts	208.786 billion	NT\$183.038 billion
Average deposit balance on foreign currency Accounts	28.499 billion	19.383 billion
Average loans balance	197.342 billion	167.344 billion
Financial management fee income	0.250 billion	0.270 billion
NPL ratio	0.02%	0.01%
Coverage ratio	8277.51%	11760.49%
BIS ratio (consolidated)	16.62%	16.23%
Tier-1 ratio (consolidated)	15.15%	14.46%

### (III) 2021 Budget implementation

Item	Actual amount	Budget amount	Achievement rate
Average deposit balance on NT Dollar accounts	208.786 billion	197.223 billion	105.86%
Average deposit balance on foreign currency Accounts	28.499 billion	25.067 billion	113.69%
Average loans balance	197.342 billion	186.886 billion	105.59%

### (IV) Financial income and expenditure, and profitability analysis

Net profit before tax	Net income	Earnings per share after tax	Net profit rate (after tax)	Return on assets (after tax)	Return on equity (after tax)
6.505 billion	5.630 billion	5.02	54.87%	1.68%	11.80%

### (V) Research and development review

In response to the daily changes in the macroeconomy, financial situations, laws and regulations and ESG relevant information, the Bank has set up a designated department responsible for data collection and market analysis to understand the impact on the business and development of the Bank, and the research results are sent to all staff for

sharing and reference. In addition, the Bank encourages the staff to strengthen business innovation and research, and take the initiative to propose various improvement plans to meet market development and customer needs.

## II. The 2022 business plan outline

### (I) Business policy and important operation policies.

1. Adjust the structure and strengthen profitability.
2. Value the talent and inspire the future.
3. Implement legal compliance to strengthen internal control.
4. Expanding Fin-tech optimized services.
5. Upgrade information security to protect customers.

### (II) Expected business objectives

The Bank's 2022 expected business objectives are as follows:

Average deposit balance on NT Dollar accounts	Average deposit balance on foreign currency Accounts	Average loans balance
229.035 billion	30.986 billion	218.260 billion

## III. Future development strategies

- (I) Enrich working capital, optimize asset quality, maintain low non-performing loan ratio, and improve operating efficiency.
- (II) Grasp social trends to develop business, exercise customer-oriented operation, provide characteristic financial products and financial services, and enhance customer trust.
- (III) Diversify business development, strengthen collective marketing with affiliated enterprises, exercise the spirit of collective marketing, and expand business operation scale.
- (IV) Strengthen corporate governance, enhance the positive image of the company, implement social care, cultivate local communities in-depth and fulfill social responsibility.
- (V) Train various talents, activate organizational energy, enhance employee welfare and optimize human resources.

## IV. Impacts of the external competitive environment, regulatory environment, and the overall business environment

### (I) External competitive environment

In 2021, Taiwan's financial industry has undergone structural changes, with mergers and acquisitions of financial holding companies in progress, while some foreign banks have announced their withdrawal from the Taiwan market as the domestic consumer finance market has become less profitable. In the face of this digitalization and the impact of the epidemic, the domestic public has become accustomed to the "contactless" mode of transaction. In response to this trend, domestic banks have been heavily involved in this wave of digitalization, and to strengthen digital financial services, the Bank has adjusted its organizational structure and opened a centralized operation center to enhance the provision of more timely digital services to customers.

### (II) Laws & regulations

The FSC released "The FSC will adopt enhanced measures for the management of banks' real estate credit business" and requested banks to include internal control and audit system requirements, and internal audit units should make the above-mentioned matters the focus of internal audits. In order to stabilize the credit quality of the Bank and strengthen the risk control of real estate loans, the Bank has established internal regulations and issued them to all

## Chapter 1 Letter to shareholders

units for implementation in accordance with the regulations of the competent authorities, in order to maintain the order of real estate in Taiwan and fulfill the social responsibility of financial institutions.

In order to promote the core strategies for sustainable financial development as set out in the "Green Finance Action Plan 2.0" and to strengthen the management of climate-related risks by domestic banks, the FSC has established the "Task Force on Climate-related Financial Disclosures (TCFD) for the Domestic Banking Sector", which are expected to be implemented in 2022. Starting from 2023, banks in Taiwan should make financial disclosures related to climate risks for the previous year by the end of June each year. The Bank will gradually introduce the TCFD framework with reference to the practices of banks of similar size and the relevant regulations to be promulgated by the competent authorities in the future, and will disclose them in a timely manner.

### (III) Macroeconomy

Although the domestic economy was still disrupted by the epidemic in 2021, especially the outbreak of indigenous community infections in May, which caused a rapid contraction of the domestic market, the epidemic was brought under control in July and the government began a series of fiscal policies such as relief and revitalization measures to revive domestic consumption in the second half of 2021. In terms of external trade, the domestic economy is expected to grow at a rate of 6.09% in 2021 due to the accelerated promotion of infrastructure development and digital transformation in advanced countries, which is still expanding steadily. Looking ahead to 2022, the global economic momentum will slow down due to supply chain bottlenecks and inflationary factors, while domestic consumption is expected to pick up with the gradual increase in vaccination coverage. Overall, the real economic growth rate is expected to be 4.15% in 2022.

### V. The latest credit rating results

Date of credit rating	Credit rating agency	Domestic			International		
		Long-term credit ratings	Short-term credit ratings	Rating outlook	Long-term credit ratings	Short-term credit ratings	Rating outlook
2021.04.28	Fitch Ratings Co., Ltd.	A+(twn)	F1(twn)	Stable	BBB	F3	Stable

### VI. Conclusion

Looking back at 2021, the overall environment was affected by the epidemic, but with the support of our shareholders and customers, the Bank still delivered a good operating report card and is looking forward to 2022 with a stable economic recovery despite the epidemic and inflationary concerns. With the efforts of all employees, the Bank will continue to provide the best financial services to all customers, create maximum benefits for shareholders, and create a different kind of bank in the future by upholding the concept of sustainable management (ESG) and the belief of "constantly breaking through and surpassing ourselves".

Sincerely yours, Chairman Chen-Chih Tai





## Chapter 2 Bank Introduction

### I. Establishment date of the Bank

November 1, 1948

### II. Bank history

Date	Milestones
November 1, 1948	Tainan Union Savings Company with a capital of \$20 million in Old Taiwan Dollar.
January 1, 1978	Authorized to be reorganized as "Tainan SME Bank"
July 20, 1983	Listed on the Taiwan Stock Exchange with a stock code "2809."
March 14, 2000	The International Banking Department was established.
May 17, 2002	Invested in and organized the subsidiaries "Tainan Life Insurance Agent Co., Ltd." and "Fucheng Property Insurance Agent Co., Ltd."
July 24, 2002	Established the Offshore Banking Branch (OBU)
August 15, 2005	Processed capital increase of NT\$3.6 billion in cash.
May 3, 2006	Renamed as "King's Town Bank."
March 28, 2011	In order to refine the corporate governance and strengthen the professional functions of the board of directors, an "Audit Committee" was set up with the participation of all the independent directors of the Company; also, the supervisor system was abolished thereafter.
September 26, 2011	In order to refine the salary and remuneration system of the directors and managers of the Company, a "Compensation Committee" was set up.
January 22, 2015	Invested in and established the subsidiary "King's Town International Leasing Co., Ltd."
December 7, 2016	King's Town International Leasing Co., Ltd., the subsidiary, invested in and established the sub-subsidiary "King's Town International Construction Management Co., Ltd." with 100% shareholdings acquired.
November 13, 2017	In order to refine the nomination system for members of the board of directors and senior managers of the Company, a "Corporate Governance and Nomination Committee" was established.
June 3, 2019	In order to integrate resources and improve operating efficiency, "Tainan Life Insurance Agent Co., Ltd." and "Fucheng Property Insurance Agent Co., Ltd." were merged into the Bank on June 3, 2019 with the business handled by the Bank's "Banking and Insurance Department" continuously.
January 5, 2021	Acquired "Wan Tai Securities Co. Ltd.". On January 5, 2021, the Bank acquired all the shares of the company and became a 100% subsidiary of the Bank.
September 7, 2021	The Bank's subsidiary, Wan Tai Securities Co., Ltd. was officially renamed as "King's Town Securities Co, Ltd."

### III. The bank mergers and acquisitions, reinvested affiliated companies, and reorganizations in 2021 and as of the end of January 2022 are as follows:

Currently, the Bank's invested companies include the subsidiaries "King's Town International Leasing Co., Ltd." and "King's Town Securities Co, Ltd." with 100% shareholding acquired and the sub-subsidiary "King's Town International Construction Management Co., Ltd." that was invested by King's Town International Leasing Co., Ltd. with 100% shareholdings acquired.

### IV. Form an affiliation with a particular financial holding company and the time starts forming an affiliation with the holding company: None.

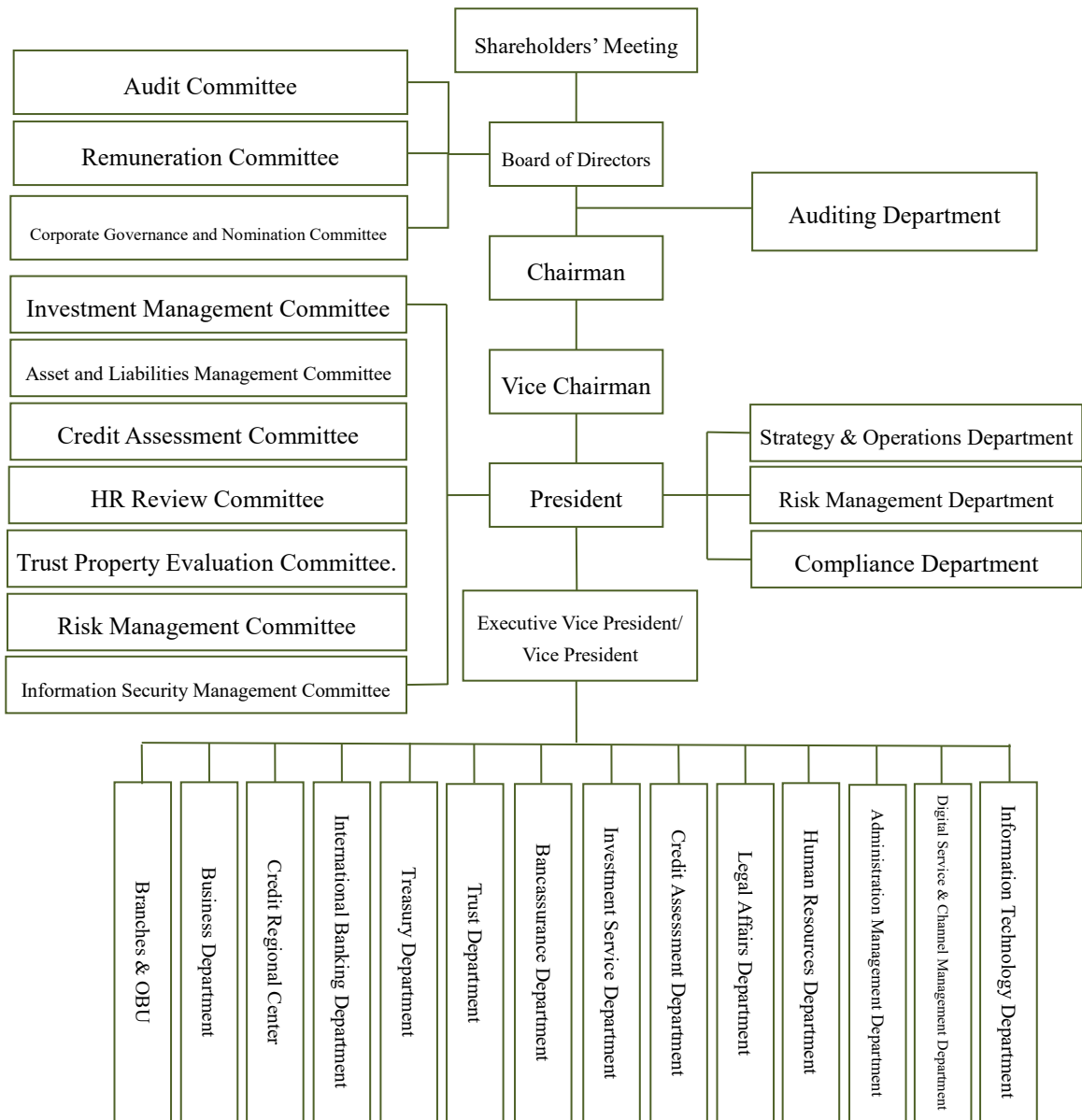
### V. A substantial transfer or replacement of the equity by directors, supervisors, and those who are required to declare equity in accordance with Article 25, Paragraph 3 of the Banking Act in 2021 and as of the end of January 2022: None.

### VI. Changes in operating rights, major changes in operating methods or business operation, and other important matters sufficient to affect shareholders' equity that also impact on banks consequently: None.

## Chapter 3 Corporate Governance Report

### I. Organization

(I) Organization chart (Base date:2022.01.31)



(II) Major departments functions

1. Auditing Department: Responsible for the planning, supervision, implementation, follow-up and review of the audit business and internal audit work of the Bank.
2. Strategy & Operations Department: Based on the development vision and goals of the management to review and improve the organization, system, and process and formulate an action plan.
3. Digital Services & Channel Management Department: Coordinate the planning and enactment of the Bank's deposit, remittances, channels, operation manuals and bank-wide digital financial policy; also, coordinate the planning and counseling of product design, programming and marketing.
4. Investment Service Department: Coordinate the planning and implementation of the Bank's wealth management business; enact the management, training and performance evaluation system of the wealth management personnel.
5. Trust Department: Coordinate the planning and enactment of the operation procedures, management methods and operation manuals for the Bank's trust business, as well as trust product planning, education and training and promotion.
6. Treasury Department: Manage the Bank's fund planning and investment related work.
7. International Banking Department and OBU branch: Coordinate the planning and enactment of the Bank's education and training, foreign exchange operation procedures, management methods and operation manuals.
8. Risk Management Department: Coordinate the draft and implementation of the Bank's risk management and information security policy, and reporting to the competent authorities, as well as the control of various investment positions and transaction amounts.
9. Credit Assessment Department: Coordinate the Bank's credit review, credit check, appraisal, loan appropriation and matter related to the enactment of rules and regulations and credit deeds.
10. Legal Affairs Department: Coordinate the Bank's legal affairs and debt management of non-performing loans.
11. Compliance Department: Coordinate the planning, management, and implementation of the regulatory compliance system; supervise the identification and evaluation of money laundering and terrorism financing, as well as the planning and implementation of policies and procedures.
12. Administration Management Department: Coordinate the matters related to the Bank's board of directors, stock affairs administration, public relations advertising, accounting, procurement, and property management.
13. Human Resources Department: Coordinate the Bank's personnel-related administrative operation and the planning and implementation of employee development and human resources-related systems.
14. Bancassurance Department: Responsible for the planning, promotion, and implementation of the Bank's insurance agency business.
15. Information Technology Department: Coordinate the planning, development, and management of the Bank's various information systems, as well as the deployment, installation, and troubleshooting of computer-related software and hardware.
16. Credit Regional Center: Coordinate the credit promotion, credit check, confirmation and collection of non-performing loans.
17. Business Department: Manage the deposits, loans, exchanges, collection and advance and various clearing businesses of the branches.

## II. Information on the Bank's Directors, Supervisors, Presidents, Senior Vice Presidents, Vice Presidents, heads of all the Bank's Divisions and Branch Units, and Retired Chairman and President acting as the Bank's consultants

### (I) Information on Directors

#### 1. Directors' profile

Base date: 2022.01.31

Title	Nationality/ Place of Registration	Name	Gender Age	Date Elected	Term (years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (education)	Current Bank & Other Positions	Executives, Directors or Supervisors who are spouses or within the second degree of kinship		
							Shares	Ratio of Shareholding	Shares	Ratio of Shareholding	Shares	Ratio of Shareholding	Shares	Ratio of Shareholding			Title	Name	Relationship
Chairman	Republic of China	Representative of Tiangang Investment Co., Ltd. - Chen-Chih Tai	Male 61 to 70	2020.05.12	3 years	2005.06.23	39,399,025	3.48%	39,399,025	3.51%	-	-	-	-	-	-	-	-	-
							78,209,000	6.91%	78,209,000	6.98%	5,890,000	0.53%	0	0	Education: Department of Business Management of National Chung Hsing University Experience: Chairman of King's Town Bank, Executive Director of Makoto Bank	Director of King's Town International Leasing Co., Ltd., King's Town International Construction Management Co., Ltd., Director of Payeasy Digital Integration Co., Ltd., Director of Mentex Glass INV DEV. Inc., Director of Taijia Industrial Co., Ltd., and Director of Taiwan Pulp and Paper Corporation	Manager	Olivia Tai	Father and daughter
Vice Chairman	Republic of China	Representative of Tiangang Investment Co., Ltd. - Chiung-Ting Tsai	Male 45 to 50	2020.05.12	3 years	2005.06.23	39,399,025	3.48%	39,399,025	3.51%	-	-	-	-	-	-	-	-	-
							0	0	0	0	23,756,000	2.12%	0	0	Education: Master of Engineering Economics of Stanford University Experience: Vice Chairman of King's Town Bank, Vice President of Vincera Capital Group	Director of King's Town International Construction Management Co., Ltd., Director of King's Town International Leasing Co., Ltd., Director of Hotel H2O, Director of Jingzhan Hotel Co., Ltd., and Director of Kangdi Lehua Co., Ltd.	None	None	None
Director	Republic of China	Representative of Fu Chiang Investment Co., Ltd. - Chung-Chang Tsai	Male 51 to 60	2020.05.12	3 years	2020.05.12	5,000,000	0.44%	5,000,000	0.45%	-	-	-	-	-	-	-	-	-

							4,000	0.00%	4,000	0.00%	0	0	0	0	Education: Master of Public Administration of University of Southern California, USA Experience: Lecturer of National Open University, Lecturer of Shih Hsin University, Representative Assistant of National Assembly	Principal of Min Da Senior High School, Managing Supervisor of R.O.C. Private Education Association, Director of Shen Shui-De Cultural and Educational Foundation, Director of Tainan County Education, Culture and Education Foundation	None	None	None	
Director	Republic of China	Representative of Fu Chiang Investment Co., Ltd. - Ching-Shun Ou	Male 61 to 70	2020.05.12	3 years	2020.05.12	5,000,000	0.44%	5,000,000	0.45%	-	-	-	-	-	-	-	-	-	-
							0	0	0	0	7,200,628	0.64%	0	0	Education: Department of Construction Engineering, Cheng-Shiu Institute of Technology & Commerce Experience: Chairman of Baihong Construction Co., Ltd.	Chairman of the Board of Director of Baihong Construction Co., Director of Wangfu Security Co., Supervisor of King s Town Construction Co.	None	None	None	
Independent Director	Republic of China	Hung-Liang Chiang	Male 51 to 60	2020.05.12	3 years	2018.11.02	0	0	0	0	0	0	0	0	0	Education: Master's degree of Graduate Institute of Finance of Fu Jen Catholic University Experience: Independent Director of King's Town Bank, Director of New Idea International Corp., Director of Ximei Agricultural Biotechnology Co., Chairman of Seed Workshop Co., Chairman of the Board of Directors of Ungu Biotechnology Co., Professional Examiner of Industrial Development Bureau, Vice President of King's Town Bank Strategy and Operations Department, Vice Presidents of King's Town Bank Risk Management Department and Information Technology Department, Regional Manager of Taiwan Shin Kong Commercial Bank	Chairman of the Board of Directors of Excellent Water Appraisal & Co., Director of Excellent Water Capital & Co., Director of Hosun Universal Co., Ltd., Director of Tung Kuan System Co., Ltd., Director of Fu Jen Xin Chuan Commercial Co.	None	None	None

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Title	Nationality/ Place of Registration	Name	Gender	Date Elected	Term (years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (education)	Current Bank & Other Positions	Executives, Directors or Supervisors who are spouses or within the second degree of kinship		
							Shares	Ratio of Shareholding	Shares	Ratio of Shareholding	Shares	Ratio of Shareholding	Shares	Ratio of Shareholding			Title	Name	Relationship
Independent Director	Republic of China	Chao-Long Chen	Male 71 to 75	2020.05.12	3 years	2017.05.17	0	0	0	0	0	0	0	0	Education: Bachelor of Medicine, Kaohsiung Medical University; Honorary Doctorate of Engineering, Cheng Hsiu University of Science and Technology; Honorary Doctorate, Asuncion University, Paraguay; Honorary Doctorate, San Carlos University, Guatemala Experience: Independent Director of King's Town Bank, Medical Superintendent of Kaohsiung Chang Gung Memorial Hospital, Academicians of Chinese Academy of Engineering, Professor of Chang Gung University	Honorary Director of Kaohsiung Chang Gung Memorial Hospital, Chairman of the Board of Directors of Cho Pharma Inc., Director of Fulin Plastic Industry (Cayman) Holding Co., Director of Hilai Food, Chairman of the Board of Directors of the Chen Chao-Long Academic Foundation, Inc., Chairman of the Board of Directors of the Chen Chao-Long Foundation for Liver Transplantation, Director of Taiwan Bio-development Foundation, Director of Fooyin University, Director of Taipei Medical University	None	None	None
Independent Director	Republic of China	Chuan-Fu Hou	Male 61 to 70	2020.05.12	3 years	2020.05.12	0	0	0	0	0	0	0	0	Education: Bachelor of Economics of Nihon University Experience: Chairman of Tainan Life Insurance Agency Co., President of King's Town Bank, Vice President of Business Department of King's Town Bank, Secretary to the Board of Directors of King's Town Bank, Business Manager of Dai-ichi Kangyo Bank	Director of Kuanlibao Construction (Co., Ltd.), Director of Helibao Construction (Co.), Inc., Director of the Hou Ancestral Hall Fund	None	None	None

Note: The Bank does not have any cases where the Chairman and the President or their equivalent (the top manager) are the same person, spouses, or relatives within the first degree of kinship.

## 2. Major Shareholders of the Institutional Shareholders

Base date:2022.01.31

Name of Institutional Shareholder	Major Shareholders of the Institutional Shareholder (Shareholding Ratio)
Tiangang Investment Co., Ltd.	Baihong Construction Co., Ltd. (90.91%), Tien-Tsan Tsai (2.82%), Meiyun S. Tsai (1.73%), Chieh Chih Construction Co., Ltd. (1.71%), British Virgin Islands Bertmei Investment Group Co., Ltd. (2.73%), Chiung-Ting Tsai (0.11%)
Fu Chiang Investment Ltd.	Chen Yi-Ying (100%)

## 3. Major shareholders of the institutional shareholders that are listed as major shareholders in the preceding paragraph

Base date:2022.01.31

Name of Institutional Shareholder	Major Shareholders of the Institutional Shareholder (Shareholding Ratio)
Baihong Construction Co., Ltd.	Tien-Tsan Tsai (30.35%), Yi-Ying Chen (34.76%), Chia-Ling Tsai (34.83%), Hsin-Yi Tsai (0.06%)
Chieh Chih Construction Ltd.	Tien-Tsan Tsai(5.30%), Hsien-Tsung Wang (61.21%), King's Town Construction Co., Ltd.(33.48%)
British Virgin Islands Bertmei Investment Group Co., Ltd.	Atherton Investment Group Ltd (100%)

## 4. Disclosure of Professional Qualifications of Directors and Supervisors and Independence of Independent Directors

Base date:2022.01.31

Criteria Name(Note 1)	Professional Qualifications and Experience	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chen-Chih Tai	At least five years of working experience in business, legal, finance or banking	-	None
Chiung-Ting Tsai	At least five years of working experience in business, legal, finance or banking	-	None
Chung-Chang Tsai	At least five years of working experience in business, legal, finance or banking	-	None
Ching-Shun Ou	At least five years of working experience in business, legal, finance or banking	-	None
Hung-Liang Chiang	At least five years of working experience in business, legal, finance or banking Experience: Vice President of Business Department, Vice President of Strategy & Operations, Vice President of Risk Management Department and Information Technology Department of King's Town Bank	(Note 2)	None

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Chao-Long Chen	At least 5 years of working experience required for commerce, law, finance, accounting or banking profession. Experience: Chairman and President of Cho Pharma Inc.	(Note 2)	None
Chuan-Fu Hou	At least five years of working experience in business, legal, finance or banking Experience: President of King's Town Bank	(Note 2)	None

Note 1: None of the directors has any of the circumstances described in Article 30 of the Company Act.

Note 2: Status of Independence is as follows:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a Director or supervisor of the Company or any of its affiliates.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, of any of the managers stated in preceding paragraphs,
- (5) Not a director, supervisor or employee of the companies with which the Company has a specific relationship.
- (6) There was no remuneration for business, legal, financial or accounting services provided by the Bank or its affiliates in the last two years.

5. Diversity and Independence of the Board of Directors

(1) Diversity of the Board of Directors

The Bank has instituted "Corporate Governance Best Practices Principles", in which "Article 4 Strengthen Board Functions" clearly sets out the policy of diversification of Board members. The nomination and selection of members of the Board of Directors of the Bank is in accordance with the provisions of the articles of the Company Act and adopts a board nomination system. Besides evaluating the qualifications of the candidates, "Procedures for Election of Directors" and "Corporate Governance Best Practices Principles" are observed so as to ensure the diversity of directors.

The Bank's current Board of Directors consists of seven directors, all of whom are not employees, including one independent director with less than three years of experience and two with three to nine years of experience; one director aged 45 to 50, two aged 51 to 60, three aged 61 to 70, and one aged 71 to 75. The members have extensive experience in the professional fields of finance and accounting, industry knowledge and management. In terms professional competence and industrial experience, Directors Chen-Chih, Tai and Chiung-Ting, Tsai specialize in bank management, financial analysis, and overall economic analysis, Director Tsai Chung-Chang specializes in industry and academic research and education promotion, Independent Director Hung-Liang, Chiang specializes in financial innovation, information security and risk management, and marketing strategy, Independent Director Chuan-Fu, Hou specializes in credit business and financial management, Independent Director Chao-Long, Chen specializes in medical research and international development cooperation. The board members are diverse and complementary, which is beneficial to the development of the Bank's deposit business, as well as enterprise financing and investment business.

According to Article 29 of the Bank's "Corporate Governance Best-Practice Principles," directors should generally have the knowledge, skills, and literacy necessary to perform their duties. In order to achieve the



ideal objective of corporate governance, the Bank's board directors have substantiated diversification as follows:

Diversity standards  Name of director	Fundamental metrics							Skillset									
	Nationality	Gender	Age				Tenure of Independent Director		Operational judgment	Accounting and financial analysis	Business management	Risk management capabilities	Crisis management	Industry knowledge	International market perspective	Leadership	Decision-making
			45 to 50	51 to 60	61 to 70	71 to 75	Less than 3 years	3 to 9 years									
Chen-Chih Tai	Republic of China	Male			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓
Chiung-Ting Tsai	Republic of China	Male	✓						✓	✓	✓	✓	✓	✓	✓	✓	✓
Chung-Chang Tsai	Republic of China	Male		✓					✓	✓	✓	✓	✓		✓	✓	✓
Ching-Shun Ou	Republic of China	Male			✓				✓		✓	✓	✓	✓	✓	✓	✓
Hung-Liang Chiang	Republic of China	Male		✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chao-Long Chen	Republic of China	Male				✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chuan-Fu Hou	Republic of China	Male			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

The specific management objectives and achievement of the Company's diversity policy are as follows:

- a. Specific management objectives: At least three directors out of all Board Directors have any of the capabilities listed above.

Individual director must demonstrate at least the five capabilities listed above.

- b. Current implementation: Currently, all Board Directors have fulfilled the objective of the diversity policy.

(2) Independence of the Board of Directors

Among the seven directors of the Bank, three independent directors account for 43% of the total number of directors. There is no spouse or second degree of kinship among the directors or independent directors, and there is no government agency or single legal entity and its subsidiaries occupying more than one-third of the board of directors' seats.

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## 6. Continuing education of directors

Title	Name	Training date	Organizer	Course name	Training hours
Chairman	Chen-Chih Tai	2021.09.01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3
		2021.10.04	Securities and Futures Institute	Corporate Governance and Compliance (Anti-Money Laundering and Fair Treatment Principles & Establishment and Management of Corporate Compliance System)	6
Vice Chairman	Chiung-Ting Tsai	2021.10.04	Securities and Futures Institute	Corporate Governance and Compliance (Anti-Money Laundering and Fair Treatment Principles & Establishment and Management of Corporate Compliance System)	6
Independent Director	Hung-Liang Chiang	2021.09.01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3
		2021.10.04	Securities and Futures Institute	Corporate Governance and Compliance (Anti-Money Laundering and Fair Treatment Principles & Establishment and Management of Corporate Compliance System)	6
		2021.12.07	Taiwan Stock Exchange	2021 Cathay Sustainable Finance and Climate Change Summit	6
Independent Director	Chao-Long Chen	2021.10.26	Taiwan Corporate Governance Association	Business Secrets Protection Practice 2.0	3
		2021.10.26	Taiwan Corporate Governance Association	Board of Directors' Response to and Application of Corporate Governance Evaluation	3
Independent Director	Chuan-Fu Hou	2021.10.04	Securities and Futures Institute	Corporate Governance and Compliance (Anti-Money Laundering and Fair Treatment Principles & Establishment and Management of Corporate Compliance System)	6
Director	Ching-Shun Ou	2021.10.04	Securities and Futures Institute	Corporate Governance and Compliance (Anti-Money Laundering and Fair Treatment Principles & Establishment and Management of Corporate Compliance System)	6
Director	Chung-Chang Tsai	2021.10.04	Securities and Futures Institute	Corporate Governance and Compliance (Anti-Money Laundering and Fair Treatment Principles & Establishment and Management of Corporate Compliance System)	6

## (II) Information on President, Senior Vice Presidents, Vice Presidents, and Heads of Various Divisions and Branches Units

Base date:2022.01.31

Title	Nationality	Name	Date Elected	Gender	Shareholdings		Shares Held by Spouse & Dependents		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within the second degree of Kinship		
					Shares	Ratio of Shareholding(%)	Shares	Ratio of Shareholding(%)	Shares	Ratio of Shareholding(%)			Title	Name	Relationship
President	Republic of China	Jih-Cheng Chang	2017.12.26	Male	252,000	0.022	-	-	-	-	Graduate Institute of Industrial Engineering of National Taiwan University	None	None	None	None
Chief Auditor	Republic of China	Ching-Chu Pai	2018.11.06	Male	51,022	0.005	-	-	-	-	Graduate Institute of Finance of National Cheng Kung University	None	None	None	None
Senior Vice President	Republic of China	Chien-Wei Pan	2020.01.30	Male	50,000	0.004	-	-	-	-	Graduate Institute of Business Administration of California State University	None	None	None	None
Senior Vice President of Compliance Department	Republic of China	Chih-Cheng Yu	2020.10.27	Male	301,444	0.027	-	-	-	-	Department of Business Administration of Hsingwu Junior College of Commerce	Director of King's Town Securities Co, Ltd.	None	None	None
Senior Vice President of Investment Service Department	Republic of China	Qiwei You	2020.08.25	Male	66,000	0.006	-	-	-	-	Institute of Science and Technology Law of Soochow University	Director of King's Town Securities Co, Ltd.	None	None	None
Vice President of Treasury Department	Republic of China	Chih-Jin Wu	100.03.01	Male	124,000	0.011	-	-	-	-	Department of Economics of Chinese Culture University	None	None	None	None
Vice President of Head Office	Republic of China	Pen-Chen Su	2019.02.26	Female	103,000	0.009	-	-	-	-	Financial Operations Institute of National Kaohsiung First University of Science and Technology	None	None	None	None
Vice President of Tainan Credit Regional Center			2018.12.25												
Vice President of Administration Management Department	Republic of China	Chien-Ko Yang	2018.10.02	Male	285,444	0.025	-	-	-	-	Graduate Institute of Finance of National Chung Cheng University	Supervisor of King's Town International Leasing Co., Ltd Supervisor of King's Town International Construction Management Co., Ltd	None	None	None
Vice President of Head Office	Republic of China	Ying-Shih Lu	2019.01.23	Male	35,000	0.003	-	-	-	-	Department of Finance and Economics of China Institute of Technology	None	None	None	None
Vice President of Information Technology Department	Republic of China	Hung-Sung Shen	2019.11.01	Male	51,000	0.005	-	-	-	-	Department of Information Engineering of National Chiao Tung University	Supervisor of King's Town Securities Co, Ltd.	None	None	None
Vice President of Human Resources Department and Strategy &	Republic of China	Shu-Chen Tsai	2020.02.10	Female	205,380	0.018	2,000	0.000	-	-	Department of Finance and Economics of National Taiwan University	Director of King's Town Securities Co, Ltd.	None	None	None

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Title	Nationality	Name	Date Elected	Gender	Shareholdings		Shares Held by Spouse & Dependents		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within the second degree of Kinship			
					Shares	Ratio of Shareholding(%)	Shares	Ratio of Shareholding(%)	Shares	Ratio of Shareholding(%)			Title	Name	Relationship	
Operations Department																
Vice President of Head Office	Republic of China	Ai-Chen Hu	2021.12.21	Female	-	-	-	-	-	-	National Open University Department of Business	None	None	None	None	
Senior Manager of Credit Assessment Department	Republic of China	Chi-Chia Chang	2018.12.25	Male	100,000	0.009	1,000	0.000	-	-	Department of Business Mathematics of Soochow University	None	None	None	None	
Manager of Legal Affairs Department	Republic of China	Shui-Shan Huang	2018.12.25	Male	38,000	0.003	-	-	-	-	Department of Banking and Insurance of Shih Chien University	None	None	None	None	
Manager of Trust Department	Republic of China	Chih-Hung Lin	2019.04.01	Male	10,574	0.001	-	-	-	-	Graduate Institute of Business Administration of National Taiwan University	None	None	None	None	
Manager of International Banking Department and OBU	Republic of China	Olivia Tai	2019.11.26	Female	1,052,000	0.094	-	-	-	-	Institute of Financial Risk Management of London School of Economics and Political Science	Director of Mentex Enterprise Co., Ltd. Director of AdvanPak Inc. Ltd. Director of TPPC Vietnam Director of PH&L International Ltd.	None	None	None	
Manager of Digital Service & Channel Management Department	Republic of China	Yun-Chia Peng	2020.02.10	Female	65,000	0.006	-	-	-	-	Institute of International Trade of National Chengchi University	Director of King's Town Securities Co, Ltd.	None	None	None	
Manager of Bancassurance Department	Republic of China	Hung-Pei Hsien	2020.01.07	Female	2,000	0.000	-	-	-	-	Department of International Trade of Kun Shan University	None	None	None	None	
Manager of Risk Management Department	Republic of China	Shih-Chi Chuang	2021.02.17	Male	2,000	0.000	-	-	-	-	Finance Group, Institute of International Trade, Soochow University	None	None	None	None	
Accounting Executive	Republic of China	Yu-Hsuan Chen	2018.08.07	Female	9,000	0.001	-	-	-	-	Department of Accounting of Providence University	None	None	None	None	
Manager of Business Department of the Head Office	Republic of China	Ming-Jen Wu	2018.12.25	Male	100,244	0.009	-	-	-	-	Department of International Trade of Ming Chuan University	None	None	None	None	
Senior Manager of Nankan Branch	Republic of China	Kai-Ming Liu	2016.12.13	Male	116,000	0.010	-	-	-	-	Department of Economics of Chung Hsing University	None	None	None	None	
Senior Manager of Chung Hsiao Branch	Republic of China	Shun-Ming Fan-Chiang	2020.02.17	Male	2,000	0.000	-	-	-	-	Department of Economics of Soochow University	None	None	None	None	
Senior Manager of Changhua Branch	Republic of China	Ming-Ching Yao	2020.05.12	Male	25,000	0.002	-	-	-	-	Department of Business Administration of Ling Tung	None	None	None	None	

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Title	Nationality	Name	Date Elected	Gender	Shareholdings		Shares Held by Spouse & Dependents		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within the second degree of Kinship		
					Shares	Ratio of Shareholding(%)	Shares	Ratio of Shareholding(%)	Shares	Ratio of Shareholding(%)			Title	Name	Relationship
											University				
Senior Manager of Panchiao Branch	Republic of China	Yung-Li Huang	2020.06.09	Male	2,000	0.000	-	-	-	-	Department of Banking of National Chengchi University	None	None	None	None
Senior Manager of Kaohsiung Branch	Republic of China	Chih-Fu Huang	2020.09.01	Male	2,180	0.000	-	-	-	-	Department of Economics of National Chengchi University	None	None	None	None
Senior Manager of Hsintien Branch	Republic of China	Chien-Jen Chuang	2021.05.04	Male	-	-	-	-	-	-	Department of Business Administration, Tamkang College of Business Administration	None	None	None	None
Senior Manager of Hsinchu Branch	Republic of China	Yuan-Ping Tsai	2021.08.31	Male	70,000	0.006	2,000	0.000	-	-	Department of Business Administration of Southern Taiwan University of Science and Technology	None	None	None	None
Senior Manager of Zhongli Branch	Republic of China	Ching-An Chen	2021.11.09	Male	-	-	-	-	-	-	EMBA Institute, National Central University	None	None	None	None
Manager of Xinxing Branch	Republic of China	Chiu-Ching Kuo	2016.12.13	Female	7,000	0.001	-	-	-	-	Graduate School of Management of Chang Jung Christian University	None	None	None	None
Manager of Shanhua Branch	Republic of China	Hui-Ling Ko	2016.12.13	Female	12,000	0.001	-	-	-	-	Graduate School of Management, National Chiayi University	None	None	None	None
Manager of Tainan Branch	Republic of China	Mei-Wen Wang	2017.04.11	Female	32,513	0.003	-	-	-	-	Department of International Trade of International College of Commerce	None	None	None	None
Manager of Yulin and Chiayi Credit Regional Center	Republic of China	Chun-Ching Chen	2017.06.13	Male	16,574	0.001	-	-	-	-	Senior Management Office of National Chung Cheng University	None	None	None	None
Manager of Shuanghe Branch	Republic of China	Wen-Peng Mo	2017.07.03	Male	31,000	0.003	-	-	-	-	Institute of Finance of Fu Jen Catholic University	None	None	None	None
Manager of Xigang Branch	Republic of China	Li-Hsueh Hsu	2017.12.26	Female	-	-	-	-	-	-	Department of Fashion Design of Tainan University of Technology	None	None	None	None
Manager of Dalin Branch	Republic of China	Ching-Mei Wu	2017.12.26	Female	5,000	0.000	-	-	-	-	Department of Business Management of National Chia-Yi Senior Commercial Vocational School	None	None	None	None
Manager of Madou Branch	Republic of China	Chan-Chih Kang	2017.12.26	Male	2,000	0.000	-	-	-	-	Department of Economics of Soochow University	None	None	None	None

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Title	Nationality	Name	Date Elected	Gender	Shareholdings		Shares Held by Spouse & Dependents		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within the second degree of Kinship		
					Shares	Ratio of Shareholding(%)	Shares	Ratio of Shareholding(%)	Shares	Ratio of Shareholding(%)			Title	Name	Relationship
Manager of Xinying Branch	Republic of China	Kuo-Sung Kuo	2018.03.13	Male	2,001	0.000	-	-	-	-	Department of Economics of Feng Chia University	None	None	None	None
Manager of Yen Hsin branch	Republic of China	Chin-Chuan Chang	2018.04.01	Male	2,000	0.000	-	-	-	-	Department of International Trade of Tamkang College of Technology and Commerce	None	None	None	None
Manager of Zhonghua Branch	Republic of China	Kao-Hui Lin	2018.04.01	Male	2,000	0.000	2,000	0.000	-	-	Department of Library Information of the World College of Journalism	None	None	None	None
Manager of Neihu Branch	Republic of China	Ping-Chao Ho	2018.12.25	Male	55,000	0.005	-	-	-	-	Department of Insurance and Banking Management of Takming University of Science and Technology	None	None	None	None
Manager of Taipei Branch	Republic of China	Kuang-Ti Yang	2018.12.25	Male	26,000	0.002	-	-	-	-	Department of Business Administration of Chung Yuan Christian University	None	None	None	None
Manager of Xuejia Branch	Republic of China	Li-Ling Wu	2018.12.25	Female	16,878	0.002	-	-	-	-	Department of Business Administration of Chinese Culture University	None	None	None	None
Manager of Yanshui Branch	Republic of China	Tsan-Chin Mao	2018.12.25	Male	3,171	0.000	3,056	0.000	-	-	Department of Applied Mathematics of Chung Yuan Christian University	None	None	None	None
Manager of Xinhua Branch	Republic of China	Ching-Chung Hsu	2018.12.25	Male	-	-	-	-	-	-	Department of Economics of Tunghai University	None	None	None	None
Manager of East Tainan Branch	Republic of China	Mei-Lien Wu	2018.12.25	Female	28,784	0.003	5,000	0.000	-	-	Department of Accounting and Statistics of National Tainan Commercial Vocational Senior High School	None	None	None	None
Manager of Shuishang Branch	Republic of China	Man-Chun Chu	2019.01.23	Female	2,000	0.000	-	-	-	-	Department of Finance of Tatung Institute of Commerce and Technology	None	None	None	None
Manager of Zhuqi Branch	Republic of China	Li-Wen Tsai	2019.01.23	Female	199	0.000	-	-	-	-	Department of Accounting and Statistics of Tatung College of Commerce	None	None	None	None
Manager of Songshan Branch	Republic of China	Andy Feng	2019.02.26	Male	80,000	0.007	-	-	-	-	Department of Economics of Soochow University	None	None	None	None
Manager of East Hsinchu Branch	Republic of China	Shu-Ling Chang	2019.02.26	Female	3,000	0.000	-	-	-	-	Institute of Human Resources Management of National Sun Yat-sen University	None	None	None	None

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Title	Nationality	Name	Date Elected	Gender	Shareholdings		Shares Held by Spouse & Dependents		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within the second degree of Kinship		
					Shares	Ratio of Shareholding(%)	Shares	Ratio of Shareholding(%)	Shares	Ratio of Shareholding(%)			Title	Name	Relationship
Manager of Jiali Branch	Republic of China	Ten-Yuh John	2019.04.01	Male	60	0.000	15,866	0.001	-	-	Department of Economics of Tamkang University	None	None	None	None
Manager of Taichung Branch	Republic of China	Ming-Joe Chiang	2019.11.01	Male	2,000	0.000	-	-	-	-	Department of International Trade of Chung Yuan Christian University	None	None	None	None
Manager of Douliu Branch	Republic of China	Shu-Chueh Chen	2019.12.30	Female	84,000	0.007	-	-	-	-	Department of Business Management of National Tuku Vocational High School of Commerce and Industry	None	None	None	None
Manager of Beigang Branch	Republic of China	Li-Fen Tu	2019.12.30	Female	5,000	0.000	-	-	-	-	Department of Business Management and Design of Tatung Institute of Commerce and Technology	None	None	None	None
Manager of Puzi Branch	Republic of China	Yin-Shu Huang	2019.12.30	Female	21,006	0.002	-	-	-	-	Department of Accounting and Statistics of San Sin High School of Commerce and Home Economics	None	None	None	None
Manager of Dounan Branch	Republic of China	Li-Yu Liao	2019.12.30	Female	9,000	0.001	-	-	-	-	Department of Accounting and Statistics of Tatung College of Commerce	None	None	None	None
Manager of Liujia Branch	Republic of China	Chun-Mi Wu	2019.12.30	Female	19,041	0.002	-	-	-	-	Department of Accounting of National Open Commercial School	None	None	None	None
Manager of Annan Branch	Republic of China	Chia-Hao Tien	2019.12.30	Male	10,000	0.001	1,000	0.000	-	-	Department of Economics of Feng Chia University	None	None	None	None
Manager of Lunbei Branch	Republic of China	Mei-Ling Lin	2019.12.30	Female	10,000	0.001	-	-	-	-	Department of International Trade of Ling Tung University	None	None	None	None
Manager of Anhe Branch	Republic of China	Po-Heng Chen	2019.12.30	Male	-	-	-	-	-	-	Department of Finance and Banking of Hsing Kuo University of Management	None	None	None	None
Manager of Guanmiao Branch	Republic of China	Chien-Jung Lin	2019.12.30	Female	1,000	0.000	-	-	-	-	Department of Accounting and Statistics of Tainan University of Technology	None	None	None	None
Manager of Luzhou Branch	Republic of China	Ssu-Hao Chen	2019.12.30	Male	-	-	-	-	-	-	Department of Economics of Fu Jen Catholic University	None	None	None	None
Manager of Xinzhuang Branch	Republic of China	Shih-Hsun Chou	2019.12.30	Male	61,000	0.005	6,000	0.001	-	-	Graduate Institute of International Business Administration of Sheffield Hallam	None	None	None	None

Chapter 3 Corporate Governance Report

Title	Nationality	Name	Date Elected	Gender	Shareholdings		Shares Held by Spouse & Dependents		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within the second degree of Kinship		
					Shares	Ratio of Shareholding(%)	Shares	Ratio of Shareholding(%)	Shares	Ratio of Shareholding(%)			Title	Name	Relationship
											University				
Manager of Nanzi Branch	Republic of China	Mei-Yu Wen	2019.12.30	Female	6,000	0.001	-	-	-	-	Department of Public Finance - Taxation of Tatung College of Commerce	None	None	None	None
Manager of Kaiyuan Branch	Republic of China	Chien-Hsun Tseng	2020.03.01	Male	2,000	0.000	-	-	-	-	Institute of Finance of National Kaohsiung University of Science and Technology	None	None	None	None
Manager of Yujing Branch	Republic of China	Li-Hsueh Su	2020.03.01	Female	30,000	0.003	10,000	0.001	-	-	Integrated Business Division of Tainan Commercial Vocational School	None	None	None	None
Manager of Taoyuan Branch	Republic of China	Sheng-Yuan Lo	2020.07.28	Male	8,000	0.001	-	-	-	-	Department of Statistics of Shih Chien University	None	None	None	None
Manager of Rende Branch	Republic of China	Chiung-Chiang Tsai	2020.09.01	Female	13,799	0.001	-	-	-	-	International Trade Division of Tainan Commercial Vocational School	None	None	None	None
Manager of Meishan Branch	Republic of China	Shu-Chuan Kuo	2020.11.01	Female	22,000	0.002	-	-	-	-	Integrated Business Division of National Hua-Nan Vocational High School	None	None	None	None
Manager of Baihe Branch	Republic of China	Ying-Feng Tsai	2020.11.01	Male	10,000	0.001	50,000	0.004	-	-	Department of Economics of Fu Jen Catholic University	None	None	None	None
Manager of Chiayi Branch	Republic of China	Chin-Shan Chang	2020.12.22	Male	3,113	0.000	-	-	-	-	Department of Statistics of Tunghai University	None	None	None	None
Manager of Xingye Branch	Republic of China	Ping-Hsun Tsai	2020.12.22	Male	18,310	0.002	-	-	-	-	Department of Accounting and Statistics of Tatung College of Commerce	None	None	None	None
Manager of Taibao Branch	Republic of China	Hsiu-Mei Lin	2020.12.22	Female	7,706	0.001	5,000	0.000	-	-	Department of Finance and Economics of Nanhua University	None	None	None	None
Manager of Minghsiung Branch	Republic of China	Yu-Mei Chen	2020.12.22	Female	30,379	0.003	-	-	-	-	Department of Accounting and Statistics of Tatung College of Commerce	None	None	None	None
Manager of Guiren Branch	Republic of China	Hsiu-Yueh Cheng	2021.04.27	Female	2,000	0.000	2,000	0.000	-	-	Integrated Business Division of National Nan-Ying Vocational High School	None	None	None	None
Manager of Zhongpu Branch	Republic of China	Hsiu-Tuan Lin	2021.06.01	Female	2,000	0.000	-	-	-	-	Department of Accounting and Statistics of National Hua-Nan Commercial Vocational Senior High School	None	None	None	None
Manager of Huwei Branch	Republic of China	Wen-He Liao	2021.12.21	Male	20,748	0.002	-	-	-	-	Institute of Finance and Economics of	None	None	None	None



Chapter 3 Corporate Governance Report

Title	Nationality	Name	Date Elected	Gender	Shareholdings		Shares Held by Spouse & Dependents		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within the second degree of Kinship			
					Shares	Ratio of Shareholding(%)	Shares	Ratio of Shareholding(%)	Shares	Ratio of Shareholding(%)			Title	Name	Relationship	
Manager											National Yunlin University of Science and Technology					
Manager of Xiluo Branch	Republic of China	Fu-Chin Chen	2021.12.21	Female	22,083	0.002	-	-	-	-	Department of Business Management of National Chia-Yi Senior Commercial Vocational School	None	None	None	None	
Manager of Yongkang Branch	Republic of China	Chia-Jung Tsai	2021.12.21	Female	24,086	0.002	-	-	-	-	Department of Banking and Insurance of Feng Chia University	None	None	None	None	
Manager of Xinshi Branch	Republic of China	I-Sheng Liu	2021.12.21	Male	-	-	-	-	-	-	Department of Business Administration of Aletheia University	None	None	None	None	
Manager of Fucheng Branch	Republic of China	Chao-Hsien Chou	2021.12.21	Male	-	-	-	-	-	-	Department of Accounting of Feng Chia University	None	None	None	None	
Manager of Gangshan Branch	Republic of China	Ta-I Shau	2021.12.21	Male	-	-	-	-	-	-	Department of Public Finance Taxation of Tamsui Commercial Industrial Vocational Senior High School	Director of Morley Industrial Corp. Director of Pei-Yu Co., Ltd.	None	None	None	
Manager of Zhong Zheng Branch	Republic of China	Ying-Hsiang Wang	2021.12.21	Male	23,000	0.002	5,000	0.000	-	-	Department of Business Administration of Tunghai University	None	None	None	None	
Manager of North Kaohsiung Branch	Republic of China	Chen-Lin Lai	2021.12.21	Female	14,000	0.001	-	-	-	-	Department of Business Administration of Soochow University	None	None	None	None	
Manager of Wenxin Branch	Republic of China	Sheng-Tang Huang	2021.12.21	Male	-	-	-	-	-	-	Department of Business Administration of Chinese Culture University	None	None	None	None	
Manager of Dali Branch	Republic of China	Chung-Cheng Li	2021.12.21	Male	2,350	0.000	-	-	-	-	Department of Business Administration of Chung Hsing University	None	None	None	None	
Manager Yunong Branch	Republic of China	Shu-Hui Chin	2021.12.21	Female	-	-	-	-	-	-	Department of Accounting and Statistics of Tainan University of Technology	None	None	None	None	

Note: The Bank does not have any cases where the Chairman and the President or their equivalent (the top manager) are the same person, spouses, or relatives within the first degree of kinship.

(III) Reappointment of Retiring Chairman and President as Consultants None.

### III. Remuneration of Directors, Independent Director, Supervisors, President, Vice President and employees

(I) Remuneration of Directors and Independent Directors

2021

Unit: NTS

Title	Name	Remuneration								Total amount of A, B, C and D to after-tax net income ratio		Relevant remuneration received by directors who are also employees								Total amount of A, B, C, D, E, F and G to after-tax net income ratio		Compensation from any invested company other than the company's subsidiary
		Base compensation (A)		Resignation Pension (B)		Directors' Remuneration (C)		Business expense allowances (D)				Salary, bonuses, and allowances (E)		Severance pay and pension (F)		Remuneration to employees (G)						
		The Bank	All companies mentioned in the financial statements	The Bank	All companies mentioned in the financial statements	The Bank	All companies mentioned in the financial statements	The Bank	All companies mentioned in the financial statements	The Bank	All companies mentioned in the financial statements	The Bank	All companies mentioned in the financial statements	The Bank	All companies mentioned in the financial statements	Cash	Stock	Cash	Stock	The Bank	All companies mentioned in the financial statements	
Chairman	Chen-Chih Tai	6,976,000	6,976,000	0	0	0	0	240,000	240,000	0.13%	0.13%	0	0	0	0	0	0	0	0	0.13%	0.13%	None
Vice Chairman	Chiung-Ting Tsai	5,216,000	5,216,000	0	0	0	0	240,000	240,000	0.10%	0.10%	0	0	0	0	0	0	0	0	0.10%	0.10%	None
Director	Ching-Shun Ou	480,000	480,000	0	0	0	0	290,000	290,000	0.01%	0.01%	0	0	0	0	0	0	0	0	0.01%	0.01%	None
Director	Chung-Chang Tsai	480,000	480,000	0	0	0	0	284,000	284,000	0.01%	0.01%	0	0	0	0	0	0	0	0	0.01%	0.01%	None
Independent Director	Chao-Long Chen	960,000	960,000	0	0	0	0	286,000	286,000	0.02%	0.02%	0	0	0	0	0	0	0	0	0.02%	0.02%	None
Independent Director	Hung-Liang Chiang	960,000	960,000	0	0	0	0	290,000	290,000	0.02%	0.02%	0	0	0	0	0	0	0	0	0.02%	0.02%	None
Independent Director	Chuan-Fu Hou	960,000	960,000	0	0	0	0	290,000	290,000	0.02%	0.02%	0	0	0	0	0	0	0	0	0.02%	0.02%	None

Note: This table discloses the remuneration for the period of the employment in 2021.

1. Please describe the independent director remuneration policy, system, standard, and structure, and the connection between the amount of remuneration and the considered factors such as their responsibilities, risks, and invested time.

Independent Director remuneration policy: the remuneration of Independent Directors of the Bank shall be set out in the Articles of Association and may be subject to a reasonable remuneration different from that of the ordinary directors. Responsibilities of Independent Directors: At least one Independent Director shall attend in person any meeting of the Board. With respect to the following matters that must be approved by resolution at a Board meeting, all Independent Directors shall attend the meeting in person or appoint another Independent Director to attend the meeting as a proxy. Any objection or reservation made by an Independent Director shall be set forth in the minutes of the Board meeting; if an Independent Director is unable to attend the Board meeting in person to express his objections or reservations, he shall, unless he has valid reasons, give a written opinion in advance and set it out in the minutes of the Board meeting: I. The Bank's operating plan. II. Annual and semi-annual financial reports; III. Formulate or amend internal control system pursuant to Article 14-1 of the Securities and Exchanges Act, and evaluate the effectiveness of the system; VI. The adoption of amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading. V. Matters bearing on the personal interest of a directors; VI. Material assets or derivatives trading; VII. Offering, issuance or private placement of any equity-based securities. VIII. Appointment, dismissal, or compensation of CPAs. IX. Appointment or dismissal of Finance Officer, Accounting Officer or Internal Chief Auditor. X. Donations to related parties or material donations to non-related parties provided that a donation for charity or disaster relief for a material natural disaster may be submitted to the following Board of Directors meeting for ratification; XI. Other matters that shall be decided by the Shareholders' Meetings or submitted to the Board of Directors or major matters specified by the competent authority in accordance with the law or the articles of association. In addition to the duties and responsibilities of the Board of Directors, all of the Bank's Independent Directors serve as members of the Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee, which are functional committees with different responsibilities and time commitments from those of the ordinary directors. Therefore, they are entitled to a different level of remuneration than ordinary directors.

2. Except as otherwise disclosed herein, the directors of the Bank have not received other remunerations for providing services (in a non-employee capacity, such as an advisor) to any of the companies in the consolidated financial statements within the current fiscal year: None.

Note:

1. Net income after tax of the Bank in 2021 was NT\$5,630,303 thousand.
2. The remuneration contents disclosed are different from the concept of income specified in the Income Tax Act, thus, the purpose is for information disclosure only, rather than taxation purpose.

## (II) Remuneration of the President and Vice Presidents

2021

Unit: NTS

Title	Name	Salary(A)		Pension (B)		Bonus and allowance, etc. (C)		Remuneration to employees (D)				Total amount of A, B, C and D to after-tax net income ratio(%)		Compensation from any invested company other than the company's subsidiary
		The Bank	All companies mentioned in the financial statements	The Bank	All companies mentioned in the financial statements	The Bank	All companies mentioned in the financial statements	The Bank		All companies mentioned in the financial statements		The Bank	All companies mentioned in the financial statements	
								Cash	Stock	Cash	Stock			
President	Jih-Cheng Chang	5,110,400	5,110,400	0	0	7,032,120	7,032,120	660	0	660	0	0.22%	0.22%	None
Chief Auditor	Ching-Chu Pai	1,240,000	1,240,000	0	0	1,085,000	1,085,000	660	0	660	0	0.04%	0.04%	None
Senior Vice President	Chien-Wei Pan	3,709,600	3,709,600	0	0	4,819,701	4,819,701	660	0	660	0	0.15%	0.15%	None
Vice President	Qiwei You	1,692,000	1,692,000	0	0	1,252,450	1,252,450	660	0	660	0	0.05%	0.05%	None
Vice President	Chih-Cheng Yu	2,264,000	2,264,000	0	0	2,276,800	2,276,800	660	0	660	0	0.08%	0.08%	None

## (III) Name of the managerial officers and employee bonus amount paid to managerial officers:

2021

Unit: NTS

Title	Name	Stock	Cash	Total	Total amount to after-tax net income ratio (%)
President	Jih-Cheng Chang	0	7,920	7,920	0.000140667%
Chief Auditor	Ching-Chu Pai				
Senior Vice President	Chien-Wei Pan				
Vice President	Qiwei You				
Vice President	Chih-Cheng Yu				
Vice President	Pen-Chen Su				
Financial Officer (Vice President)	Chih-Jin Wu				
Vice President	Chien-Ko Yang				
Vice President	Hung-Sung Shen				
Vice President	Ying-Shih Lu				
Vice President	Shu-Chen Tsai				
Accounting Executive	Yu-Hsuan Chen				
Total					

(IV) Analysis of the ratio of total remuneration paid to directors, supervisors, president, and vice presidents in the last two years to the net income on the parent company only financial report, remuneration policies, standards, and packages, procedure for determining remuneration, and linkage thereof to operating performance and future risk exposure:

1. Analysis of the ratio to the net income on the parent company only financial report

Unit: NTS

Title	2020		2021	
	The Bank	All companies included in the consolidated financial statements	The Bank	All companies included in the consolidated financial statements
Director	16,853,670	16,853,670	17,952,000	17,952,000
President, Vice Presidents	18,109,890	18,109,890	30,485,371	30,485,371
Total	34,963,560	34,963,560	48,437,371	48,437,371
Ratio to the net income on the parent company only financial report	0.64%	0.64%	0.86%	0.86%

2. Remuneration policies, standards, and packages, procedure for determining remuneration, and linkage thereof to operating performance and future risk exposure:

(1) Director

According to Article 33 of the Articles of Association of the Company, not more than 2% of the earnings, if any, shall be allocated as remuneration to directors. However, when the Company has accumulated losses, the Company shall offset the appropriate amounts before remuneration. No remuneration has been paid to the directors in the last two years. In addition, according to Article 25-1 of the Articles of Association of the Company: "The remuneration of directors shall be determined by the board of directors with reference to the standards of the relevant industry and the listed companies." The Company determines the remuneration to Directors based on the evaluations on remuneration level of the peer companies, individual performances, Company's operating performance and Board performance.

(2) Independent Director

The procedures for determining the remuneration of Independent Directors of the Bank are enacted in accordance with Article 25-1 of the Articles of Association of the Company. The Board of Directors has agreed with reference to the standards of relevant industries and listed companies to pay a fixed monthly remuneration and a business practice fee same as the payment standards for Directors. Independent Directors will receive a fixed monthly remuneration, but will not receive the director remuneration that is paid in accordance with the Company's Articles of Association. In addition, according to Article 5 of the "Rules Governing the Scope of Powers of Independent Directors" of the Company, a reasonable level of remuneration different from that of the Directors is resolved.

(3) President, Vice Presidents, Chief Auditor, Managers and Employees

The performance evaluation and remuneration system of the Bank's President, Vice President, Chief Auditor, managers and employees are handled in accordance with the "Employee Annual Evaluation Measures," "Employee Benefit Payment Methods" and "Annual Bonus Payment Methods" approved by the Board of Directors. Proposal is proposed at the Compensation Committee meeting held every year to discuss the performance evaluation of the manager's remuneration and benefit

package and is submitted to the board of directors for review and approval. With regard to the bonus, it is to be linked to the Bank's departmental performance evaluation results, including operating performance (net income achievement rate), internal control and regulatory compliance; also, personal performance, responsibilities and personal contributions with reasonable compensation granted; therefore, salary and compensation are highly related to the Company's operating performance. However, if major risk events involving malpractices are sufficient to cause financial losses to the Company or damage its goodwill, in addition to taking the necessary disciplinary action according to the law and regulations, the board of directors shall take measures, such as, dismissal, reassignment, termination, or reduction of remuneration, as necessary. The Company handles the salary to employees in accordance with "Employee Benefit Payment Methods," and the abide by Paragraph 1, Article 5 of the Employment Service Act: "... employer is prohibited from discriminating against any job applicant or employee on the basis of race, class, language ..."

#### IV. Implementation of Corporate Governance

##### (I) Implementation of the Board

A total of 25 Board meetings were held in 2021. The attendance of the Directors was as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%)	Remarks
Chairman	Representative of Tiangang Investment Co., Ltd. - Chen-Chih, Tai	25	0	100.00%	Re-elected on May 12, 2020
Vice Chairman	Representative of Tiangang Investment Co., Ltd. - Chiung-Ting Tsai	22	3	88.00%	Re-elected on May 12, 2020
Director	Representative of Fu Chiang Investment Co., Ltd. - Chung-Chang Tsai	22	3	88.00%	Elected on May 12, 2020
Director	Representative of Fu Chiang Investment Co., Ltd. - Ching-Shun Ou	25	0	100.00%	Elected on May 12, 2020
Independent Director	Hung-Liang Chiang	25	0	100.00%	Re-elected on May 12, 2020
Independent Director	Chao-Long Chen	23	2	92.00%	Re-elected on May 12, 2020
Independent Director	Chuan-Fu Hou	25	0	100.00%	Elected on May 12, 2020

Other mentionable items:

I. If any of the following events occurred, the dates of the meeting, sessions, summary of proposal, opinions of all the Independent Directors and the Company's responses should be specified:

(I) Matters referred to in Article 14-3 of the Securities and Exchange Act:

Board of Directors	Proposal content and subsequent treatment
2021.01.18 17th meeting of the 15th Board of Directors	The Bank's 2020 annual bonus payment standards for the Chairman and Vice-Chairman of the Board of Directors
	Independent Directors' opinion: None.
	The Company's Response: None.
	Resolution: Approved by the unanimous decision of the directors present
2021.02.22 19th meeting of the 15th Board of Directors	(I) 2020 Parent-Only and Consolidated Financial Statements and Business Report
	(II) Report on the "Overall implementation of information security measures" for 2020
	(III) Report on the Regulatory compliance of the Bank in the second half of 2020.
	(IV) Review of the "Statement of Internal Control System of King's Town Bank" for 2020
	Independent Directors' opinion: None.
	The Company's Response: None.
2021.03.08 20th meeting of the 15th Board of Directors	Audit report of the second half of 2020
	Independent Directors' opinion: None.
	The Company's Response: None.
	Resolution: Approved by the unanimous decision of the directors present
2021.08.16 31th meeting of the 15th Board of Directors	(I) Amendments to the "Internal Control System of Securities Companies" and "Implementation Rules for Internal Audit of Securities Companies"
	(II) Report on the Regulatory compliance of the Bank in the first half of 2021.
	(III) Audit report of the first half of 2021
	Independent Directors' opinion: None.
	The Company's Response: None.

	Resolution: Approved by the unanimous decision of the directors present
2021.10.25 35th meeting of the 15th Board of Directors	Amendments to the "Regulations Governing Implementation of Internal Control and Audit System of King's Town Bank"
	Independent Directors' opinion: None.
	The Company's Response: None.
	Resolution: Approved by the unanimous decision of the directors present
2021.11.22 37th meeting of the 15th Board of Directors	Evaluation of the independence and competence of the Bank's Certified Public Accountants
	Independent Directors' opinion: None.
	The Company's Response: None.
	Resolution: Approved by the unanimous decision of the directors present

Note: The above-mentioned motions were opposed by the independent directors, with reservations or significant recommendations: None.

- (II) Any recorded or written Board resolutions to which Independent Directors have objections or reservations to be noted in addition to the above: None.
- II. Regarding recusals of directors from voting due to conflicts of interests, the names of the directors, contents of motion, reasons for recusal, and results of voting shall be specified.
1. The 17th meeting of the 15th Board of Directors held on January 18, 2021 approved the terms and criteria for the annual bonus for the Chairman and Vice Chairman of the Board of Directors for 2019. Chairman Chen-Chih Tai and Vice Chairman Chiung-Ting Tsai recused themselves from the discussion and voting in accordance with Article 16 of the Board of Directors' Meeting Rules, and did not exercise their voting rights on behalf of other directors.
  2.
    - (1) Approved at the 20th Board of Directors' Meeting of the 15th session on March 8, 2021: For the discussion of the credit case of King's Town Bank International Leasing Co., the borrower is an interested party of the Bank, and Chairman Cheng-Chih Tai and Vice Chairman Chiung-Ting Tsai are directors of the borrower. Chairman Cheng-Chih Tai and Vice Chairman Chiung-Ting Tsai recused themselves from the discussion of the case and did not participate in the discussion or vote, nor did they exercise their voting rights on behalf of other directors.
    - (2) General discussion items that are approved at the 20th Board of Directors' Meeting of the 15th session on March 8, 2021: In discussion of "Assisting its subsidiary King's Town Bank International Leasing Co., Ltd. to increase its own capital, reduce interest expenses and expand its business scope and area, and to apply for a capital increase of NT\$400 million on behalf of its subsidiary King's Town Bank International Leasing Co., Ltd", since King's Town Bank International Leasing Co., Ltd. is an interested party of the Bank, Chairman Cheng-Chih Tai and Vice Chairman Chiung-Ting Tsai are the directors of King's Town Bank, Chairman Cheng-Chih Tai and Vice Chairman Chiung-Ting Tsai recused themselves from the case and did not participate in the discussion or vote, nor did they exercise their voting rights on behalf of other directors.
  3. Approved at the 24th Board of Directors' Meeting of the 14th session on May 10, 2021: For the discussion of the credit case of Cheng-Hsiung Tsai, since none of the parties is an interested party of the Bank, it is a normal case that can be discussed in accordance with the regulations. However, considering that the seller of the collateral is King's Town Construction, which is an interested party of Tiangang Investment Co., Ltd., Chairman Cheng-Chih Tai recused himself from this case (Vice Chairman Chiung-Ting Tsai appointed Chairman Cheng-Chih Tai to represent him) and did not join the discussion and vote, nor did he exercise his voting rights on behalf of other directors.
  4. General discussion items that are approved at the 35th Board of Directors' Meeting of the 15th session on October 25, 2021: "In order to meet the business development needs of the North Kaohsiung Branch, the Company added the second floor of the current location of the Branch as a business location" and "leased the second floor of No. 150, Boai 2nd Road, Zuoying District, Kaohsiung City for the expansion of the business space of the North Kaohsiung Branch". in connection with the interested party transactions, Chairman Cheng-Chih Tai, Vice Chairman Chiung-Ting Tsai, Director Chung-Chang Tsai, and Director Ching-Shun Ou recused themselves from the case and did not participate in the discussion or vote, nor did they exercise their voting rights on behalf of other directors.
  5. Approved at the 38th Board of Directors' Meeting of the 14th session on December 6, 2021: For the



discussion of the credit case of Chun-Kuei Chen and Wen-I Chen, since none of the parties is an interested party of the Bank, it is a normal case that can be discussed in accordance with the regulations. However, considering that the seller of the collateral is King's Town Construction, which is an interested party of Tiangang Investment Co., Ltd. and Fu Chiang Investment Co., Ltd., Chairman Cheng-Chih Tai, Vice Chairman Chiung-Ting Tsai, Director Chung-Chang Tsai, and Director Ching-Shun Ou recused themselves from the case and did not participate in the discussion or vote, nor did they exercise their voting rights on behalf of other directors.

6. The 41th meeting of the 15th Board of Directors held on January 17, 2022 approved the terms and criteria for the annual bonus for the Chairman and Vice Chairman of the Board of Directors for 2019. Chairman Chen-Chih Tai and Vice Chairman Chiung-Ting Tsai recused themselves from the discussion and voting in accordance with Article 16 of the Board of Directors' Meeting Rules, and did not exercise their voting rights on behalf of other directors.

### III. The execution of the Board's evaluation:

Frequency	Period	Scope	Method	Content
(Internal self-evaluation) Once a year	Performance evaluation of the Board of Directors, functional committees and members of the Board of Directors for the period from January 1, 2021 to December 31, 2021.	The Board of Directors, individual Board members, functional committees (including the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee).	1. Internal evaluation by the directors. 2. Internal self-evaluation of functional committees. 3. Self-evaluation by the Board members	1. Content of performance evaluation of the Board of Directors of the Company: Participation in the Bank's operations, enhancement of the quality of Board decisions, Board composition and structure, selection and continuing education of Directors, and internal control. 2. The performance evaluation of the functional committees of the Bank is as follows: The level of participation in the Bank's operations, awareness of functional committee responsibilities, improvement of the quality of functional committee decisions, composition and selection of functional committee members, and internal control. 3. Content of performance evaluation of individual Board members of the bank includes: The Bank's objectives and tasks, directors' awareness of their responsibilities, their involvement in the Bank's operations, internal relations and communication, directors' professionalism and continuing education, and internal controls.
(External evaluation) Every three years	The performance of the Board of Directors from January 1, 2021 to December 31, 2021 was evaluated.	Board of Directors	Appoint an external professional independent organization (Ernst & Young Corporate Management Consulting Services Co., Ltd.) to conduct performance evaluation.	The Board of Directors' performance evaluation includes eight major aspects: 1. Board structure and process. 2. Composition of the Board of Directors. 3. Roles and responsibilities. 4. Legal and organizational structure. 5. Director training development. 6. Behavior and culture. 7. Supervision of risk control. 8. Reporting, disclosure and performance monitoring.

### IV. Measures taken to strengthen the functionality of the Board in the current and the latest year (e.g. establishing the Audit Committee, enhancing information transparency), and implementation status:

1. In 2021, the Company was valued and selected as the "Top 5% of Listed Companies" by the 7th (2020\_ COporation Governance Evaluation of the Securities and Futures Institute).
2. All the Board Directors should attend 175 meetings in 2021 and they actually attended 167 meetings, representing an actual attendance rate of 95.43%.
3. The continuing education hours of each director in 2021 were in compliance with the provision of the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies".
4. In 2021, Independent Directors Hung-Liang Chiang and Chuan-Fu Hou had an attendance rate of 100% and Chao-Long Chen had an attendance rate of 92%, which complies with the requirement that at least one Independent Director should attend in person at each board meeting.

## (II) Implementation of the Audit Committee

The Bank's Audit Committee consists of three independent directors. The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its role of overseeing the quality and integrity of the Company in performing accounting, auditing, financial reporting processes and financial controls.

The Audit Committee had 9 meetings held in 2021. The attendance of the Independent Directors is as follows:

By identity	Name	Professional Qualifications/Experience	Actual Attendance Times	Attendance by proxy	Attendance Rate (%)
Independent Director	Hung-Liang Chiang	At least 5 years of working experience in banking, financial innovation, operation management, information security and risk management	9	0	100%
Independent Director	Chao-Long Chen	At least 5 years of working experience in international development, technology development, business management and crisis management	9	0	100%
Independent Director	Chuan-Fu Hou	At least 5 years of working experience in banking, credit business, finance and risk management	9	0	100%

The main deliberations and responsibilities of the Audit Committee of the Bank:

1. Formulate or amend internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. The adoption of amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading.
4. Matters bearing on the personal interest of a director.
5. Material assets of derivatives trading.
6. Offering, issuance or private placement of any equity-based securities.
7. Appointment, dismissal, or compensation of CPAs.
8. Appointment or discharge of a finance officer, accounting officer or chief auditor;
9. Annual financial statements signed or sealed by the Chairman, Managers and Accounting Officer and the second quarter financial statements audited and attested by CPAs.
10. Other significant matters set forth by the Company or the competent authority.

Other mentionable items:

- I. With regard to the implementation of the Audit Committee, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified:

## (I) Circumstances referred to Article 14-5 of the Securities and Exchange Act:

Board of Directors	Proposal content and subsequent treatment
2021.01.18 17th meeting of the 15th Board of Directors	The Bank's 2020 annual bonus payment standards for the Chairman and Vice-Chairman of the Board of Directors
	Resolution of Audit Committee: Passed by the consent of all members of the Audit Committee on January 18, 2021.
	The Company's Response: Approved by the unanimous decision of the directors present
2021.02.22 19th meeting of the 15th Board of Directors	(I) 2020 Parent-Only and Consolidated Financial Statements and Business Report
	(II) Report on the "Overall implementation of information security measures" for 2020
	(III) Report on the Regulatory compliance of the Bank in the second half of 2020.
	(IV) Review of the "Statement of Internal Control System of King's Town Bank" for 2020
	Resolution of Audit Committee: Passed by the consent of all members of the Audit Committee on February 22, 2021.
	The Company's Response: Approved by the unanimous decision of the directors present
2021.03.08	Audit report of the second half of 2020
	Resolution of Audit Committee: Passed by the consent of all members of the Audit Committee on March

20th meeting of the 15th Board of Directors	8, 2021. The Company's Response: Approved by the unanimous decision of the directors present
2021.08.16 31th meeting of the 15th Board of Directors	(I) Amendments to the "Internal Control System of Securities Companies" and "Implementation Rules for Internal Audit of Securities Companies" (II) Report on the Regulatory compliance of the Bank in the first half of 2021. (III) Audit report of the first half of 2021 (IV) The Bank's individual financial statements and consolidated financial statements for the second quarter of 2021 Resolution of Audit Committee: Passed by the Auditing Department with consent on January 18, 2021. The Company's Response: Approved by the unanimous decision of the directors present
2021.10.25 35th meeting of the 15th Board of Directors	Amendments to the "Regulations Governing Implementation of Internal Control and Audit System of King's Town Bank" Resolution of Audit Committee: Passed by the consent of all members of the Audit Committee on October 25, 2021. The Company's Response: Approved by the unanimous decision of the directors present
2021.11.22 37th meeting of the 15th Board of Directors	Evaluation of the independence and competence of the Bank's Certified Public Accountants Resolution of Audit Committee: Passed by the consent of all members of the Audit Committee on November 22, 2021. The Company's Response: Approved by the unanimous decision of the directors present

Note 1: Starting from 2021, in line with the promotion of "Corporate Governance 3.0 - A Blueprint for Sustainable Development", the Bank's "Consolidated Financial Statements" will be submitted to the Audit Committee for discussion and to the Board of Directors for resolution on a quarterly basis in order to enhance information transparency and continuously improve the Bank's corporate governance.

Note 2: The above-mentioned motions were opposed by the independent directors, with reservations or significant recommendations: None.

(II) Except for the aforementioned matters, other resolutions which were not being approved by the Audit Committee but resolved by more than two-thirds of all the Directors: None.

II. Regarding recusals of Independent Directors from voting due to conflicts of interests, the names of the Independent Directors, contents of motions, reasons for recusal, and results of voting shall be specified: None.

III. Communications among the Independent Directors, Internal Chief Auditor, and CPAs (shall include the material items, methods, and results of audits of corporate finance or operations, etc.):

(I) Communication between Independent Directors and Internal Chief Auditor

1. The Bank's Chief Auditor met individually with the independent directors for the first time in 2021 and is expected to meet individually with the independent directors at least semi-annually starting in 2022.
2. The Bank's chief auditor also reports to the Audit Committee on the performance of the audit operations and the annual audit plan.

Date	Key points of communication	Recommendations and Results
2021.03.08 Audit Committee	Audit report of the second half of 2020	Report to the Board of Directors after approval
2021.08.16 Audit Committee	Audit report of the first half of 2021	Report to the Board of Directors after approval
2021.12.20 Communication meeting	[Individual meeting between Chief Auditor and the Independent Directors] 1. The Chief Auditor explained the results of the implementation of the audit work plan for 2021. 2. The Chief Auditor explained the results of the implementation of the audit work plan for 2022.	No recommendations
2021.12.20 Audit Committee	Establish 2022 internal audit plan	Report to the Board of Directors after approval

(II) Communication between Independent Directors and CPAs:

1. The Bank's certified public accountants meet with the independent directors at least semi-annually, and from 2021 onwards, they meet individually.
2. The Bank's certified public accountants also sit on the Audit Committee and, when necessary, state the results of their audit or review of the current financial statements.

Date	Key points of communication	Recommendations and Results
2021.02.22 Communication meeting	[Individual meeting between CPAs and the Independent Directors] 1. Explanation of the audit results and key matters of 2020 financial statements by the CPAs. 2. Explanation of the recent amendment in the Securities and Exchange Act and the "Revised contents of the 8th Corporate Governance Evaluation System".	No recommendations
2021.02.22 Audit Committee	CPAs explained on key audit matters of the financial statements of 2020	Report to the Board of Directors after approval
2021.08.16 Communication meeting	[Individual meeting between CPAs and the Independent Directors] 1. The accountants' review of the financial statements for the first half year of 2021 and the results of key events. 2. The accountant explained the recent changes in the Securities and Exchange Act and the "Annual Self-Reporting Financial Information of Listed Companies".	No recommendations
2021.08.16 Audit Committee	The accountant shall explain matters relating to the audit of the financial statements for the first half year of 2021.	Report to the Board of Directors after approval

(III) Items disclosed in accordance with the Code of Corporate Governance Practices of the Banking Industry. However, for those that have been disclosed on the Bank's website, only the following URLs may be disclosed for reference: Please refer to the website of the Bank: About the operation of King's Town Bank / Corporate Governance and Nomination Committee (<https://customer.ktb.com.tw/new/about/85d553f6>)

(IV) Information on Corporate Governance and Nominating Committee Members and Operation

1. In order to improve the nomination system for board members and senior managers of the Company, the Board of Directors resolved on November 13, 2017 to establish the "Corporate Governance and Nomination Committee". According to the Company's Corporate Governance and Nomination Committee charter, the Committee shall be composed of at least three directors selected by the Board of Directors from among themselves, and a majority of the committee members shall be Independent Directors. The Governance and Nominating Committee of the Company currently consists of three independent directors and one director.

Responsibilities of the "Corporate Governance and Nomination Committee"

- (1) Set out the standards of independence and diversity of background, such as in terms of expertise, skills, experience, gender, etc. required of board members and senior executives, and to search, review and nominate candidates for directors and senior executives based on such standards.
- (2) Establish and develop the organizational structure of the board and each committee, and evaluate the performance of the board, each committee, and each director and senior executive, and the independence of the independent directors.
- (3) Establish and review on a regular basis, further education plans for directors and the succession plans of directors and senior executives.
- (4) Research, analysis, implementation, and recommendation of plans for the corporate governance system, and review on a regular basis of corporate governance standards and related regulations.
- (5) Review of the effectiveness of the implementation of the corporate governance system.
- (6) Set out and supervise the implementation of ethical corporate management policies and plans to prevent unethical conduct.
- (7) Adopt CSR policies, systems, or related management approach.

- (8) Supervise the implementation and status of CSR matters, and the management executives shall regularly report to the Board of Directors.
2. Professional qualifications and experience of the members of the Corporate Governance and Nominating Committee and their operations:
- (1) The Bank's Corporate Governance and Nominating Committee consists of four members.
- (2) The current term of members: May 12, 2020 to May 11, 2023.
- (3) The Corporate Governance and Nominating Committee had 3 meetings in 2021, with the following attendance:

Title	Name	Professional Qualifications/Experience	Actual Attendance Times	Attendance by proxy	Attendance Rate (%)
Independent Director	Hung-Liang Chiang	At least 5 years of working experience in banking, financial innovation, operation management, information security and risk management	3	0	100%
Vice Chairman	Chiung-Ting Tsai	At least 5 years of working experience in investment decision making, financial analysis and product positioning	2	1	67%
Independent Director	Chao-Long Chen	At least 5 years of working experience in international development, technology development, business management and crisis management	3	0	100%
Independent Director	Chuan-Fu Hou	At least 5 years of working experience in banking, credit business, finance and risk management	3	0	100%

Other mentionable items:

With the authorization of the Board of Directors, the committee shall exercise the care of a prudent administrator to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion. The implementation is as follows:

Board of Directors	Proposal content and subsequent treatment
2021.02.22 19th meeting of the 15th Board of Directors	(I) The Bank's "Report on the Implementation and Execution of Corporate Social Responsibility (CSR) in 2020"
	(II) The Bank's "Report on the Implementation of the 2020 Director Development Plan and Succession Plan for Directors and Senior Managers".
	(III) The Bank's "2020 Annual Report on Corporate Governance and Integrity Performance
	(IV) Results of the "2020 Board of Directors and Functional Committee Performance Evaluation" of the Bank
	Resolution of the Corporate Governance and Nominating Committee: Passed with the consent of all members of the Corporate Governance and Nominating Committee on February 22, 2021.
	The Bank's handling of the Corporate Governance and Nominating Committee's comments. The Company's Response: Approved by the unanimous decision of the directors present
2021.06.21 27th meeting of the 15th Board of Directors	Report on the renewal of liability insurance by all directors of the Bank
	Resolution of the Corporate Governance and Nominating Committee: Passed by the Auditing Department with consent on January 18, 2021.
	The Bank's handling of the Corporate Governance and Nominating Committee's comments. The Company's Response: Approved by the unanimous decision of the directors present
2021.08.16 31th meeting of the 15th Board of Directors	(I) The Bank's "2021 Dishonesty Risk Assessment Report"
	(II) The Bank's "Report on the Implementation and Execution of Corporate Social Responsibility in the First Half of 2021"
	Resolution of the Corporate Governance and Nominating Committee: Passed with the consent of all members of the Corporate Governance and Nominating Committee on August 16, 2021.

	The Bank's handling of the Corporate Governance and Nominating Committee's comments. The Company's Response: Approved by the unanimous decision of the directors present
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Note: The above-mentioned motions were opposed by the Corporate Governance and Nominating Committee, with reservations or significant recommendations: None.

- (V) The implementation status of corporate governance of the Bank, deviations from "Corporate Governance Best Practices Principles for Banking Industry" and reasons for deviation

Evaluation Item	Implementation Status			The implementation status of Corporate Governance Best-Practice Principles for Banking Industry and reasons for deviation
	Yes	No	Summary	
I. Shareholding structure and shareholder's interest				
(I) Did the Bank establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations, and were such matters handled according to the internal procedure?	✓		(I) The Bank has set up an email address for the President on the Company's website. In addition to reporting important suggestions from investors to the Board of Directors on a regular basis, the Bank has also established a "Code of Practice for Handling Customer Grievance Cases" and set up a dedicated window to handle customer or shareholder suggestions, doubts or disputes after receiving them for in-depth understanding and referring them to the relevant units, and handling customer grievance cases in accordance with the stipulated time.	(I) No deviation.
(II) Did the Bank maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	✓		(II) The Bank keeps track of the list of major shareholders and ultimate controllers of major shareholders who effectively control the Company, and reports changes in information in accordance with relevant laws and regulations.	(II) No deviation.
(III) Did the Bank establish and enforce risk control and firewall systems with its affiliated businesses?	✓		(III) The Bank has formulated the "Enforcement Rules for Reporting Stakeholders' Information" and has established a database of stakeholder information with its affiliates in compliance with Articles 32 and 33 of the Banking Act and relevant law and regulations. In addition, the operation and financial business information and audit management of the investee subsidiaries are handled in accordance with the "Regulations Governing the Supervision and Management of Subsidiaries by King's Town Bank."	(III) No deviation.

Evaluation Item	Implementation Status			The implementation status of Corporate Governance Best-Practice Principles for Banking Industry and reasons for deviation
	Yes	No	Summary	
II. Composition and responsibilities of the Board of Directors				
(I) Does the Board of Directors have a diversity policy and specific management objectives?	✓		(I) The Bank has established a policy of board diversity and complies with the "Procedures for Election of Directors" and the "Code of Corporate Governance Practices" to ensure the diversity of board members. Specific management objectives: At least three directors out of all Board Directors have any of the capabilities listed above. Individual directors shall possess at least five competencies as specified in Article 3 of the "Procedures for Election of Directors". Implementation: Currently, all Board Directors have fulfilled the objective of the diversity policy.	(I) No deviation.
(II) In addition to Salary and Compensation Committee and Audit Committee established according to law, has the Bank voluntarily established other functional committees?	✓		(II) The Bank has established the Compensation Committee and Audit Committee, and established "Corporate Governance and Nomination Committee" in November 2017 to formulate standards for diversity and independence of Board members, conduct performance evaluation of the Board of Directors and committees, and initiate corporate governance system research, analysis, implementation and review of the effectiveness.	(II) No deviation.
(III) Does it report the results of the performance evaluation to the BOD and use them as a reference for each Director's remuneration and nomination of term renewal?	✓		(III) The Bank has established the "Regulations Governing the Performance Evaluation of the Board of Directors and Functional Committees" which perform internal performance evaluation of the Board of Directors and functional committees at least once a year in accordance with the evaluation procedures and evaluation indicators, and reports the evaluation results to the Board of Directors as a reference for individual directors' remuneration and nomination for re-election.	(III) No deviation.

Evaluation Item	Implementation Status			The implementation status of Corporate Governance Best-Practice Principles for Banking Industry and reasons for deviation
	Yes	No	Summary	
(IV) Has the Bank implemented evaluation on the independence of the CPAs regularly?	✓		<p>(IV) In accordance with Article 38 of the Bank's Code of Corporate Governance, the independence and suitability of the certified public accountants shall be evaluated annually and submitted to the Audit Committee and the Board of Directors for consideration, and the evaluation shall be conducted again if new appointments are made during the year.</p> <p>The Bank's Administration Department annually evaluates the independence and appropriateness of the certified public accountants in accordance with the "Appointed Accountants' Objectivity, Independence and Appropriateness Evaluation Form". The results of the items evaluated in accordance with the evaluation form are consistent with the results of the evaluation, and the certified public accountants' independence statement issued by the accounting firm is obtained to support the independence and appropriateness of the certified public accountants and then submitted to the Audit Committee and the Board of Directors for consideration. In addition, the important items listed in the aforementioned evaluation form are explained as follows.</p> <p>1. The CPA or CPA's spouse is not a relative within the second degree of kinship of the employees, directors, supervisors, or manager of the Bank or its affiliates also, he/she does not hold the Bank's shares in excess of the standard and has no other financial interests and business relationship within the Bank. 2. The CPA or CPAs is not subject to any disciplinary action by the competent authorities or the HKICPA, or any disciplinary action under Article 37, Paragraph 3 of the Securities and Exchange Act. 3. The CPA or CPAs is qualified as an accountant and is able to perform the business of an accountant. 4. The CPA or CPAs has not been continuously appointed for seven years.</p>	(IV) No deviation.



Evaluation Item	Implementation Status			The implementation status of Corporate Governance Best-Practice Principles for Banking Industry and reasons for deviation
	Yes	No	Summary	
III. Has the Bank allocated a sufficient number of qualified corporate governance staff and appointed a person in charge of the affairs related to corporate governance (including but not limited to providing information required for Director/Supervisor's operations, assisting Directors and Supervisors in complying with laws and regulations, handling the matters concerning the Board and Annual General Meeting in accordance with the law and making their records)?	✓		<p>The Bank has appointed an adequate number of corporate governance personnel with appropriate qualifications to be responsible for corporate governance-related matters. On February 25, 2019, the Board of Directors appointed Vice President Chien-Ko Yang, who has more than five years of management work experience in finance, stock affairs, and meeting affairs, as the corporate governance director to handle matters related to Board of Directors and shareholders meetings in accordance with law.</p> <p>Terms of reference:</p> <ol style="list-style-type: none"> <li>1. Handling the matters of the board meetings and the Audit Committee meeting in accordance with the law. All board directors shall be informed at least 7 days before the meeting with sufficient meeting information provided to help the directors understand the content of relevant issues. If the issues are relevant to stakeholders and he/she should enter recusal appropriately, the counterparty will be given a reminder beforehand with the minutes of the meeting issued within 20 days after the meeting.</li> <li>2. Assisting in the agenda and compliance of resolutions from Board of Directors meetings and the Shareholders' Meeting.</li> <li>3. Assisting Independent Directors in arranging meetings with the Internal Chief Auditor or CPAs in accordance with the Corporate Governance Best Practice Principles when the need to understand the Company's financial operations arises.</li> <li>4. Handling the pre-registration of the Annual General Meeting date in accordance with the law; preparing the notice of meeting, the Meeting Handbook, the minutes within statutory period.</li> <li>5. Assisting Directors and Independent Directors in performing their duties by providing the necessary information and arranging for continuing education for Directors.</li> <li>6. Status of continuing studies: From April 12, 2021 to April 13, 2021, Vice President Chien-Ko Yang participated in the "In-service Training</li> </ol>	No deviation.

Evaluation Item	Implementation Status			The implementation status of Corporate Governance Best-Practice Principles for Banking Industry and reasons for deviation
	Yes	No	Summary	
			<p>Course for Anti-Money Laundering and Counter-Finance Officers" organized by the Taiwan Financial Research and Training Institute (TFRI) for 12 hours; on April 15, 2021, he participated in the "2021 Green Finance Leaders Roundtable Forum - Climate Finance Trends and Risk Management" organized by TFRI for 3 hours; and on April 28, 2021, he participated in the "Corporate Governance 3.0 Sustainable Development Blueprint - New Regulations and Trends" organized by the Taiwan Stock Exchange (TSE) for 3 hours. 12 hours; On August 18, 2021, he attended the "Green Financial Innovation Summit" of the Insurance Development Center, a consortium for 3 hours; \On September 1, 2021, he attended the "13th Taipei Corporate Governance Forum" of the Financial Supervisory Commission for 3 hours; On October 4, 2021, he attended the "Anti-Money Laundering and Fair Treatment Principles" and "Corporate Governance and Management of Legal Compliance System" of the Securities Dealers Association of the Republic of China. On November 3, 2021, he participated in the "2021 Annual Seminar on Prevention of Insider Trading" of the Securities and Futures Market Development Foundation of the Republic of China for 3 hours.</p> <p>Total training hours in 2021: 48 hours</p>	
IV. Has the Bank established communication channels for its stakeholders (including but not limited to shareholders, employees, customers and suppliers) or created a stakeholders section on its corporate website? Does the Company promptly respond to the concerns of stakeholders regarding important corporate social responsibility issues?	✓		<p>The Bank's corporate website has a stakeholder contact window in the King's Town/Stakeholder Area. Stakeholders can fully respond to the feedback through the service channels disclosed in each business unit or the Bank's website, and communication channels are smooth.</p>	No deviation.

Evaluation Item	Implementation Status			The implementation status of Corporate Governance Best-Practice Principles for Banking Industry and reasons for deviation
	Yes	No	Summary	
V. Information disclosure				
(I) Does the Bank have a corporate website to disclose information of financial standing, business and the status of corporate governance?	✓		(I) The Bank has disclosed financial and business-related information, as well as corporate governance and other related information on the Company's website About King's Town/Investor Relations.	(I) No deviation.
(II) Does the Bank have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and making the process of investor conferences available on the corporate website)?	✓		(II) The Bank discloses financial information, corporate presentation, and process in English and Chinese on its website. A spokesperson system and internal procedures for handling material information have been established, and an Investor Relations section has been set up in English for foreign investors to understand relevant information.	(II) No deviation.
(III) Does the Bank publicly announce and file the annual financial reports within two months after the close of the given fiscal year and publicly announce and file the first, second, and third quarterly financial reports and the operation of each month ahead of the required deadline?	✓		(III) The Bank announces and reports its financial statements and revenue for each month in advance of the prescribed deadline.	(III) No deviation.

Evaluation Item	Implementation Status			The implementation status of Corporate Governance Best-Practice Principles for Banking Industry and reasons for deviation
	Yes	No	Summary	
VI. Is there any other important information which facilitates a better understanding of the company's corporate governance practices (e.g. including but not limited to employee rights, employee wellbeing, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation standards, the implementation of customer policies, and purchasing of liability insurance for directors and supervisors)?	✓		<p>(I) The Bank considers basic human rights and avoids sex discrimination for the recruitment of employees, and also hires persons with disabilities and indigenous peoples. In addition, the head office has labor-management meetings held and an employee welfare Committee organized to appropriately reflect the issues regarding employees' rights and interests and to have them resolved accordingly.</p> <p>(II) In order to stimulate employees' loyalty to the Company and encourage employees to save money, the board of directors resolved on 12.2.2009 to establish an employee welfare savings trust system with a fixed amount appropriated correspondently as a reward to employees.</p> <p>(III) The Bank has established an email address for the principals (Chairman, Independent Director, President, and Chief Auditor) on the Company's website. In addition to having the investor's important suggestions regularly submitted to the Board of Directors, it also provides a smooth communication channel with the suppliers and stakeholders to help safeguard the rights and interests of all those involved.</p> <p>(IV) The Bank had acquired liability insurance for all directors on June 24, 2019, and renewed in June 2021.</p> <p>(V) According to Article 3, paragraph 2, of the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies," at least 12 hours of continuing education should be arranged for newly-elected directors on the year of reporting to duty and at least 6 hours of continuing education should be arranged annually thereafter. The directors had achieved the required hours of continuing education in 2021.</p> <p>(VI) The scope of "Regulations Governing the Performance Evaluation of the Board of Directors and Functional Committees</p>	No deviation.

Evaluation Item	Implementation Status			The implementation status of Corporate Governance Best-Practice Principles for Banking Industry and reasons for deviation
	Yes	No	Summary	
			<p>by King's Town Bank" includes the performance evaluation of the entire Board, individual director, and the functional committees, and the evaluation is conducted in the first quarter of each year.</p> <p>The results of the performance evaluation of the Board of Directors and all functional committees in 2021 were "excellent" and were reported to the Board of Director on February 21, 2022.</p> <p>(VII) Every three years, the Bank shall have its performance evaluated by an external professional independent organization or a team of external experts and scholars, and the previous external performance evaluation was conducted in 2019. In February 2022, Ernst &amp; Young Corporate Management Consulting Services Co., Ltd. was appointed to conduct an external performance evaluation, and the evaluation result was "Advanced", and the report of the Corporate Governance and Nominating Committee and the Board of Directors was submitted on February 21, 2022.</p>	
<p>VII. Please explain the corrective action implemented for the corporate governance result announced by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year and propose priority enhancements and measures for those that have not yet been improved: The Bank is ranked among the top 5% listed companies of the 7th corporate governance evaluation. Adjustments and refinements will be made to the newly released revised indicators that can still be scored, such as disclosing the annual work focus and operation of the Audit Committee.</p>				

## (VI) Implementation of Compensation Committee

## 1. Information on the members of the Compensation Committee

By identity	Criteria	Professional Qualifications and Experience	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Compensation Committee Member
	Name			
Independent Director	Hung-Liang Chiang	At least five years of working experience in business, legal, finance or banking Experience: Vice President of Business Department, Vice President of Strategy & Operations, Vice President of Risk Management Department and Information Technology Department of King's Town Bank	Not a Director, supervisor or employee of the Company or any of its affiliates,	None
Independent Director	Chao-Long Chen	At least 5 years of working experience required for commerce, law, finance, accounting or banking profession. Experience: Cho Pharma Inc. Chairman and President of Cho Pharma Inc.	Not a Director, supervisor or employee of the Company or any of its affiliates,	None
Independent Director	Chuan-Fu Hou	At least five years of working experience in business, legal, finance or banking Experience: President of King's Town Bank	Not a Director, supervisor or employee of the Company or any of its affiliates,	None

## 2. Information on the implementation of the Compensation Committee

(1) The Bank's Compensation Committee consists of 3 members.

(2) The current term of members: From May 25, 2020 to May 11, 2023, the Compensation Committee had 9 meetings held. The qualifications and attendance of the members are as follows:

Title	Name	Actual Attendance Times	Attendance by proxy	Attendance Rate (%)	Remarks
Convener	Hung-Liang Chiang	9	0	100%	
Committee Member	Chao-Long Chen	9	0	100%	
Committee Member	Chuan-Fu Hou	9	0	100%	

## Other mentionable items:

## I. Discussions and results of resolutions of the Compensation Committee and the Company's handling of opinions of the committee members:

Remuneration Committee	Proposal content and subsequent treatment	Resolution	The Company's treatment of the Compensation Committee's opinion
4th meeting of the fourth-term Board of Directors 2021.01.04	In line with the development direction of the Bank's financial management business, the "Wealth Management Personal Bonus Rules" and related points are abolished	Passed by the agreement of all committee members.	Reported to the Board of Directors and approved by the unanimous decision of the directors present
5th meeting of the fourth-term Board of Directors 2021.01.18	Open Employee Subscription of 3,000,000 shares of the Bank's treasury shares bought back for the 21st time in the open market	Passed by the agreement of all committee members.	Relevant operations have been handled in accordance with the resolution
	The Bank's 2020 annual bonus payment standards for the Chairman and Vice-Chairman of the Board of Directors	Passed by the agreement of all committee members.	Relevant operations have been handled in accordance with the resolution
	The Bank's 2020 annual manager evaluation results and bonus payment criteria proposal review	Passed by the agreement of all committee members.	Relevant operations have been handled in accordance with the resolution
6th meeting of the fourth-term Board of Directors 2021.02.01	In line with the reorientation of the Bank's financial services business, the new "Financial Services Assessment Regulations" were formulated and the "Key Points for Assessment of Specialists in Wealth Management Business" were abolished at the same time.	Passed by the agreement of all committee members.	Reported to the Board of Directors and approved by the unanimous decision of the directors present
	Revision of the Bank's "Year-end Bonus Payments".	Passed by the agreement of all committee members.	Reported to the Board of Directors and approved by the unanimous decision of the directors present
7th meeting of the fourth-term Board of Directors 2021.02.22	2020 Employee and Director compensation distributions proposal review	Passed by the agreement of all committee members.	Relevant operations have been handled in accordance with the resolution
	Newly established the "Credit Staff Assessment Regulations" and abolished the "Credit Staff Assessment Points" at the same time	Passed by the agreement of all committee members.	Reported to the Board of Directors and approved by the unanimous decision of the directors present
8th meeting of the fourth-term Board of Directors 2021.03.22	Abolition of the "Compensation System for Business Personnel in the Banking and Insurance Department of King's Town Bank	Passed by the agreement of all committee members.	Reported to the Board of Directors and approved by the unanimous decision of the directors present
9th meeting of the fourth-term Board of Directors 2021.04.26	Revision of the Bank's Employee Stock Ownership Trust Withdrawal Standard effective July 1, 2021	Passed by the agreement of all committee members.	Reported to the Board of Directors and approved by the unanimous decision of the directors present
	2021 Salary Adjustment for Supervisors at Associate Level and Above	Passed by the agreement of all committee members.	Reported to the Board of Directors and approved by the unanimous decision of the directors present
	2021 Manager Salary Adjustment Plan	Passed by the agreement of all committee members.	Reported to the Board of Directors and approved by the unanimous decision of the directors present
10th meeting of the fourth-term Board of Directors	Reference Table for the Remuneration of Directors and General Managers and the Performance of the Company's Operations in the Financial Industry in 2020	Passed by the agreement of all committee	Reported to the Board of Directors and approved by the

2021.08.16		members.	unanimous decision of the directors present
11th meeting of the fourth-term Board of Directors 2021.10.25	Revised the "Financial Services Assessment Method" in line with the development of the Bank's financial services business	Passed by the agreement of all committee members.	Reported to the Board of Directors and approved by the unanimous decision of the directors present
12th meeting of the fourth-term Board of Directors 2021.12.06	The Bank's "Annual Employee Performance Evaluation Measures" and "Annual Bonus Measures" proposal review	Passed by the agreement of all committee members.	Relevant operations have been handled in accordance with the resolution

- II. If the Board of Directors refuses to adopt or amend a recommendation of the remuneration committee, the date of the meeting, session, the content of the motion, resolution by the Board of Directors, and the Bank's response to the remuneration committee's opinion (e.g., if the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified) shall be specified: None.
- III. When any of the members of the Compensation Committee holds objection or reservation to a resolution and such objection or reservation is on record or raised through a written statement, the date, term, content of proposals, opinion from every member and the Company's response to the members' opinions shall be provided in detail: None.

3. Scope of responsibilities of the Compensation Committee

The Compensation Committee shall exercise the care of a prudent administrator to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion:

- (1) Periodically reviewing this Charter and making recommendations for amendments.
- (2) Establish and periodically review the annual and long-term performance goals, and the policies, systems, standards, and structure for the remuneration of the directors and managerial officers of the Company.
- (3) Regularly assess the degree to which performance goals for the directors, and managerial officers of the Bank have been achieved, setting the types and amounts of their individual compensation.

The Committee shall perform the functions referred to in the preceding paragraph in the following manners:

- (1) Ensure that the compensation arrangements of the Company comply with applicable laws and regulations and are sufficient to recruit outstanding talent.
- (2) Performance assessments and compensation levels of directors, supervisors, and managerial officers shall take into account the general pay levels in the industry, individual performance assessment results, the time spent by the individual and their responsibilities, the extent of goal achievement, their performance in other positions, and the compensation paid to employees holding equivalent positions in recent years. Also to be evaluated are the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of the Company.
- (3) There shall be no incentive for the directors or managerial officers to pursue compensation by engaging in activities that exceed the tolerable risk level of the Company.
- (4) For directors and senior managerial officers, the percentage of remuneration to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of the Company's business.
- (5) No member of the Committee may participate in discussion and voting when the Committee is deciding on that member's individual compensation.

The remuneration mentioned in the preceding two paragraphs includes cash remuneration, warrants, bonus and stock ownership, retirement benefits or severance pay, various allowances and stipends, and other substantive incentive measures; and it shall be consistent with the remuneration paid to Directors and managerial officers recorded in the Rules for Records in Annual Report of Public Companies. When the Board of Directors discuss



the Committee's suggestions, it shall consider the amount of remuneration, payment methods, and the Company's future risks comprehensively.

If the Board does not accept or amends the recommendations of the Committee, it shall require a majority vote at a meeting attended by over two-thirds of the Directors. An explanation shall be provided in the resolution based on the aforementioned overall considerations and specifics and whether the remuneration passed in the resolution is superior to the recommendations of the Committee.

If the remuneration passed in the Board of Directors meeting is superior to the recommendations of the Committee, the differences and causes shall be recorded in the meeting minutes of the Board of Directors and published on an information reporting website designated by the competent authority within two days of the meeting.

If the decision-making and handling of any matter relating to the remuneration of directors and managerial officers of a subsidiary is delegated to the subsidiary but requires ratification by the board of directors of the Company, the Committee shall be asked to make recommendations before the matter is submitted to the Board of Directors for deliberation.

## (VII) Implementation of sustainable development and deviations from the Code of Practice for Sustainable Development of Listed and OTC Companies and Reasons

Evaluation Item	Implementation		Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons	
	Yes	No		Summary
I. Has the Bank established a governance structure to promote sustainable development and set up a special (part-time) unit to promote sustainable development, which is delegated by the board of directors to senior management, and is supervised by the board of directors?	✓		<p>The Bank designates the “Corporate Governance and Nomination Committee” as the sustainable development supervision unit. The Committee is composed of at least three directors selected by the board of directors from among themselves, and a majority of the Committee members shall be independent directors.</p> <p>In addition, a "Sustainability Working Group" has been established. The Vice Chairman is the convener of the group, and the Strategy and Operations Department is the integrating unit. Together with other departments and offices in the head office, the group is responsible for formulating and reviewing ESG policies, systems and management guidelines, compiling and planning bank-wide ESG activities, and holding regular meetings to report on implementation results, which are discussed by the Corporate Governance and Nomination Committee and then submitted to the Board of Directors.</p> <p>Four meetings of the Sustainability Working Group were held in 2021. On February 22, 2021 and August 16, 2021, the implementation plans and results will be presented to the Corporate Governance and Nomination Committee for discussion and presentation to the Board of Directors.</p>	No deviation.
II. Does the Bank follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management-related policy or strategy?	✓		In order to fulfill sustainable development, the Bank has established a "Code of Practice on Corporate Social Responsibility" approved by the Board of Directors, a list of significant environmental, social and corporate governance principles, taking into account international trends in sustainable development, policy directions of authorities, important issues of domestic and international industry, concerns of stakeholders, and the impact on the Bank's operations. Based on this list, we evaluate the risks and opportunities of each issue, develop corresponding management strategies, and disclose them through the annual ESG report.	No deviation.
III. Environmental issues (I) Has the Bank established proper environmental management systems based on the characteristics of the industries?	✓		(I) In order to implement energy conservation, the Bank has established the "Energy Conservation and Environmental Protection Standards Implementation Guidelines" and the "Energy Operation Control Manual" to regularly review the energy consumption (water, electricity, waste, etc.) of the head	(I) No deviation.

Evaluation Item	Implementation		Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons							
	Yes	No		Summary						
(II) Is the Bank committed to improving energy efficiency and using recycled materials that have a low impact on the environment?	✓		<p>office compared to the same period last year, and to review monthly the water and electricity consumption of each business unit for any irregularities in order to implement proper environmental management.</p> <p>(II) The Bank gives priority to the purchase and use of building materials, equipment and consumables that have been awarded the Green Building Material Label and the Environmental Protection Label and that meet regulatory requirements. In addition, the Bank has effectively improved the energy efficiency of the entire Bank by replacing branch equipment with energy-efficient LED lamps and separate inverter air conditioners, as well as retrofitting hot and cold aisle cabinet-type precision air conditioners in the server rooms.</p> <p>Due to the nature of the banking service industry, paper consumption is high. The Bank is actively promoting paperless operations through its electronic document system, knowledge management system, and promotion of electronic billing to effectively reduce the use of paper. We are committed to reducing the impact on the environment by fully purchasing PEFC paper, promoting duplex printing, and conducting monthly reviews of paper usage per unit to meet the demand for paper printing.</p>	(II) No deviation.						
(III) Does the Bank evaluate current and future climate change potential risks and opportunities and take measures related to climate-related topics?	✓		<p>(III) Climate change has caused climate anomalies around the world. King's Town Bank uses the TCFD framework to identify the risks posed by climate change to the Bank, focusing on the operational, environmental and social aspects to examine the potential impacts of extreme climate change, and to develop countermeasures and management solutions to reduce the risks associated with climate change and to assess the potential opportunities from them.</p>	(III) No deviation.						
(IV) Does the Bank inspect its greenhouse gas (GHG) emissions, water consumption and total weight of wastes in the past two years? Does the Bank formulate policies on GHG reduction, water reduction or waste management?	✓		<p>(IV) The Bank has set reduction targets for electricity consumption, greenhouse gas emissions and water consumption; with 2017 as the base year, it is expected to reduce 15%, 15% and 10% respectively by 2022 compared to the base year, and disclose the annual greenhouse gas emissions, water consumption and total weight of waste on the website and ESG report to track the effectiveness.</p> <p>The Bank's greenhouse gas emissions and intensity for the past two years (data covering the head office building and 66 branches):</p> <table border="1"> <thead> <tr> <th></th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Scope I</td> <td>29</td> <td>27</td> </tr> </tbody> </table>		2020	2021	Scope I	29	27	(IV) No deviation.
	2020	2021								
Scope I	29	27								

Evaluation Item	Implementation			Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons															
	Yes	No	Summary																
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			<p><b>Specific actions are as the following:</b> Greenhouse gas emissions from the banking services industry are generally low, so if we can effectively achieve energy saving and carbon reduction, it will help to reduce emissions, and the Bank will incorporate energy saving and carbon reduction measures simultaneously when formulating environmental management policies.</p> <p><b>Energy conservation and carbon reduction:</b></p> <ul style="list-style-type: none"> <li>Newly installed and replaced lighting fixtures are fully equipped with energy-saving T5 or LED light fixtures.</li> </ul>																

Evaluation Item	Implementation		Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Yes	No	
			<ul style="list-style-type: none"> <li>The frequency conversion high-power host is adjusted, the constant temperature control device is used, and the average indoor air temperature should not be lower than 26 degrees Celsius.</li> <li>Adjust computer room space configuration and reorganized wiring, and modify hot and cold aisle cabinet type precision air conditioning to improve energy efficiency of the server room.</li> <li>Regulate the billboard light on and off time period according to the daylight time and season.</li> <li>The use of some elevators will be suspended during non-peak hours.</li> <li>Electrical appliances or equipment, such as photocopiers, shredders, computers, lights, elevators, etc., are set to sleep, standby, or auto-sensing functions.</li> </ul> <p><b>Reduction of water use:</b></p> <ul style="list-style-type: none"> <li>Purchase and use products with the Water Conservation Label.</li> <li>Monthly review of the water consumption of the head office and each business unit for any irregularities.</li> </ul> <p><b>Waste disposal management:</b></p> <ul style="list-style-type: none"> <li>In terms of waste management, the Bank has conducted statistics on the amount of waste in the head office building since November 2018. The waste in the head office is divided into three categories: general waste, recyclable waste, and kitchen waste. Waste is weighted before dumping on a daily basis in order to implement waste sorting policy and improve the resource recycling rate.</li> <li>The Bank encourages recourse recycling. For example, the restaurant in the head office does not use disposable tableware, but the company provides environmentally friendly tableware. Paper cups are not provided during meetings. Employees are encouraged to bring environmental-friendly cups in order to realize the effort of waste reduction starting from the employees.</li> <li>We promote paperlessness by using e-filing system and knowledge management system for internal and external document transmission, and double-sided printing of necessary paper documents, etc. We also organize activities to encourage our customers to use e-billing, so that we can exert our influence to reduce the use of paper.</li> </ul>

Evaluation Item	Implementation		Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons	
	Yes	No		Summary
IV. Social issues				
(I) Does the Bank formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(I) The Bank's "Code of Practice on Corporate Social Responsibility" stipulates that the Company shall comply with international human rights and related laws and regulations, and at the same time make reference to the spirit and basic principles of human rights protection as outlined in various international human rights conventions, including the United Nations "Universal Declaration of Human Rights", the "Global Covenant", the "Guiding Principles on Business and Human Rights", and the "International Labor Organization Declaration on Fundamental Principles and Rights at Work", and has established the "Human Rights Policy of King's Town Bank" to protect the basic human rights of all employees, customers and stakeholders. The human rights risk assessment is conducted annually and disclosed on the Company's website.	(I) No deviation.
(II) Does the Bank formulate and implement reasonable employee benefit measures (including remuneration, vacation and other benefits) and appropriately reflect operating performance or results in employee compensation?	✓		(II) The Bank has established the "Rules for the Implementation of King's Town Bank Employee Benefits", "Rules for Special Leave for King's Town Bank Employees", and "King's Town Bank Employee Stock Ownership Association Charter" to provide employees with various welfare measures, including employee stock ownership trusts, marriage and maternity benefits, and bonuses for three festivals. In addition, we have established the "King's Town Bank Working Rules" and "Annual Evaluation Rules for Employees of King's Town Bank" to evaluate employees' attitude, work performance, learning and growth, leadership and management, reward and punishment records every six months, and effectively link the evaluation results with employees' year-end bonuses, salary adjustments, and promotions. <b>Diversity and Equality in the Workplace:</b> The Bank implements the concept of gender equality and continues to build a gender-friendly workplace, with 63.17% female employees and 53.87% female supervisors in 2021.	(II) No deviation.
(III) Does the Bank provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(III) The Bank is committed to building a safe and healthy working environment, and regularly implements relevant education and training to reduce the risk factors of employee safety and health. <b>Health promotion:</b> <ul style="list-style-type: none"> <li>Health screening activities are held every two years, and consultation services are</li> </ul>	(III) No deviation.

Evaluation Item	Implementation		Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Yes	No	
(IV) Has the Bank established effective career development training plans?	✓		<p>provided based on the results of the screening.</p> <ul style="list-style-type: none"> <li>In order to create a healthy workplace environment, we have established the "King's Town Bank Abnormal Load-Promoting Disease Prevention Program," "King's Town Bank Workplace Maternal Health Protection Program," "King's Town Bank Sexual Harm Prevention Program," and "Unlawful Assault Prevention Program in the Performance of Duty" to prevent physical and mental damage caused by unsatisfactory working conditions, improper working hours, or other unlawful assaults in the workplace.</li> <li>Nutritionist is employed in the cafeteria of the head office building to plan and prepare lunch for the staff.</li> </ul> <p><b>Environmental safety:</b></p> <ul style="list-style-type: none"> <li>The Bank has established "Safety and Hygiene Code of Practice", which defines regular maintenance and inspection of equipment or apparatus, and clearly defines work safety and hygiene standards to reduce the chance of hazards.</li> <li>In 2021, we conducted one firefighting team education training, three labor safety training sessions, and four first aid training sessions.</li> <li>Occupational safety and health education and training for new recruits.</li> <li>In 2021, there were 2 commuting accidents with 2 persons (0.21% of the total number of employees at the end of 2021), which occurred in the building where employees live and on their way to work. In addition to health training and traffic safety promotion for employees, we also suggested the building management committee to install more safety measures.</li> </ul> <p>(IV) The Bank has established training programs for staff at all levels and conducts or encourages participation in various internal and external courses according to the qualifications, duties, and professional abilities of employees.</p> <ul style="list-style-type: none"> <li>We organized various on-the-job training for new employees, operation managers and operation supervisors, and be familiar with practical operations.</li> <li>We sent our staff to participate in various professional courses conducted by external organizations to strengthen their</li> </ul>

Evaluation Item	Implementation		Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Yes	No	
(V) Does the Bank comply with relevant laws and regulations and international standards on customer health and safety, customer privacy, marketing and labeling of products and services? Does the Bank develop relevant consumer protection policies and complaint procedures?	✓		<p>abilities in the professional field.</p> <ul style="list-style-type: none"> <li>We hired external professional lecturers to train middle and senior executives and to improve leadership, execution, and organization.</li> </ul> <p>(V) Handle the Bank's marketing and labeling of products and services in accordance with the relevant regulations and circulars of the competent authorities and international standards, and the relevant fees, risks and other cautions are stated in the forms. Regarding customer privacy, we have established institute management policies such as "King's Town Bank Co., Ltd. Personal Data Management Goals and Policies", "Measures for the Security and Protection of Personal Data Files", "Guidelines for Personal Data Risk Assessment Process", "Guidelines for Crisis Management during Personal Data Leakage", "Self-regulatory Guidelines for Customer Data Confidentiality", etc. to implement the protection, management, and utilization of customer personal information.</p> <p><b>Consumer rights policy:</b> The Bank has established "King's Town Bank Policies and Strategies for Fair Treatment of Customers", "King's Town Bank Regulations for Consumer Protection" and "Operational Guidelines for Handling Customer Grievances" to set out the measures to be implemented in consumer protection policies, and has designated a dedicated unit to review the effectiveness of the consumer protection mechanism and report regularly to the Board of Directors.</p> <p><b>Consumer rights grievances procedures:</b> Consumer disputes are handled in accordance with the "Operational Guidelines for Handling Customer Grievances", and customer complaint service hotline and e-mail address have been set up to provide consumers with procedures for filing complaints.</p> <p>(V) No deviation.</p>
(VI) Does the Bank formulate supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights? How is the implementation?	✓		<p>(VI) The Bank has established the "Supplier Management Regulations", which require suppliers to follow relevant regulations on environmental protection, labor health and safety, human rights and ethical risks, and to work with suppliers to promote sustainable development and demonstrate a quality image.</p> <p><b>Implementation:</b></p> <ul style="list-style-type: none"> <li>To realize the ethical management policy of the Bank, contracts are signed only after having full comprehension of the</li> </ul> <p>(VI) No deviation.</p>



Evaluation Item	Implementation		Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Yes	No	
			<p>status of implementation of ethical management of the other party and contract terms shall include clauses stipulating compliance to the Bank's ethical management policies to prevent any business transactions with agents, suppliers or other business partners involved in unethical behavior.</p> <ul style="list-style-type: none"> <li>• When we enter into contracts with suppliers, we stipulate human rights and environmental sustainability clauses in the contracts.</li> <li>• We have established the "King's Town Bank Supplier CSR Self-assessment Form", which covers such aspects as energy conservation management, occupational safety and health, human rights protection and environmental protection, etc. We actively promote suppliers to conduct self-assessment, and through the self-assessment mechanism, we understand the status of suppliers' fulfillment of sustainable development, which serves as a reference item for continuous cooperation with suppliers. In 2021, 27 suppliers have completed the self-assessment, and all the self-assessment results were not in violation of the Bank's ESG philosophy.</li> <li>• For suppliers, such as building construction and renovation co-contractors, involved with high-risk tasks, relevant advocacy was carried out in accordance with Contractor Handover Procedure Hazardous Factors Notice during the kick-off meeting. In addition to requiring contractors to comply with Occupational Health and Safety Regulations, on-site personnel were provided with occupational safety and health training as well as outreach and guidance on preventing hazardous events to reduce workplace injuries. Total of 24 outreach sessions were organized in 2021 and there were no casualties due to workplace accidents.</li> <li>• For suppliers engaged in high-risk work, such as, contractor for building construction and renovation, visit the worksite from time to time; also, the responsible personnel of the Bank shall conduct an onsite inspection with an inspection record kept in accordance with the inspection items of the "King's Town Bank Contractor Safety and Health Checklist." The main contents of the</li> </ul>

Evaluation Item	Implementation		Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Yes	No	
			inspection include whether the provisions of the Occupational Safety and Health Act have been implemented, and the important safety propaganda of the Bank's contractor work hazardous factors notification form. There were 5 field visits and inspections performed in 2021 without any special or significant non-conformity detected.
V. Does the Bank refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Bank? Has the said Report acquire third party certification party verification or statement of assurance?	✓		2018 Corporate Social Responsibility Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards Core Options issued in 2016, and Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies. The report has been externally assured by SGS Taiwan, an independent third-party assurance organization, against the inclusiveness, materiality, responsiveness and impact of the information disclosed in the report, using the Type 1 Medium Assurance Level of the AA1000 AS v3 Assurance Standard.
VI. If the Bank has its own code of ethics in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe the differences between its operation and the code: No deviation.			
VII. Other important information for understanding the implementation of sustainable development:			
<ol style="list-style-type: none"> <li>1. The Bank has issued its first CSR report in 2015 and has been issuing it for seven years since then. The eighth report is expected to be issued in June 2022. The report mainly covers management governance, customer value, social responsibility, workplace well-being and environmental sustainability, etc. Through the annual publication of the report, stakeholders and outsiders can better understand the Bank's sustainable development and operation.</li> <li>2. Or visit the Bank's website - Corporate Social Responsibility at: <a href="https://customer.ktb.com.tw/new/about/b0b73fac">https://customer.ktb.com.tw/new/about/b0b73fac</a></li> </ol>			

## (VIII) Implementation of the Bank’s ethical corporate management performance and its difference from the “Ethical Corporate Management Best-Practices Principles for TWSE/GTSM Listed Companies” and reasons for deviation

Evaluation Item	Implementation Status		Summary	Implementation of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviations
	Yes	No		
I. Establishment of corporate conduct and ethics policy and implementation measures				
(I) Does the Bank have policies and practices for ethical corporate management passed by the BOD and clearly state them in regulations and publicly available documents? Do the BOD and senior management make commitments to actively implement those business policies?	✓		(I) The Bank has formulated the “Ethical Corporate Management Best-Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” with the approval of the Board of Directors as the Company’s ethical corporate management policy. It clearly states that “directors, managers, employees, or persons with substantial control may not commit any unethical conduct in the course of business operations; there must be no unethical conduct. The directors, senior management, and all employees signed the “Ethical Conduct Statement”; also, the “ethical corporate management, anti-corruption, and anti-bribery policy and commitment” was disclosed on the Bank’s global website.	(I) No deviation.
(II) Does the Bank establish an evaluation mechanism for the risk of unethical conduct that regularly analyzes and evaluates business activities with higher risks of unethical conduct in the business scope? Does the Company formulate a plan to prevent unethical conducts, which at least covers the precautionary measures prescribed in Article 7 Paragraph 2 of the "Ethical Corporate Management Best-Practices Principles for TWSE/GTSM Listed Companies"?	✓		(II) 1. The "Procedures for Ethical Management and Guidelines for Conduct" specify the prevention programs and measures for accepting improper benefits, political contributions, donations or sponsorships, infringement on intellectual property rights, conflict of interests, disclosure of confidential information, and insider trading. 2. In August 2021, the Bank prepared and the Board of Directors approved the Bank's “Dishonesty Risk Assessment Report 2021”, which analyzes and assesses the business activities within the Bank's business scope that have a higher risk of dishonesty or are more prone to dishonesty, including the prevention mechanism and internal control measures related to the behaviors in Article 7, Paragraph 2 of the "Ethical Corporate Management Best-Practices Principles for TWSE/GTSM Listed Companies".	(II) No deviation.
(III) Does the Bank establish relevant policies which are duly enforced to	✓		(III) 1. In addition to the “Ethical Corporate	(III) No deviation.

Evaluation Item	Implementation Status		Summary	Implementation of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviations
	Yes	No		
prevent unethical conduct and provide implementation procedures, guidelines, consequences of violation and complaint procedures in such policies?			<p>Management Best-Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct,” the Bank has established the “Working Rules” and “Employee Service Ethics and Code of Ethical Conduct” that include reporting, disciplinary actions and appeals system, so that both employers and employees are committed to the establishment of corporate ethics and professional ethics, and request directors and managerial officers to lead and set a good example and strictly abide by the principle of good faith.</p> <p>2. The labor contract signed by the Bank and all employees contains confidentiality agreements. Employees are responsible for the absolute confidentiality of the business, matters, documents, and customer information under their custody, and may not arbitrarily read or copy the accounting data and documents irrelevant with their job duty; also, that they may not have such information disclosed without complying with the law or being approved and the same requirement applies after their resignation.</p> <p>3. The Bank has formulated relevant disciplinary regulations; also, the personnel who have committed serious violations of ethical conduct will be dismissed or fired.</p> <p>4. The Bank has established a HR Evaluation Committee to conduct review and retrial of employee-related disciplinary action.</p> <p>5. The Bank has established a whistleblower system to encourage internal and external personnel to report unethical conduct or misconduct, and should regularly publicize and educate the subordinates about the whistleblowing system.</p> <p>6. In order to prevent the unethical conduct of directors, managerial officers, and employees using information that is not available in the</p>	

Evaluation Item	Implementation Status		Summary	Implementation of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviations
	Yes	No		
			<p>market to obtain illegal gains, the Bank has established internal regulations, such as, the “Corporate Governance Best-Practice Principles,” “Procedures for Handling Material Inside Information” and “Self-Regulatory Rules on Disclosure of Merger and Acquisition Information” to expressly stipulate that those who know important internal information shall not disclose it to others before the information is made public; those who know the undisclosed internal important information due to the execution of business shall not have it disclosed to others. The Bank and other institutions or personnel who have participated in the Bank’s mergers and acquisitions, important memoranda, strategic alliances, other business cooperation plans, or important contract signing should have the confidentiality commitments signed and enforced truthfully.</p> <p>7. The Bank regularly reviews and amends plans to prevent unethical conducts every year.</p>	
<p>II. Implementation of ethical corporate management</p> <p>(I) Does the Bank evaluate business partners’ ethical records and include ethics-related clauses in the business contracts signed with the counterparties?</p>	✓		<p>(I) The Bank does not engage in business activities with those who have a record of dishonest conduct, and when it enters into contracts with counterparties, the contracts include a statement of the relevant matters in the integrity management clause. The contracts are reviewed for good faith provisions during the contract review process.</p>	<p>(I) No deviation.</p>
<p>(II) Has the Bank established an exclusively (or concurrently) dedicated unit under the BOD to implement ethical corporate management, and report to the BOD on a regular basis (at least once per year) on ethical operation policies as well as precautionary measures against unethical conduct and their implementation information?</p>	✓		<p>(II) The Bank has designated the Corporate Governance and Nominating Committee, which is under the Board of Directors as a dedicated unit to drive ethical management of the Bank. The Committee provided assistance in incorporating ethics and moral values into the Bank’s business strategy and in adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations. The committee also reported on a</p>	<p>(II) No deviation.</p>

Evaluation Item	Implementation Status		Implementation of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviations	
	Yes	No		Summary
(III) Does the Bank establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement such policy properly?	✓		regular basis to the board of directors on supervision of ethical management policy implementation and unethical behavior prevention plans. Last reported on February 2, 2022. (III) The Bank's supervisors at all levels are responsible for assisting the Company in promoting the policy of honest management. All employees may file complaints about conflicts of interest verbally or in writing to the supervisors at all levels, to the head of each business authority and responsibility department, to the head of the Human Resources Department, or to express their opinions directly through the President's mailbox.	(III) No deviation.
(IV) To implement relevant policies on ethical conduct, has the Bank established effective accounting and internal control systems and assign an internal audit unit to develop relevant auditing plans according to the assessment results of unethical conduct risks? Does the Bank inspect the implementation of such auditing plans or assign CPAs to implement the auditing?	✓		(IV) The Bank has established an effective accounting system in accordance with the "Regulations Governing the Preparation of Financial Reports by Listed Banks" by the competent authority, which is available for audit. An unethical act, such as, bribing, bribed, profiteering, fraud and engaging in unfair competition is clearly prohibited in the Bank's "Ethical Corporate Management Best-Practice Principles," "Working Rules" and "Employee Service Ethics and Code of Ethical Conduct;" also, a clear appointment, dismissal, and punishment system are in place to maintain the Bank's credibility. The Bank has indeed complied with the "Regulations Governing the Implementation of Internal Control and Audit System of Financial Holding Companies and Banking Industry" to establish an internal control system. An independent and impartial audit department establishes a rigorous annual audit plan to carry out inspections in order to ensure that the design and implementation of the system are effective continuously.	(IV) No deviation.
(V) Does the Bank regularly hold internal and external educational trainings on operational integrity?	✓		(V) The Bank conducts regular education and training for directors, senior management and all employees related to integrity management, including: 1. In May, 2021, we conducted a course on the "Reporting System Orientation",	(V) No deviation.

Evaluation Item	Implementation Status		Summary	Implementation of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviations
	Yes	No		
			<p>which mainly focused on the reporting system related to the integrity management procedures and conduct guidelines of the Bank. The course also focused on the reporting channels and the way to receive cases.</p> <p>2.The "Principles of Fairness in the Financial Services Industry" was arranged in June 2021, which focused Financial Consumer Protection Act, the financial industry fairness dealing policy, and case studies of financial consumer disputes.</p> <p>3.In August 2021, we conducted the "Integrity Management and Anti-Corruption and Anti-Bribery Policy" course, which mainly focused on the promotion of the integrity policy and specified that directors and all employees should follow the anti-corruption and anti-bribery policy.</p> <p>4.The "Education on Internal Material Information Handling Procedures and Prevention of Insider Trading Related Laws and Regulations, As Well As Self-Regulatory Regulations On Merger And Acquisition Information Disclosure" was arranged in August 2021. The course is mainly to promote internal procedures for handling material information, prevention of insider trading and other related laws and regulations, as well as self-regulatory rules for merger and acquisition information disclosure.</p> <p>5.In September and October 2021, we organized the "Money Laundering Prevention and Anti-Counterfeiting Act Promotion" and "Money Laundering Prevention and Anti-Counterfeiting In-service Training Course", which mainly focus on the promotion of money laundering prevention and anti-counterfeiting regulations and money laundering patterns, as well as the characteristics of corruption and profiteering crimes and money laundering patterns.</p> <p>6.The "Promotion of Personal Data Protection Act" was arranged in November 2021. The course content was mainly to promote the Personal</p>	

Evaluation Item	Implementation Status		Implementation of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons for deviations	
	Yes	No		Summary
			<p>Data Protection Act.</p> <p>7.The “Regulatory Compliance Education and Training” was arranged in every month of 2021.</p> <p>8.In summary, there were 18,187 persons/times and total 13,939 persons/hours arranged in 2021 totally.</p>	
<p>III. Grievance System</p> <p>(I) Has the Bank established a grievance and rewards system and a reporting hotline? Can the employees with alleged violations be reached by an appropriate contact person for follow-up?</p>	✓	(I)	<p>The Bank has established the "Implementation Rules for the Reporting System of King' Town Bank" to regulate the specific reporting system and has set up two convenient reporting channels, including written and email, on the global information network and the bank's internal network. The Compliance Department has been designated as the dedicated unit of the whistleblower system and is supervised by the Head of Compliance of the Head Office, responsible for receiving, assigning, replying, tracking and improving, and keeping records.</p>	(I) No deviation.
<p>(II) Has the Bank established standard operating procedures and confidentiality measures for the investigation of reported incidents?</p>	✓	(II)	<p>1. The special unit of the Bank shall review the types of reported cases and submit them to the investigation unit for investigation and report, and the special unit shall make a report on the reported cases, investigation results and review and improvement measures, and submit it to the president for review or report to the Audit Committee for review according to the subject of the report, and shall notify the complainant of the handling situation in writing or in other ways, and shall notify or report to the relevant authorities if a major incidental or illegal case is found after the investigation. Closing reports should also be compiled and presented to the Board of Directors on a regular basis.</p> <p>2. The identity of the whistleblower, investigation procedures and related documents shall be kept confidential and protected by the Bank. The personnel involved in the acceptance and investigation of a case shall declare in writing that the identity of the informant and the contents of the report shall be kept confidential and that no information identifying the informant</p>	(II) No deviation.



Evaluation Item	Implementation Status		Summary	Implementation of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviations
	Yes	No		
(III) Does the Bank have proper measures in place to protect whistleblowers from reprisals?	✓		shall be divulged. We will also keep records of the acceptance, investigation process, investigation results and related documents in confidential files for at least five years.  (III) The Bank undertakes to protect internal whistleblowers from improper treatment or dismissal, discharge, demotion, reduction in salary, impairment of their rights and interests under law, contract or custom, or other adverse action as a result of the whistleblower.	(III) No deviation.
IV. Enhancing information disclosure Has the Bank disclosed its ethical corporate management policies and results of implementation on the Company's website and the Market Observation Post System?	✓		The Bank discloses the "Ethical Corporate Management Best-Practice Principles", "Code of Conduct for Integrity Management" and "Corporate Governance Best Practices Principles" on its website and the Market Observation Post System. The Bank also discloses its integrity management practices and measures through its website, annual reports, CSR reports and other external documents, and expresses its "Ethical Corporate Management and Anti-Corruption and Anti-Bribery Policy Commitments" on its website.	No deviation.
V. If the Bank has its own code of ethics in accordance with the "Ethical Corporate Management Best-Practices Principles for TWSE/GTSM Listed Companies", please describe the differences between its operation and the code: No deviation.				
VI. Other important information which facilitates a better understanding of the Company's ethical corporate management practices: None.				

## (IX) Corporate governance best-practice principles and related rules inquiry

Please refer to the [Corporate Governance](#) of the Market Observation Post System (<http://mops.twse.com.tw/mops/web/index/>) or the Bank's Global Information Network (<https://customer.ktb.com.tw/new/>) [About King's Town / Corporate Governance / Corporate Governance Information](#).

## (X) Other important information that is sufficient to enhance the understanding of the Bank's corporate governance operation

Please refer to the Market Observation Post System (<http://mops.twse.com.tw/mops/web/index/>) or the Bank's Global Information Network (<https://customer.ktb.com.tw/new/>) About King's Town.

- (XI) Status of internal control  
1. Declaration of internal control

### 京城商業銀行內部控制制度聲明書

謹代表京城商業銀行聲明本銀行於110年1月1日至110年12月31日確實遵循「金融控股公司及銀行業內部控制及稽核制度實施辦法」，建立內部控制制度，實施風險管理，由超然獨立之稽核部門執行查核，定期陳報董事會及審計委員會，並確實遵循前開辦法第三十八條第五款及第三十八條之一規定，與同業公會所定資訊安全自律規範；兼營證券業務部分，確實依據「證券暨期貨市場各服務事業建立內部控制制度處理準則」規定之內部控制制度有效性之判斷項目，判斷內部控制制度之設計及執行是否有效；兼營保險代理人業務部分，確實依據「保險代理人公司保險經紀人公司內部控制稽核制度及招攬處理制度實施辦法」規定之內部控制制度有效之判斷項目，判斷內部控制制度之設計與執行是否有效。經審慎評估，本年度各單位內部控制、法規遵循情形及資訊安全整體執行情形，除附表所列事項外，均能確實有效執行。

本聲明書將成為本公司年報及公開說明書之主要內容，並對外公開。上述公開之內容如有虛偽、隱匿等不法情事，將涉及證券交易法第二十條、第三十二條、第一百七十一條及第一百七十四條等之法律責任。

謹致



金融監督管理委員會



聲明人

董事長：   (簽章)

總經理：   (簽章)

總稽核：   (簽章)

總機構法令遵循主管：   (簽章)

資訊安全長：   (簽章)

中 華 民 國 111 年 2 月 21 日

## Matters to be improved for the internal control system of King's Town Bank and the improvement plan

(Base date: 2021.12.31)

Matters to be enhanced	Improvement Project	Projected date for completion
I. Strengthen the control mechanism of auditing related insurance documents for residential fire insurance business.	<p>1. The "Essentials of Fire Insurance Handling Operations of the Bank Insurance Department of King's Town Commercial Bank" has been established to regulate the delivery of fire insurance, the process of checking and signing of various operations, and the scanning and filing of insurance documents</p> <p>2. Conduct a comprehensive inventory of customers who changed insurance companies during the period listed in the inspection report, resulting in an increase in premiums, and subsidize the difference.</p>	Improvements were completed and a letter was sent to the Bureau of Insurance of the Financial Supervisory Commission on April 15, 2021.
II. Enhance the unimproved items of "General deficiencies of finance institute inspection as of November 11, 2019", about the specific hosts have weaknesses and no renewal or replacement plan has been proposed.	<p>1. Regarding the specific hosts with weaknesses that have not been proposed for renewal or replacement plans, the planning has been completed and the replacement operation has been started and is expected to be completed by December 31, 2022.</p> <p>2. Before the completion of the improvement, the monitoring, detection, early warning and treatment are carried out through the firewall, endpoint and information security mechanism established by the Bank.</p>	The replacement operation is expected to be completed by December 31, 2022.

2. A separate audit report shall be disclosed where an independent registered public accounting firm has reviewed the Company's internal control system: None.

(XII) In the past two years and up to the date of the annual report published, the disciplinary action brought against the Bank and the Bank's major non-conformities and corresponding corrective action:

1. The responsible person or the employee was indicted by the prosecutor for a crime committed in the business: None.
2. Violation of laws that resulted in the Financial Supervisory Commission imposing punishment in accordance with Article 61-1 of the Banking Act. Or a penalty imposed by the Bank on its internal staff for violation of the internal control system, the result of which may have a material impact on shareholders' equity or securities prices. Or for situation that applies to Article 2 of Regulations for FSC to handle violation of financial regulations, impose punishment.
  - (1) On September 7, 2020, the Financial Supervisory Commission corrected the deficiencies involved in the Bank's debt collection practices.  
[Improvement] The Bank has revised relevant control measures and operational procedures to strengthen control.
  - (2) On March 19, 2021, the Financial Supervisory Commission (FSC) imposed two penalties on the Bank including a fine of NT\$1.8 million and given a one-month correction period or violating the Insurance Act in the merger and dissolution of Fusheng Property and Casualty Insurance Agency Co.

[Improvement] The Bank has revised relevant control measures and operational procedures to strengthen control.

3. Disclose any security incident arising from employee fraud or material contingencies or failure to faithfully abide by security maintenance work. If actual losses, whether singly or in aggregate, exceed NT\$50 million in any given year: None.
  4. Other matters that must be disclosed pursuant to Financial Supervisory Commission designation: None.
- (XIII) Significant Resolutions of the Shareholders' Meeting and the Board of Directors for the year of 2021 and as of the end of January 2022

Classification	Date	Case	Resolution	Implementation
Shareholders' Meeting	2021.05.18	Recognition of 2020 financial statements	779,638,320 rights voted in favor, and 208,123 rights voted against, so the proposal was passed as voted.	The relevant reports and statements have been filed with the competent authority for inspection and announcement in accordance with the law and regulations of the Company Act and the Securities and Exchange Act.
		Recognition of 2020 Distribution of Earnings	779,638,406 rights voted in favor, and 199,993 rights voted against, so the proposal was passed as voted.	The distribution base date was scheduled on June 9, 2021 and the payment date was scheduled on June 29, 2021. (Cash dividend per share: NT\$1.8)
		Proposal of amendment to the Company's "Rules Governing the Proceedings of Shareholder Meetings"	780,346,519 rights voted in favor, and 257,453 rights voted against, so the proposal was passed as voted.	The content of the revised document was published on June 4, 2021 on the Company's website and implemented according to the revised content.
		Proposal of amendment to the Company's Directors Election Process	780,293,014 rights voted in favor, and 260,065 rights voted against, so the proposal was passed as voted.	The content of the revised document was published on June 4, 2021 on the Company's website and implemented according to the revised content.
Board of Directors	2021.01.18	Wealth Management Department renamed as "Investment Service Department"	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution
	2021.02.22	Discussion of the "Statement of Internal Control System of King's Town Bank" for 2020	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution
		"Statement on Internal Control System for Anti-Money Laundering and Counter-Terrorism" 2020	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution
		Issuance of the Bank's individual financial statements and consolidated financial statements and report on operations for 2020	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution
		2020 Distribution of Earnings	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution
		Proposal of bad debts written-off	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution
	2021.03.08	Application for Capital increase of NT\$400 million on behalf of subsidiary King's Town Leasing	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution
		Application for Capital increase of NT\$700 million on behalf of subsidiary Wantai Securities	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution
	2021.04.12	Proposal of bad debts written-off	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution
	2021.05.24	Proposal of bad debts written-off	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution
		Increase investment in shares of "Financial Information Co., Ltd."	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution

2021.06.21	Amendment to the Bank's Hierarchical responsibility Schedule	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution
2021.08.20	Application for investment in convertible bonds of Wah Lee Industrial Corporation	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution
2021.08.16	Proposal of bad debts written-off	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution
2021.09.13	Application for investment in first convertible bonds of Phison Electronics Corporation	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution
2021.10.04	Increase investment in shares of "Financial Information Co., Ltd."	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution
2021.11.22	Evaluation of the independence and competence of the Bank's Certified Public Accountants	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution
	Proposal of amendments to the Bank's organizational procedures and the breakdown of responsibilities by level	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution
2021.12.30	Proposal of bad debts written-off	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution
2022.01.17	Relocation of Xinshi Branch	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution
	Application for investment in first convertible bonds of Acbel Polytech Inc.	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution
	Land Acquisition of 207-4 and 208, Feng Gong Section, Nantun District, Taichung, Taiwan	Passed by the attending directors unanimously by being consulted by the Chairman.	Relevant operations have been handled in accordance with the resolution

(XIV) For the year of 2021 and as of the end of January 2022, the directors or supervisors had different opinions that were recorded or documented on important resolutions passed by the board of directors: For the year of 2021 and as of the end of January 2022, the directors or independent directors had no different opinions expressed.

(XV) Summary of the resignation and dismissal of relevant personnel of the Bank (referring to the chairman, President, financial director, accounting director, internal chief auditor, and corporate governance director) in 2021 and as of the end of January 2022: None.

## V. Information on CPA Professional Fees

### (I) Information on CPA Professional Fees

Unit: NT\$ thousand

Name of the CPA firm	Name of CPA	Audit Period	Audit fees	Non-audit fees	Total	Note
Ernst & Young Global Limited	Shih-Chieh Huang; Cheng-Tao Chang	2021.01.01~2021.12.31	2,880	500	3,380	-

Note: The non-audit fee for money laundering prevention and counter-terrorism mechanism is NT\$500 thousand.

(II) Change of CPA firm and the audit fees for the year of the change less that of the previous year, and the amount of audit fees before and after the change, and reasons for the change: None.

(III) Audit fees were 10% less than that of the previous year: None.

**VI. Information on replacement of CPAs within the past two fiscal years or any subsequent interim period:** None.

**VII. Information about Chairman, President, and Financial or Accounting Manager of the Company who has worked with the CPA firm which conducts the audit of the Company or affiliate to said firm in the most recent year:** None.

**VIII. Changes in the share transfer and share mortgage of the directors, supervisors, managerial officers and the individual or affiliated party holding a certain percentage of the voting shares of one bank met the requirements of reporting according to Article 11 of the regulations**

(I) Changes in shareholdings

Unit: Shares

Title	Name	2021		As of January 31, 2022	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Chairman (major shareholder)	Tiangang Investment Co., Ltd. Representative: Chen-Chih Tai (major shareholder)	0	(1,500,000)	0	0
		0	0	0	0
Vice Chairman (major shareholder)	Tiangang Investment Co., Ltd. Representative: Chiung-Ting Tsai	0	Note	0	0
		0	0	0	0
Director	Fu Chiang Investment Ltd. Representative: Chung-Chang Tsai	0	0	0	0
		0	0	0	0
Director	Fu Chiang Investment Ltd. Representative: Ching-Shun Ou	0	0	0	0
		0	0	0	0
Independent Director	Chuan-Fu Hou	0	0	0	0
Independent Director	Chao-Long Chen	0	0	0	0
Independent Director	Hung-Liang Chiang	0	0	0	0
President	Jih-Cheng Chang	174,000	0	0	0
Vice President	Qiwei You	25,000	0	0	0
Chief Auditor	Ching-Chu Pai	40,000	0	0	0
Senior Vice President	Chien-Wei Pan	50,000	0	0	0
Vice President	Chih-Cheng Yu	130,000	0	0	0
Vice President	Pen-Chen Su	79,650	0	0	0
Financial Officer (Vice President)	Chih-Jin Wu	50,000	0	0	0
Vice President and Corporate Governance Director	Chien-Ko Yang	100,000	0	0	0
Vice President	Hung-Sung Shen	50,000	0	0	0
Vice President	Shu-Chen Tsai	100,000	0	0	0
Vice President	Ying-Shih Lu	35,000	0	0	0
Vice President	Ai-Chen Hu (took office on December 21, 2021)	0	0	0	0
Accounting Executive	Yu-Hsuan Chen	0	0	0	0

Note: Corporate director Tiangang Investment Co., Ltd. has multiple seats and the number of pledged shares increased (decreased) in 2021 is the same as the chairman's column.

(II) Transfer of Equity Interests: No equity interests were transferred to/from related parties, thus it is not applicable.

(III) Pledge of equity: The counterparties of equity pledge are not related parties, thus it is not applicable.

**IX. Relationship information, if among the Company's ten largest shareholders anyone is a related party or a relative within the second degree of kinship of another**

Relationships among the company's ten largest shareholders

Base date: 2022.03.11

Name	Share Ownership		Shares Held by Spouse & Dependents		Shares Held under Nominee Accounts		Among ten largest shareholders, name and relationship with anyone who is a related party or a relative within the second degree of kinship		Note
	No. of shares (shares)	Ratio of Shareholding	No. of shares (shares)	Ratio of Shareholding	No. of shares (shares)	Ratio of Shareholding	Title/name	Relationship	
Chen-Chih Tai (*)	78,209,000	6.98%	5,890,000	0.53%	0	0%	None	None	
Tien-Tsan Tsai	72,752,033	6.49%	10,346,139	0.92%	0	0%	Tiangang Investment Co., Ltd.	Spouse of the representative	
							Tianye Investment	Representative's	

Chapter 3 Corporate Governance Report

Name	Share Ownership		Shares Held by Spouse & Dependents		Shares Held under Nominee Accounts		Among ten largest shareholders, name and relationship with anyone who is a related party or a relative within the second degree of kinship		Note
	No. of shares (shares)	Ratio of Shareholding	No. of shares (shares)	Ratio of Shareholding	No. of shares (shares)	Ratio of Shareholding	Title/name	Relationship	
							Company	relative within the second degree of kinship	
							Hsien-Tsund Wang Yi-Ying Chen	Kinship within second-degree	
Hsinray Investment Co., Ltd.	55,326,869	4.93%	0	0%	0	0%	None	None	
Representative of the aforementioned companies I-Li Chuang	214,000	0.02%	0	0%	0	0%	None	None	
Jincheng Construction Co., Ltd.	48,545,000	4.33%	0	0%	0	0%	None	None	
Representative of the aforementioned companies Chun-Chun Chiu	0	0%	0	0%	0	0%	None	None	
Tiangang Investment Co., Ltd. (*)	39,399,025	3.51%	0	0%	0	0%	None	None	
Representative of the aforementioned companies Mei-Yun Tsai S.	10,346,139	0.92%	72,752,033	6.49%	0	0%	Tien-Tsan Tsai	Spouse;	
							Hsien-Tsund Wang Yi-Ying Chen	Kinship within second-degree	
							Tianye Investment Company	Representative's relative within the second degree of kinship	
Mercuries Life Insurance Co. Ltd.	36,239,000	3.23%	0	0%	0	0%	None	None	
Representative of the aforementioned companies Hsiang-Chieh Chen	0	0%	0	0%	0	0%	None	None	
Tianye Investment Company	34,690,325	3.09%	0	0%	0	0%	None	None	
Representative of the aforementioned companies Yi-Ying Chen	23,756,000	2.12%	0	0%	0	0%	Tien-Tsan Tsai	Kinship within second-degree	
							Tiangang Investment Co., Ltd.	Representative's relative within the second degree of kinship	
Hsien-Tsund Wang	29,277,882	2.61%	12,419,667	1.11%	0	0%	Tien-Tsan Tsai	Kinship within second-degree	
							Tiangang Investment Co., Ltd.	Representative's relative within the second degree of kinship	
Yi-Ying Chen (*)	23,756,000	2.12%	0	0%	0	0%	Tien-Tsan Tsai	Kinship within second-degree	
							Tianye Investment Company	Name	
							Tiangang Investment Co., Ltd.	Representative's relative within the second degree of kinship	
CCBC was granted a trust property account by King's Town Bank Employee Stock Ownership Association.	19,257,655	1.72%	0	0%	0	0%	None	None	

Note: (\*) is the number of shares declared by insiders to the competent authority.



**X. Quantity of shareholdings of the same investee by the Bank and Directors, Supervisors, Presidents, Senior Vice Presidents, Vice Presidents, Heads of the various departments and branches, and direct or indirect subsidiaries in proportion to the combined holdings of all**

Base date: December 31, 2021

Invested Companies	Investment made by the Bank		Investment made by directors, supervisors, presidents, senior vice presidents, vice presidents, heads of branches, and direct or indirect subsidiaries		Total Ownership	
	No. of shares (shares)	Shareholding ratio	No. of shares (shares)	Shareholding ratio	No. of shares (shares)	Shareholding ratio
Taiwan Depository and Clearing Corp.	1,587,663	0.36%	0	0%	1,587,663	0.36%
Taipei Forex Inc.	80,000	0.40%	0	0%	80,000	0.40%
Taiwan Futures Exchange	2,099,314	0.50%	0	0%	2,099,314	0.50%
Financial Information Co., Ltd.	6,472,215	1.24%	0	0%	6,472,215	1.24%
Taiwan Stock Exchange Corporation	24,113,498	2.87%	0	0%	24,113,498	2.87%
Sunshine Asset Management Co., Ltd.	37,211	0.62%	0	0%	37,211	0.62%
King's Town International Leasing Co., Ltd	123,946,880	100%	0	0%	123,946,880	100%
King's Town Securities Co., Ltd.	90,000,000	100%	0	0%	90,000,000	100%
Taiwan Incubator SME Development Co.	3,417,440	4.84%	0	0%	3,417,440	4.84%

## Chapter 4 Capitalization

### I. Capital and Shares

#### (I) Sources of capital

Base date: 2022.03.11

Unit: Shares; NT\$

Year and month	Issue price	Authorized capital		Paid-in capital		Note	
		Quantity of Stock	Amount	Quantity of Stock	Amount	Sources of capital	Others
1978.01		20,000,000	200,000,000	20,000,000	200,000,000		Reformed as a bank by order.
1980.03		24,000,000	240,000,000	24,000,000	240,000,000	Shareholder dividend of NT\$30.4 million, special reserve of NT\$9.6 million	MOEA (69) Commerce No. 19797 dated 06.19.1980
1981.05		30,000,000	300,000,000	30,000,000	300,000,000	Dividends of NT\$14.4 million, bonus of NT\$25.2 million, special reserve of NT\$20.4 million	MOEA (71) Commerce No. 09006 dated 03.18.1982
1982.03		40,200,000	402,000,000	40,200,000	402,000,000	Value-added reserve of NT\$45.9 million and special reserve of NT\$56.1 million	MOEA (71) Commerce No. 47072 dated 12.17.1983
1983.10		42,500,000	425,000,000	42,500,000	425,000,000	Special reserve of NT\$23 million	MOEA (72) Commerce No. 51587 dated 12.29.1983
1984.09		45,000,000	450,000,000	45,000,000	450,000,000	Special reserve of NT\$25 million	MOEA (73) Commerce No. 43814 dated 11.10.1984
1985.07		47,500,000	475,000,000	47,500,000	475,000,000	Special reserve of NT\$25 million	MOEA (74) Commerce No. 40767 dated 09.17.1985
1986.06		50,000,000	500,000,000	50,000,000	500,000,000	Special reserve of NT\$25 million	MOEA (75) Commerce No. 37468 dated 08.25.1986
1987.07		52,500,000	525,000,000	52,500,000	525,000,000	Special reserve of NT\$25 million	MOEA (76) Commerce No. 41397 dated 08.18.1987
1988.05		63,000,000	630,000,000	63,000,000	630,000,000	Special reserve of NT\$105 million	MOEA (77) Commerce No. 18642 dated 06.30.1988
1989.06		80,000,000	800,000,000	73,080,000	730,800,000	Special reserve of NT\$100.8 million	MOEA (78) Commerce No. 123964 dated 06.14.1989
1989.11	NT\$180 per share	80,000,000	800,000,000	80,000,000	800,000,000	Capital increase in cash for NT\$69.2 million	MOEA (78) Commerce No. 134390 dated 12.16.1989
1990.06		200,000,000	2,000,000,000	120,350,000	1,203,500,000	Additional paid-in capital of NT\$240 million, special reserve of NT\$160 million, and employee bonus of NT\$3.5 million	MOEA (79) Commerce No. 115085 dated 07.13.1990
1991.06		200,000,000	2,000,000,000	171,500,000	1,715,000,000	Earnings and special reserve of NT\$228.665 million, additional paid-in capital of NT\$277.835 million, and employee bonus of NT\$5 million	MOEA (80) Commerce No. 1199766 dated 09.10.1991
1992.11		227,300,000	2,273,000,000	227,300,000	2,273,000,000	Earnings and special reserve of NT\$274.4 million, additional paid-in capital of NT\$277.83 million, and employee bonus of NT\$5.77 million	(81) MOF. Sec. (I) No. 02348 dated 09.14.1992
1993.08		270,000,000	2,700,000,000	270,000,000	2,700,000,000	Earnings and special reserve of NT\$281.232 million, additional paid-in capital of NT\$144.768 million, and employee bonus of NT\$1 million	(82) MOF. Sec. (I) No. 01649 dated 05.17.1993
1994.03	NT\$53 per share	335,000,000	3,350,000,000	335,000,000	3,350,000,000	Earnings of NT\$390.415 million, additional paid-in capital of NT\$9.585 million, and capital increase in cash of NT\$250 million	(83) MOF. Sec. (I) No. 28035 dated 07.05.1994
1995.03	NT\$43 per share	440,130,000	4,401,300,000	440,130,000	4,401,300,000	Capital increase in cash of NT\$100 million, earnings of NT\$599.204 million, additional paid-in capital of NT\$332.096 million, and employee bonus of NT\$20 million	(84) MOF. Sec. (I) No. 31862 dated 06.10.1995
1996.10		545,762,200	5,457,622,000	545,762,200	5,457,622,000	Earnings of NT\$624.985 million and additional paid-in capital of NT\$431.327 million	(85) MOF. Sec. (I) No. 41979 dated 07.12.1996
1997.11		646,727,022	6,467,270,220	646,727,022	6,467,270,220	Earnings of NT\$578.507 million and additional paid-in capital of NT\$431.151 million	(86) MOF. Sec. (I) No. 65313 dated 08.16.1997
1998.12		724,334,265	7,243,342,650	724,334,265	7,243,342,650	Earnings of NT\$523.849 million and additional paid-in capital of NT\$252.223 million	(87) MOF. Sec. (I) No. 79377 dated 09.15.1998

## Chapter 4 Capitalization

Year and month	Issue price	Authorized capital		Paid-in capital		Note	
		Quantity of Stock	Amount	Quantity of Stock	Amount	Sources of capital	Others
2005.10	NT\$10.7 per share	1,800,000,000	18,000,000,000	1,084,334,265	10,843,342,650	Capital increase in cash of NT\$3.6 billion	(94) FSC. I. Tzi No. 0940132082 dated 08.15.2005
2008.11		1,800,000,000	18,000,000,000	1,069,334,265	10,693,342,650	Treasury stock shares canceled for an amount of NT\$150,000,000	(97) FSC. III Tzi No. 0970050338 dated 09.17.2008 (97) FSC. III Tzi No. 0970055145 dated 10.20.2008
2008.12		1,800,000,000	18,000,000,000	1,051,234,265	10,512,342,650	Treasury stock shares canceled for an amount of NT\$181,000,000	(97) FSC. III Tzi No. 0970068208 dated 12.15.2008
2013.03	NT\$10 per share	1,800,000,000	18,000,000,000	1,201,234,265	12,012,342,650	Private placement of convertible financial bonds converted into equity for NT\$1,500,000,000	(102) MOEA. So.Sun.Tzi No. 10201059550 dated 04.01.2013
2016.02		1,800,000,000	18,000,000,000	1,164,234,265	11,642,342,650	Treasury stock shares canceled for an amount of NT\$370,000,000	(105) MOEA. So.Sun.Tzi No. 10501037030 dated 02.24.2016
2016.03		1,800,000,000	18,000,000,000	1,151,234,265	11,512,342,650	Treasury stock shares canceled for an amount of NT\$130,000,000	(105) MOEA. So.Sun.Tzi No. 10501053730 dated 03.18.2016
2019.02		1,800,000,000	18,000,000,000	1,141,234,265	11,412,342,650	Treasury stock shares canceled for an amount of NT\$100,000,000	(108) MOEA. So.Sun.Tzi No. 10801016600 dated 02.27.2019
2019.10		1,800,000,000	18,000,000,000	1,131,234,265	11,312,342,650	Treasury stock shares canceled for an amount of NT\$100,000,000	(108) MOEA. So.Sun.Tzi No. 10801141640 dated 10.21.2019
2020.05		1,800,000,000	18,000,000,000	1,121,234,265	11,212,342,650	Treasury stock shares canceled for an amount of NT\$100,000,000	(109) MOEA. So.Sun.Tzi No. 10901076840 dated 05.22.2019

## Type of shares

Base date: 2022.03.11  
Unit: Shares

Type of shares	Authorized capital			Note
	Outstanding shares	Unissued shares	Total	
Ordinary share	1,121,234,265	678,765,735	1,800,000,000	Common stock
Preference stock	0	0	0	

## (II) Composition of Shareholders

Base date: 2022.03.11  
Unit: person; share; %

Composition of Shareholders Amount	Government agencies	Financial institutions	Other juridical	Foreign institutions and foreigners	Individuals	Treasury stock	Total
Number of people (persons)	0	15	160	255	47,559	0	47,989
Shareholding (shares)	0	71,940,885	286,219,222	188,903,274	574,170,884	0	1,121,234,265
Shareholding ratio (%)	0%	6.42%	25.53%	16.85%	51.20%	0%	100%

## (III) Diversification of Shareholdings

NT\$10 per share

Base date: 2022.03.11

Range of shares	No. of shareholders	Shareholding (shares)	Shareholding ratio (%)
1 to 999	17,254	4,338,883	0.39%
1,000 to 5,000	22,927	47,917,411	4.26%
5,001 to 10,000	3,830	30,220,411	2.70%
10,001 to 15,000	1,123	14,310,756	1.28%
15,001 to 20,000	772	14,296,526	1.28%
20,001 to 30,000	633	16,252,529	1.45%
30,001 to 40,000	308	11,048,333	0.99%
40,001 to 50,000	215	10,061,449	0.90%
50,001 to 100,000	375	27,364,011	2.44%
100,001 to 200,000	210	30,141,196	2.69%
200,001 to 400,000	126	35,863,743	3.20%

## Chapter 4 Capitalization

400,001 to 600,000	57	27,620,426	2.46%
600,001 to 800,000	25	17,311,995	1.54%
800,001 to 1,000,000	24	21,525,055	1.92%
Over 1,000,001	110	812,961,541	72.50%
Total	47,989	1,121,234,265	100%

Note: Distribution of preferred shares: None

### (IV) List of major shareholders

Base date: 2022.03.11

Name of major shareholder	Shareholding (shares)	Ratio of Shareholding(%)
Chen-Chih Tai	78,209,000	6.98%
Tien-Tsan Tsai	72,752,033	6.49%
Hsinray Investment Co., Ltd.	55,326,869	4.93%
Jincheng Construction Co., Ltd.	48,545,000	4.33%
Tiangang Investment Co., Ltd.	39,399,025	3.51%
Mercuries Life Insurance Co. Ltd.	36,239,000	3.23%
Tianye Investment Company	34,690,325	3.09%
Hsien-Tsung Wang	29,277,882	2.61%
Yi-Ying Chen	23,756,000	2.12%
CCBC was granted a trust property account by King's Town Bank Employee Stock Ownership Association.	19,257,655	1.72%

Note: The top ten shareholders are listed.

### (V) Information on stock price, net value, earnings, dividends per share for the last two years

Unit: NTS

Item	Year	2020	2021	As of January 31, 2022
Market price per share	Highest	40.2	44.6	41.9
	Lowest	25.25	37.6	40.05
	Average	35.47	40.65	40.88
Net value per share	Before distribution	41.66	43.60	42.96
	After distribution	39.85	—	—
Earnings per share	Weighted average shares (thousand shares)	1,120,378	1,120,774	1,121,234
	Earnings per share	4.9	5.02	0.16
Dividends per share	Cash dividend	1.8	—	—
	Stock dividends		—	—
			—	—
	Accumulated undistributed dividend	—	—	—
Return on investment	Price / Earnings Ratio (Note 1)	7.24	8.10	—
	Price / Dividend Ratio (Note 2)	19.71	-	—
	Cash dividend yield rate (Note 3)	5.07	-	—

Note 1: P/E Ratio = Average Market Price per Share / Earnings per Share

Note 2: Price/Dividend Ratio = Average Market Price per Share / Cash Dividend per Share

Note 3: Cash Dividend Yield = Cash Dividend per Share / Average Market Price per Share

Note 4: The dividend payment for 2021 has not been approved by the shareholders' general meeting.

Note 5: In January 2022, the net value per share and earnings per share were calculated by the Bank internally.

### (VI) Dividend Policy and Implementation

#### 1. Dividend policy

The Bank's dividend policy is specified in Article 33-1 of the Articles of Incorporation as follows

If there is a surplus in the Company's annual final accounts after all taxes have been paid, it should be applied to make up for the losses of previous years, and then appropriate 30% legal reserve; also, after having the special reserve appropriated according to law, for the balance amount, if any, thereafter, along with the retained earnings, the board of directors shall propose a distribution plan to the shareholders meeting for approval. For the distribution of dividends, the cash dividends must not be less than 10% of the total dividends

of the current year. The aforementioned dividends distribution principles regarding the cash dividend ratio may be adjusted depending on the Company's business operation requirements and major legal amendments. However, the cash dividend ratio must not be less than 1% of the total dividend. If the distribution of cash dividends per share is for less than NT\$0.1, no dividends will be distributed.

If the Company's accumulated legal reserve equals or exceeds the Company's paid-in capital, or when it meets the sound financial standard set by the competent authority under Article 50, Paragraph 2 of the Banking Act, and the legal reserve is provided in accordance with the Company Act, the legal reserve restrictions on deposits and maximum cash surplus distribution shall not apply.

Before the accumulated legal reserve equals or exceeds the Company's paid-in capital or the ratio of equity fund to risk assets meets the requirements of the Banking Act, the maximum cash dividends distribution shall be handled in accordance with the Banking Act and the requirements of the competent authority.

In summary, the Company's dividend distribution policy is to apply the annual net income to pay tax lawfully, make up for the losses of previous years, and appropriate legal reserve and special reserve, then for the remaining distributable earnings net of the fund reserved for business operation planned is to be distributed as dividend to the shareholders of common stock; also, 0% ~ 60% of the distributable amount shall be appropriated for distribution according to the proposal plan presented by the board of directors to be resolved in the shareholders meeting.

In addition, if there is one of the situations listed in Article 44-1, Paragraph 1 of the Banking Act, it is prohibited to have cash profit distributed or shares repurchased. Before the accumulated legal reserve equals or exceeds the Company's paid-in capital, the maximum cash dividends distribution shall not exceed 15% of the total capital.

2. Proposed dividends distribution at this shareholders' meeting: The Bank's proposed final distribution of cash dividends of 2021 is NT\$2.1 per share.

(VII) The impact of the stock dividends proposed at the shareholders' meeting on the Bank's operating performance and earnings per share: there was no stock dividend distributed in 2021, so, no impact on the Bank.

(VIII) Remuneration of employees, directors and supervisors

1. The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the Bank's Articles of Incorporation:  
According to Article 33 of the Company's Articles of Incorporation, if there are earnings in current year, an amount no less than 0.01% of the earnings shall be appropriated as remuneration of employee and an amount no more than 2% of the earnings shall be appropriated as remuneration of directors. However, when the company still has accumulated losses, an amount equivalent to the loss should be reserved for making up the loss.  
The employees with stock or cash received as remuneration as stated in the preceding paragraph include employees of subsidiary companies that meet certain conditions.
2. Basis for the estimation of the remuneration of employees, directors and supervisors in current period, basis for the calculation of stock shares distributed to employees as remuneration, and accounting treatment for the difference between the actual distribution amount and the estimated amount: the difference is treated as changes in accounting estimates in the next year.
3. Proposal of distribution passed by the Board:
  - (1) Amount of remuneration to employees and directors and supervisors with cash or stock distributed: It was resolved in 2021 to issue cash remuneration for NT\$650,000 to employees, NT\$0 to directors and supervisors that has no significant difference from the estimated annual expense amount.
  - (2) The ratio of the employee remuneration amount with stock distributed to the net income and total employee remuneration on the parent company only or individual financial report in the current period: None.
4. The actual distribution of remuneration of employees, directors, and supervisors in the previous year: The Bank passed the 2020 earnings distribution resolution in the shareholders meeting on May 18, 2021 with NT\$0 to directors and supervisors and NT\$630,000 in cash to employees.

(IX) Repurchase of the Bank's stock shares in 2021 and as of the end of January 2022: None.

**II. Issuance of financial bond**

None.

**III. Issuance of preferred shares**

None.

**IV. Issuance of overseas depositary receipt**

None.

**V. Issuance of employee stock warrant and restricted employee shares**

None.

**VI. Merger and acquisition or transfer of other financial institutions**

None.

**VII. Implementation of the Bank's capital allocation plans**

(I) Plan content: The Bank did not issue financial bonds or handle cash replenishment in 2021.

(II) Implementation: None.

## Chapter 5 Operational Overview

### I. Business activities

#### (I) Principal business of the Bank by business type:

##### 1. Deposit Business

Accept check deposits, savings deposits, time deposits, general deposits, agency collection/payment, and domestic exchanges

##### 2. Loan Business

It is classified as corporate finance and consumer finance. Corporate financing business deals with various lending, bill discounting, issuance of domestic letters of credit, and domestic guarantee businesses; also, consumer financing business deals with personal home mortgage loans and consumer financial operations.

##### 3. Foreign Exchanges Business

Handle foreign exchange deposits, exchanges, imports, exports, foreign currency loans, and guarantee services for foreign currency guarantee payments.

##### 4. Investment Service Business

Help position the risk attributes of customers and provide customers with customized financial planning (including insurance and funds) through the analysis of investment attributes.

##### 5. Trust Business

Handle specific money trust investments in domestic and foreign securities, advance receipt trusts and property trust business.

##### 6. Investment Business

Handle capital movement in New Taiwan Dollar and foreign currency, investment in securities and issuance of financial bonds.

##### 7. Insurance Agent Business

Agent selling life insurance products and property insurance products, etc.

#### (II) The ratio of each business asset and/or revenue to total assets and/or revenue and its growth and changes

##### 1. Asset by business and its growth and changes

Unit: NT\$ thousands; %

Item	2021.12.31	2020.12.31	Amount of increase/decrease	Growth rate (%)
Taiwan Dollar Deposit Business balance	220,325,335	201,359,610	18,965,725	9.42
Foreign Currency Deposit Business balance	32,497,494	25,793,407	6,704,087	25.99
Loan Business balance	209,494,630	187,824,034	21,670,597	11.54
Balance of trust	39,033,637	32,409,117	6,624,520	20.44

Unit: NT% million; %

Item	2021.12.31	2020.12.31	Amount of increase/decrease	Growth rate (%)	
Investment Business	CD of Central Bank of the Republic of China (Taiwan)	18,200	18,900	-700	-3.70%
	Domestic treasury bonds	39,488	39,299	189	0.48%
	Domestic corporate bonds	1,100	1,100	0	0.00%
	Stock	5,967	5,772	195	3.38%
	Fund	0	2,600	-2,600	-100.00%
	REITS	387	387	0	0.00%
	Domestic convertible bonds	61	0	61	-
	Foreign currency securities (excluding foreign stocks)	31,601	34,982	-3,381	-9.66%
	Long-term equity investments	3,463	2,352	1,111	47.24%
Total	100,267	105,392	-5,125	-4.86%	

##### 2. Ratio of each business to operating income (Note: Operating income is the number of individual financial statements)

Unit: NT\$ thousands; %

Item	2021		2020	
	Amount	Proportion (%)	Amount	Proportion (%)

## Chapter 4 Capitalization

Revenue	9,965,165	100.00%	8,708,845	100.00%
Loan Business	5,114,564	51.32%	4,458,374	51.19%
Corporate Banking	4,820,900	48.38%	4,153,619	47.69%
Consumer Banking	293,664	2.95%	304,755	3.50%
Trust Business	29,674	0.30%	29,997	0.34%
Foreign Exchanges Business	529,206	5.31%	501,302	5.76%
Wealth Management	219,941	2.21%	239,542	2.75%
Investment Business	4,045,770	40.60%	3,449,115	39.60%
Others	26,011	0.26%	30,515	0.35%

### (III) 2022 Business Plan

#### 1. Deposit Business

- (1) Grasp the trend of digital development, drive the innovation of business models, actively create a digital financial environment, continue to care and understand the needs of customers in depth, meet the needs of the public financial services, so that customers can enjoy more convenient financial products, and enhance the competitiveness of the financial industry.
- (2) Design products that meet the market need according to the regional characteristics of each business unit; also, implement outbound visits and strengthen community development. The Bank can become a major customer-oriented bank by promoting various activities.
- (3) Actively provide a full range of services to customers, promote the digitalization of financial transactions, increase the digital platform application and online transaction functions, and optimize digital channel services to enhance customer loyalty and adherence to the bank.
- (4) Continue to promote the digitization of financial services and innovative business models, optimize service processes and digital product interfaces and functions, provide customer-friendly user experience, and improve service quality and efficiency.

#### 2. Credit Business

- (1) Adjust our credit products in accordance with market changes and provide suitable financial products according to the characteristics of different customer segments, and provide different lending solutions for various capital needs to meet the financial needs of our customers.
- (2) Review the income of credit products, continue to develop innovative financial products in order to increase the functions and added value of the Bank's credit products.
- (3) Continue to focus on credit guarantee business and cooperate with SME credit granting business to effectively improve capital efficiency and protect creditor's rights; also, actively participate in domestic and international syndicate loans to gradually strengthen credit breadth and enhance market visibility.
- (4) Streamline the workflow and reduce operating costs, we continue to develop the second phase (audit side) of the acquisition system, as well as the appraisal system (movable property portion) and optimize the credit review system.
- (5) Develop systems to provide online services to the Bank and its customers for credit business, in line with the authorities' promotion of "Building a Digital Financial Environment 3.0".

#### 3. Foreign Exchanges Business

- (1) Continue to develop foreign currency digitalization products for Internet banking and mobile banking in response to the epidemic and the increasing demand for digital financial services.
- (2) Continue to promote foreign exchange deposit products to attract and maintain stable foreign exchange funds.
- (3) Promote and optimize Western Union's digital service platform "KING'S PAY" to provide more convenient cross-border remittance services to the public.



- (4) Continue to streamline the foreign exchange operation process and various application forms for the public in order to enhance operational efficiency and service satisfaction.

#### 4. Investment Service Business

- (1) Introduce ESG-related financial products as a priority to support the concept of corporate sustainable management.
- (2) Optimize online trading functions and operation interface to enhance customer experience.
- (3) Continuously strengthen professional training courses for specialized staff to build up financial services capability.
- (4) Continuously promote streamlined and paperless workflow to enhance operational efficiency and complement carbon reduction initiatives.
- (5) Continuously optimize the internal audit and control mechanism.

#### 5. Insurance Agent Business

- (1) Collaborate with high quality insurance companies to strengthen the insurance merchandising courses to facilitate business transformation and promote the Bank's insurance business.
- (2) Increase the proportion of sales of non-savings insurance products in response to the development strategy of financial management business.
- (3) Provide online service and plan the policy information inquiry function of internet banking.

#### 6. Trust Business

- (1) Build a new commodity trading platform in line with the development of financial services.
- (2) Meet the diversified needs of personal or corporate financial planning, transaction security, asset transfer and property preservation through trust functions.
- (3) Sustainable Finance (Social Responsibility): Provide trust products (hospice trusts) that meet the needs of people (senior citizens, people with physical and mental disabilities, single-parent families, or young children).
- (4) Promote the concept of trusts and products to increase the Bank's handling fee income by providing customized trust products.
- (5) Update the operating procedures, regularly promote and strengthen the inspection of the operations in accordance with the regulations of the competent authorities; make every effort to improve the trust service functions and develop a full range of trust business for customers' needs in line with government policies,

#### 7. Financial operations business

- (1) Strengthen asset and liability management, strictly control liquidity risks and improve the efficiency of the Bank's overall capital utilization.
- (2) Maintain a smooth and stable capital movement business in order to cope with the development of branch deposits business.
- (3) Clearly stipulate the operating specifications and authorization scope of various securities investment and derivative financial instrument transactions in order to strictly control various transaction risks.

### (IV) Market Analysis

#### 1. The Bank's business operation regions

The Bank has 66 domestic branches and 1 international financial business branch currently that are located in Yunlin and Chiayi region and major metropolitan areas with 14 offices in the northern region, 4 offices in the central region, 43 branches in the Yunlin, Chiayi and Tainan region, and 5 offices in the Kaohsiung region. All of the offices of the Bank are full-featured branches for a diversified business operation, including wealth management, personal finance and corporate finance, and other diversified banking businesses to provide customers with the highest quality financial services.

#### 2. Future market supply/demand and growth potentials

In May 2021, Taiwan was placed on Level 3 alert due to the outbreak of a local epidemic, which caused the domestic market to freeze, but fortunately, the export industry benefited from the global economic recovery and continued to prosper. After the downgrade to Tier 2 in July, the government adopted relief and revitalization measures to stimulate the domestic consumer market, which, coupled with an accommodating domestic monetary policy, led to brisk trading and record highs in the domestic stock and real estate markets. The global economy is expected to show a stable growth trend in 2022, accompanied by a feverish inflation index and a bottleneck in the supply chain due to the impact of the epidemic, which is expected to lead to adjustments in central banks' accommodative monetary policies, and domestic central banks may follow the footsteps of the U.S. Federal Reserve in raising interest rates. Taiwan's financial market is becoming saturated in terms of supply and demand, especially with the advent of the digital financial era. In response to this trend, domestic financial institutions have been actively using financial technology innovation in recent years to gradually improve the depth of services in physical branches and strengthen the content of digital financial services, so as to be closer to the habits of the public and expand the breadth of financial services, making the overall financial services more popular and at the same time moving toward diversification. The overall financial services have become more popular and diversified.

3. Advantages and disadvantages of competitive niche and development prospects

(1) Competitive favorable factors of the Bank

- A. Operating performance indicators (return on equity, non-performing loans ratio and coverage ratio) are better than the average for domestic banks.
- B. It is a small and medium-sized financial institution with profound local business foundation, long-term loyal customers, and niche advantages.
- C. The gradual establishment of diversified financial businesses such as banking, insurance, leasing and securities will help expand the overall marketing benefits.

(2) Competitive unfavorable factors of the Bank

- A. The deposit and loan business is relatively small in scale; also, most of the branches are located in the Yunlin, Chiayi and Tainan area instead of in the northern and central area of Taiwan that is not conducive to business development.
- B. In the face of competition from large financial holding companies, small and medium-sized banks have seen their business development and profits squeezed.
- C. The entry of pure Internet banking has led to more intense competition in the digital financial market. If the pace of digital transformation is too slow, they will be eliminated from the market.

4. Response measures

- (1) Regularly evaluate branch performance and regional development in order to adjust our business locations and increase our competitiveness.
- (2) Focus on core products, integrate marketing resources, implement cross-marketing, expand business dealings with core customers, and increase overall customer contribution.
- (3) In response to the demands of the digital financial era, we are accelerating the operational efficiency of Personal Internet Banking, Corporate Internet Banking and Mobile Banking to provide customers with a more user-friendly interface and transaction functions.

(V) Financial Instruments Research and Business Development Overview

- 1. Major financial instruments and new business units, the operation scale, profit, and loss in the last two years

(1) Corporate finance:

- A. Support the government's economic revitalization policy and strengthen corporate loans. For small and medium-sized enterprises with insufficient guarantee capabilities, they will be transferred to the SME Credit Guarantee Fund of Taiwan (Taiwan SMEG) for loans. As of the end of 2021, the balance of loans to SMEs was NT\$125,934,078 thousand.
- B. Corporate Finance provides professional and diversified financial instruments and services for various types of SME customers, such as transportation industry, construction industry, tourism industry, civil engineering financing, etc. We understand the actual operating conditions of customers and carry out customized financial and financing structure planning to clarify the source of repayment and reduce overall credit risk.
- C. Actively promote supply chain financing business and regional core industry credit business to enhance product competitiveness.
- (2) Consumer finance:
- A. Actively promote our home mortgage loan business, such as preferential home mortgage loan, wealth management home loan, with an overall mortgage balance of \$18,862,477 thousand as of the end of 2021.
- B. The home mortgage loan business is aimed at a stable development, providing customers with product requirements at different stages, developing local customers in-depth, strengthening customer relationship maintenance and service quality, etc., which is conducive to the long-term and stable development of the home mortgage loan business.
- (3) Trust business:
- Overview of the trust business for the year of 2021: as of the end of December 2021, the balance of specific money trust (fund business) asset was NT\$9,456,028 thousand, and the balance of other trust (including real estate trust and other money trust businesses) asset was NT\$29,577,608 thousand. The total trust assets were NT\$39,033,637 thousand, and the total trust fee income was NT\$110,962 thousand.
- (4) Investment Service Business:
- Major financial instruments and new business segments and their size/gains and losses in the last two years
- A. Continue to increase the number of protection insurance products to meet customers' risk management needs.
- B. Continue to track changes in the market, deliver investment information and allocation recommendations in real-time, and remove products with poor performance or low inventory to focus on the return on investment of our customers' total assets.
- C. Plan to invest in overseas ETFs and then charge a low handling fee for the "King Go Profit" program to help clients reduce their investment costs.
- D. The wealth management service fee income in 2021 was NT\$210,989 thousand.
2. Research and development expenses and results incurred over the last two years, and future research and development plans

(1) Research and development expenses

Unit: NT\$ thousand

Year	2021	2020
Amount	83,735	101,513

(2) Research and development results

- A. Completed the project of sending red packets to the network
- B. Completed the mobile phone number transfer project
- C. Completed the Clink Blacklist system upgrade project
- D. Completed English official website project

- E. Completed the street payment project
- F. Completed Goyee go free account discount rate project
- G. Completed the project of multi-page financial card
- H. Completed OPEN API Phase 1\_Banking Rate Inquiry project
- I. Completed the digital account and securities interface project
- J. Completed the project of credit case flow automation\_acquisition system construction
- K. Completed the project on the 21 commandments control measures
- L. Completed the project of optimizing the account opening process
- M. Completed the integration of Mobile Gatekeeper App into Mobile Banking
- N. Completed the project of MYDATA\_online change of customer's account address
- O. Completed BANK3.0\_Online Consent Inquiry Project
- P. Completed Taiwan PAY payment\_spending debit project
- Q. Completed Taiwan Dollar core system upgrade project
- R. Completed the server room renovation project
- S. Completed database auditing system upgrade project

(3) Future research and development plans and estimated research cost

Project in the most recent year	Further R&D expense (NT\$ thousand)	Projected date for completion
Securities online account opening	0	January 2022
Securities Drawings in lieu of Advances Project	0	February 2022
OPEN API Phase 2_Taiwan Dollar Balance and Transaction Details Inquiry	0	March 2022
Legal compliance integration platform project	2,000	December 2022
Optimize personal marketing consent review mechanism	0	April 2022
Optimize MAIL's immediate and validity review mechanism	0	April 2022
Small OTP validation for enterprise network	0	May 2022
Online Clearing Project	1,000	June 2022
National Payment Platform	0	July 2022
Statement Simplification Project	0	July 2022
Demand form online sign-off system	4,600	December 2022
Foreign exchange core system upgrade	0	December 2022
Wealth Management System Upgrade	20,000	August 2023
Fund System Upgrade	20,000	August 2023
ATM Interface Upgrade	4,000	December 2022
Online Enrollment System	6,000	December 2022
HSM EOS Retirement Upgrade	2,000	December 2022
Upgrade of the Joint Inquiry System	4,000	December 2022

Note: The estimated completion time is based on the original planning and design, and will be adjusted depending on business process changes or other project schedules.

(VI) Long-term and short-term business development plans

1. Short-term business development plan

- (1) Grasp the trend of digitalization, drive the innovation of business models, provide more diversified and convenient financial services to the public and enterprises, and enhance the competitiveness of the financial industry.
- (2) Actively provide a full range of services to our customers, promote digital financial transactions, and use digital technology to develop new channels and digitalize branch services to enhance loyalty and adhesion

to the Bank.

2. Long-term business development plan

- (1) Focus on niche financial instruments and promote businesses that focus on service fee income in response to changes in the financial environment and business needs.
- (2) Continuously streamline operations, reduce operational risks, improve operational service efficiency, and provide customers with quality financial services.
- (3) Review the economic development of each region and the performance of our branches, and propose branch relocation plans in a timely manner to enhance our competitiveness.
- (4) Strengthen the leadership and management skills of supervisors at all levels and accelerate the cultivation of reserve staff in order to strengthen the foundation of sustainable management of the Bank.
- (5) Fulfill our corporate social responsibility, promote employee welfare and cultivate local communities.

## II. The information of employees within the past two years and up to the printing date of the annual report

### (I) Information on Employees

Year		2020	2021	As of January 31, 2022
No. of employees	Managerial positions	277	297	298
	Employees	676	667	673
	Total	953	964	971
Average age		39.9	39.5	39.5
Average year of services		12.4	12.8	13
Academic distribution ratio	Master degree and above	9.8%	10%	10%
	College, Institute and University	81.9%	83.3%	83.3%
	Below senior high school	8.4%	6.6%	6.5%
Professional certificate held by employees	Qualification exams for Securities Specialists	137	173	186
	Qualification exams for Senior Securities Specialists	88	90	92
	Qualification exams for Securities Investment Analysts	8	5	5
	Securities Investment Advisory Salesperson	62	63	64
	Qualification exams for Futures Trading Analysts	69	62	63
	Proficiency Test for Trust Operations Personnel	683	704	712
	Proficiency Test for Financial Planning Personnel	186	171	173
	Proficiency Test for Bank Internal Control and Audit	640	666	669
	Basic Proficiency Test for International Banking Personnel	101	103	105
	Basic Proficiency Test for Bank Lending Personnel	206	227	233
	Advanced Proficiency Test for Bank Lending Personnel	8	8	8
	Qualification exams for Personal insurance agent	7	6	5
	Qualification exams for Property insurance agent	5	4	4
	Qualification exams for Personal insurance broker	3	4	4
	Qualification exams for Property insurance broker	4	4	4
	Qualification exams for Personal	806	829	837

	insurance representative			
	Qualification exams for Property insurance representative	765	801	810
	Qualification exams for Investment-orientated insurance product representative	514	507	510
	Qualification exams for Foreign Currency Payment and Non-Investment Commodity Test	499	529	532
	Certified Financial Specialist for Small and Medium Enterprises	27	26	26
	Qualifications of structured product sales personnel	155	137	138
	Professional Exam for Anti-Money Laundering and Countering Terrorism Financing Specialist	285	294	298
	Basic Competency Test for Risk Management	4	10	11
	Basic Test on the FinTech Knowledge	23	29	32
	Basic Competency Test for Corporate Governance	6	8	8
	Chartered Financial Analyst (CFA)	1	2	2
	Financial Risk Management Analyst (FRM)	1	1	1
	Advanced Financial Management Associate (AFMA)	0	1	1
	Certified Anti-Money Laundering Specialist	1	1	1
	Lawyer	2	3	3
	International Certified Internal Auditor	1	1	1
	Certified Information Systems Auditor	1	1	1
	ISO 27001 Lead Auditor	0	1	1
	ISO 22301 Operations Continuity Management	0	1	1
	Certificate in Corporate Sustainability Management	0	2	2

(II) The Bank's personnel related to the transparency of financial information have obtained the relevant licenses specified by the competent authorities as follows:

Relevant department	Relevant certifications specified by the competent authority	No. of person obtained
Auditing Department	Bank Internal Controller and Internal Auditor Test (Taiwan Academy of Banking and Finance)	13
	CIA International Internal Auditor	1
	Certified Information Systems Auditor	1
	Certified Anti-Money Laundering Specialist	1
Administration Management Department	Bank Internal Controller and Internal Auditor Test (Taiwan Academy of Banking and Finance)	11
	SME Financial Staff Test (Ministry of Economic Affairs, Taiwan)	1

Relevant department	Relevant certifications specified by the competent authority	No. of person obtained
	Academy of Banking and Finance)	
	Enterprise Internal Controller Competency Test (Securities and Futures Institute)	1
	Basic Competency Test for Corporate Governance	5
	Certificate of Competence for Energy Manager Training	1
Treasury Department	Bank Internal Controller and Internal Auditor Test (Taiwan Academy of Banking and Finance)	10
	Chartered Financial Analyst (CFA) Level 2	1
Risk Management Department	Bank Internal Controller and Internal Auditor Test (Taiwan Academy of Banking and Finance)	15
	Basic Competency Test for Risk Management (Taiwan Academy of Banking and Finance)	6
	Financial Risk Management Analyst (FRM) ( Global Association of Risk Professionals)	1
	ISO 27001 Lead Auditor (SGS Academy)	1
	ISO 22301 Operations Continuity Management	1
	Chartered Financial Analyst (CFA) Level 3	1
Compliance Department	Bank Internal Controller and Internal Auditor Test (Taiwan Academy of Banking and Finance)	8
	Anti-Money Laundering and Counter-Terrorism Financing personnel test (Taiwan Academy of Banking and Finance)	6
	Lawyer	2

## (III) Employee education and training

In response to changes in the financial environment and to maintain corporate competitiveness, the Bank has strengthened the development of its human resources and promoted the concept of lifelong learning, encouraged employees to pursue growth through learning and stimulated their personal potential, and continued to commit resources training courses. The goal is to use training activities to improve knowledge and skills required for jobs, improve efficiency and service quality and facilitate personal career development of employees. Our results for 2021 education and training courses are as follows:

Courses	Number of classes	Total number of persons	Total hours	Total cost
Profession training	937	87,975	36,457	3,381,320
Training for new recruits	2	32	430	
Compliance and Anti-Money Laundering Act Compliance Course	19	267	3,477	
Legal Compliance Course for Trustees	10	617	3,620	
Information security education training	2	1,872	2,808	
Financial Consumer Protection Act	1	84	294	
Training on Communication Functions	3	100	770	
Labor safety training	4	22	408	
Self-defense firefighting team training	1	30	90	
Total	979	90,999	48,353	

## (IV) Managers participating in continuing education and training related to corporate governance:

In 2021, 10 managers participated in a total of 66.5 hours of classes in corporate governance.

Title	Name	Training date	Organizer	Course name	Training hours
President	Jih-Cheng Chang	2021.10.04	Securities and Futures Institute	Corporate Governance and Compliance (Anti-Money Laundering and Fair Treatment Principles & Establishment and Management of Corporate Compliance System)	6
Vice President	Chih-Cheng Yu	2021.10.04	Securities and Futures Institute	Corporate Governance and Compliance (Anti-Money Laundering and Fair Treatment Principles & Establishment and Management of Corporate Compliance System)	6
Vice President	Qiwei You	2021.10.04	Securities and Futures Institute	Corporate Governance and Compliance (Anti-Money Laundering and Fair Treatment Principles & Establishment and Management of Corporate Compliance System)	6
Vice President	Ching-Chu Pai	2021.10.04	Securities and Futures Institute	Corporate Governance and Compliance (Anti-Money Laundering and Fair Treatment Principles & Establishment and Management of Corporate Compliance System)	6
Vice President	Chien-Ko Yang	2021.06.18	Taiwan Stock Exchange	Training on Climate Related Financial Disclosures (TCFD)	3
		2021.09.01	Financial Supervisory Commission, Executive Yuan	The 13th Taipei Corporate Governance Forum	3
		2021.10.04	Securities and Futures Institute	Corporate Governance and Compliance (Anti-Money Laundering and Fair Treatment Principles & Establishment and Management of Corporate Compliance System)	6
Vice President	Hung-Sung Shen	2021.10.04	Securities and Futures Institute	Corporate Governance and Compliance (Anti-Money Laundering and Fair Treatment Principles & Establishment and Management of Corporate Compliance System)	6
Manager	Hui-Chen Yu	2021.10.04	Securities and Futures Institute	Corporate Governance and Compliance (Anti-Money Laundering and Fair Treatment Principles & Establishment and Management of Corporate Compliance System)	6
Manager	Chin-Yun Ho	2021.06.25	Securities and Futures Institute	Forum on "Strengthening Institutional Investor Due Diligence Governance and Promoting Sound Capital Market Development"	3.5
		2021.06.18	Taiwan Stock Exchange	Training on Climate Related Financial Disclosures (TCFD)	3
Manager	Shih-Chi Chuang	2021.10.04	Securities and Futures Institute	Corporate Governance and Compliance (Anti-Money Laundering and Fair Treatment Principles & Establishment and Management of Corporate Compliance System)	6
Manager	Hung-Pei Hsien	2021.10.04	Securities and Futures Institute	Corporate Governance and Compliance (Anti-Money Laundering and Fair Treatment Principles & Establishment and Management of Corporate Compliance System)	6

## (V) Protection measures for employees' working environment and employees' personal safety

1. The Bank has security systems and security personnel at its business premises to maintain the safety of the workplace and its employees.
2. Establish occupational safety and health rules and hold occupational safety and health training for employees every year to achieve the goal of zero workplace accidents and ensure the safety and health of all employees.
3. In 2021, we held a firefighting self-defense team exercise to enhance employees' general knowledge of firefighting and disaster prevention.

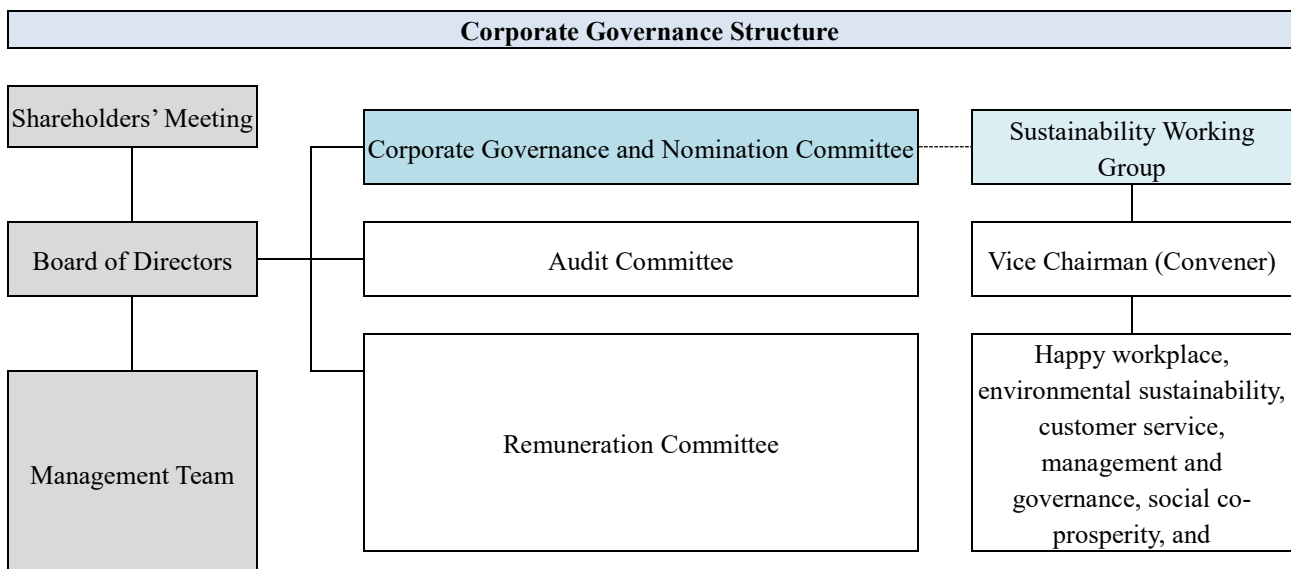


4. In 2021, we conducted 1 firefighting team training, 3 sessions with 8 participants for labor safety, 4 sessions of 13 participants for first responders, and 1 session with 1 participant for fire prevention managers for a total of 498 hours.

### III. Corporate social responsibilities and ethical conduct

The goal of "becoming a better company" is the goal that King's Town Bank strives to achieve. A successful company does not only pursue the growth of profits, but in the process, through the influence of the Company, allows the effective distribution of resources, the stability of society, and the vitality of the environment. In addition to the Corporate Governance and Nomination Committee, which is the supervisory unit for ESG, King's Town Bank has also established the Sustainability Working Group, with the Vice-Chairman as the convener, to plan, execute, promote and review the implementation of sustainable development. King's Town Bank's implementation of sustainable development is reflected in five aspects:

- (I) Strengthen corporate governance, implement compliance with laws and regulations, and emphasize risk control.
- (II) Protect customers' rights and interests, develop digital finance and enhance customer experience.
- (III) Cultivate local talents, constructing a happy workplace, and affirm gender equality.
- (IV) Serve the community, bridge the gap between urban and rural areas, and support arts and cultural activities.
- (V) Promote sustainable finance, create a green environment, and mitigate climate change.



<b>King's Town Bank Summary of 2021 Sustainable Development Initiatives</b>	
<b>Customer care</b>	<ol style="list-style-type: none"> <li>1. Launching a number of digital financial products and services in 2021, such as: "Taiwan Pay spending debit and P2P transfer", "cell phone portal interbank transfer service", new "street payment", the first phase of Far EasTone's Friday Banking+ (Open API) service is online, and eATM adds "Apply for Internet Banking Service".</li> <li>2. King's SPEED PAY is a new Western Union remittance channel jointly launched by the Bank and Western Union to enhance the convenience of overseas remittance services for local people. In 2021, King's SPEED PAY registered 9,095 people and made 15,387 remittances, a significant increase from the number of registrations and remittances made in the same period last year.</li> <li>3. In recent years, the Bank has been committed to enhancing digital customer retention. By the end of 2021, the number of digital channel customer transactions was 2.14, which is higher than the target value set. In addition, the Bank has continued to cultivate its existing customers and has achieved 6,385 revitalized existing customers in 2021.</li> <li>4. King's Town Bank values the customer experience and takes every feedback from our customers seriously, for which we continue to optimize our products and services. A total of 1,840 valid questionnaires were collected in</li> </ol>

**King's Town Bank Summary of 2021 Sustainable Development Initiatives**

the customer satisfaction survey conducted in November 2021, and the survey result was 92.9%. 89% of the customers were satisfied with the digital services provided by King's Town Bank. A total of 25 complaints were received in 2021, all of which were completed with an average processing time of 2.12 days.

**Environmental protection**

1. ISO50001 energy management system certification renewal will be completed in September 2021.
2. Participated in the "2021 Annual Tainan Environmental Education Management and Promotion Plan" of the Environmental Protection Bureau of Tainan City Government, and made green purchases for a total of NT\$5,180,987.
3. The bank's electricity consumption in 2021 was 4,037,998 kWh, which was 21.26% less than the base year of 2017.
4. The bank's water consumption in 2021 was 19,719 kWh, which was 10.14% less than the base year of 2017.
5. Greenhouse gas emissions of 2,054 (metric tons of CO<sub>2</sub>e/year) in fiscal 2021 were 28.26% lower than the base year of 2017.
6. Since 2012, we have installed solar energy installations at the head office and are planning to build solar energy branches. At the end of 2021, King's Town Bank generated 41,784 kWh of green electricity, which is equivalent to a reduction of 20.98 tons of carbon emissions.

**Social welfare and community participation**

1. In 2021, the Bank organized and participated in 326 community care activities, with 2,594 volunteers, 5,341 volunteer hours, and 19,803 beneficiaries. 3 high school financial education seminars were held, bringing together outstanding bank staff from the capital's banking departments to serve as senior lecturers, allowing students to gain a better understanding of financial knowledge and benefiting 480 students.
2. In 2021, the Bank successfully stopped 101 frauds with a value of approximately NT\$9.14 million, and the Bank's meritorious officers have been repeatedly awarded by local police units.
3. We have cooperated with 10 schools and departments, including National Cheng Kung University, Ming Chuan University, Taipei University of Commerce, National Taiwan University, Shih Chien University, Huwei University of Science and Technology, Evergreen University, Chaoyang University of Science and Technology, Nanhua University, and Southern Taiwan University of Science and Technology.
4. Since August 2020, the Bank has participated in the "Youth Flagship Employment Program" of the Labour Development Department, with senior staff of the Bank serving as workplace training instructors to provide a "learning-by-doing" pathway for fresh graduates, helping young people to gain practical and useful professional skills for their future career development. As of January 12, 2022, a total of 76 people have been recruited.
5. We have sponsored the Tainan Arts Festival, Angel Heart Family Foundation, Teach for Taiwan Foundation, Astringent Zhi-Lan Elite Development Association, and Farmers' Pineapple Gift Boxes, etc. We have also provided free space to the Southern Tainan Family Support Parent-Child Happy School and the Love Self-Made Learning Association, and participated in various local community activities.

**IV. Number of full-time employees other than supervisors, full-time employee average salary and means**

	2020	2021	Growth rate
Number of full time employees (person)	824	833	1.09%
Full-time employee average salary (Thousands)	791	846	6.95%
Full-time employee salary means (Thousands)	723	763	5.53%

**V. Information equipment**

(I) Configuration and maintenance of major information systems

1. Host

- (1) Core system host hardware: use IBM i Series P9 model 9009-41A host.
- (2) Core system host software: use IBM OS/400, DB2/400.

- (3) Foreign exchange host hardware: use IBM i Series P5 9406-520 host.
- (4) Foreign exchange host software: use IBM OS/400, DB2/400.
- 2. Open system Microsoft platform part
  - (1) Hardware:
    - ◆ Open system servers: Use IBM, Lenovo or HP servers.
    - ◆ Disk drives: Use HP, IBM and Lenovo disk drives.
  - (2) Software:
    - ◆ Operating systems: Windows Server, Red Hat Enterprise Linux.
    - ◆ Database: Mainly MSSQL DB.
- (II) Future development and purchase plan
  - 1. Host: Foreign exchange host upgrade.
  - 2. Network
    - (1) Application Firewall (WAF) retirement upgrade.
    - (2) Endpoint Protection System MDR upgrade build.
    - (3) Endpoint management system enhancement.
    - (4) Strengthen the information security monitoring system.
- (III) Emergency backup and security protection measures
  - 1. Emergency backup measures
    - (1) Host: use IBM POWER HA off-site redundancy solution to synchronize the local data to the DR redundancy center to ensure the DR data synchronization.
    - (2) Open system platform: important servers use Storage Area Network (SAN) technology for data redundancy offsite to ensure DR data synchronization.
    - (3) Network: Build the important routers and switches in HA mode in terms of network system redundancy to ensure the quality of network connection. Use fiber optic MPLS line with 4G redundancy for business unit line.
  - 2. Safety protection measures
    - (1) In addition to implementing general security measures in the server room, strengthening fire safety facilities, environmental monitoring, and early warning functions, the Bank has strengthened its information security measures by using firewalls, anti-virus systems, intrusion detection, and other information security equipment from major international manufacturers, and by layering security measures in the external service system according to the service area of influence. We continue to build a safe and efficient internal operational management and external collaborative trading environment to enhance our core competencies.
    - (2) Network traffic contract with ISP to adopt information security fleet solution, and activate traffic cleaning service for website malicious attack protection when necessary.
    - (3) Cooperate with the automatic information security monitoring system mechanism to achieve effective monitoring and timely protection and maintain the security of the network and system environment.

## VI. Information Security Management

Digital technology innovation changes people's life style, especially financial technology (FinTech); web application, mobile application, digital currency, block chain, mobile payment, API, biometrics..., prompting huge changes in the financial industry and creating many new opportunities, however, they also face many information security risk issues, such as: Cyber attacks, inadequate identification of users, money laundering or fraud, and leakage of personal information...etc.

In order to properly respond to the risks and opportunities brought about by digital technology, the Bank has established a sound management structure and system, improved hardware and software, and provided education and training to prevent beforehand and respond in the event. The results for 2021 are as follows:

### Management Structure and System

- Implemented ISO 27001 international information security management standard
- Information Security Committee will be held in 2021: 4 times
- Annual report to the Board of Directors on the overall implementation of information security in the previous year

### Continuity of information system operation

- Number of core accounting server crashes. 0 times
- Personal Internet Banking / Mobile Internet Banking / Corporate Internet Banking Usage Rate: 100%

### Education, Training and Certification

- Conducted 2 internal information security seminars and 1 information security course evaluation, with a 100% awareness rate and 2,853 trainees, with an average test score of 98.64.
- International Information Security Licensees 5 persons

(I) Ares security risk management framework, Ares security policy, specific management plan and resources invested in Ares security management.

#### 1. Information Security Risk Management Framework

The Bank's Information Office is the information security enforcement unit and the first line of defense for information security internal control. In August 2015, the Board of Directors approved the establishment of the Information Security Section of the Risk Management Department as a special unit for information security, which is the second line of defense for information security internal control and is responsible for planning, promoting, monitoring and managing the information security management system (ISMS) in order to enhance information security management. The Audit Department, an independent information security audit unit under the Board of Directors, plays the role of the third line of defense for information security internal control and is responsible for information security audits to ensure the implementation of management practices.

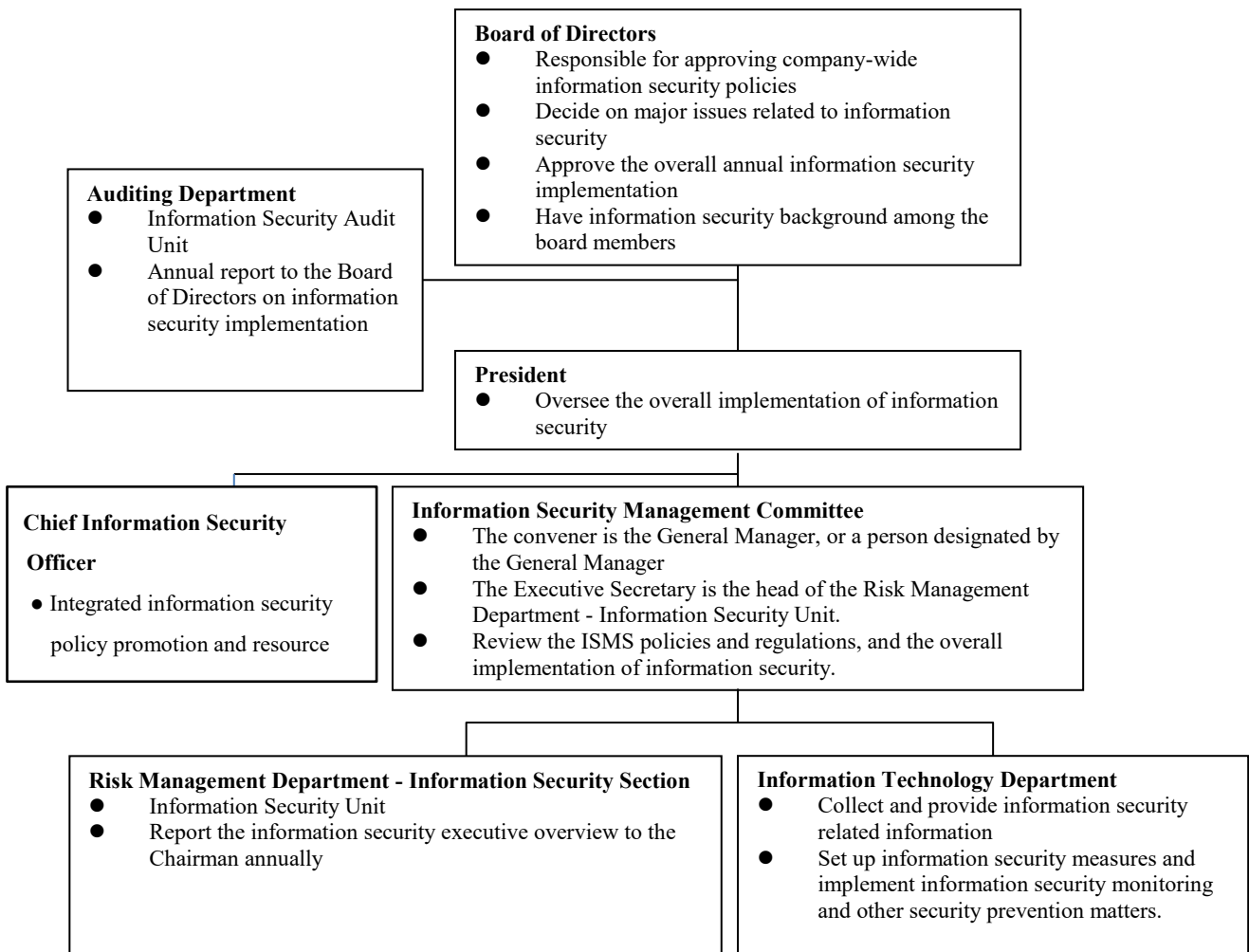
In order to improve the Bank's ISMS and comply with all changes in information security regulations and government regulations, and to reduce the impact of risks arising from information security, the Information Security Management Committee was established in November 2015 to review the policies and regulations of the ISMS and the overall implementation of information security, and the Information Security Section of the Risk Management Department, a dedicated unit for information security, reports annually to the Chairman of the Board of Directors. The Information Security Management Committee is responsible for reviewing the policies and regulations of ISMS and the overall implementation of ISMS. The Committee has a convener, who is appointed by the President or designated by the President, and members are appointed by or from the Risk

Management Department, Information Technology Office, Digital Service and Business Department, Legal Compliance Department and the department head of the unit designated by the convener. The Committee holds a regular management review meeting at least once a year, or from time to time as necessary. The main tasks are as follows:

- (1) Propose the information security policy of the Bank.
- (2) Promote the information security management system.
- (3) Assess the infrastructure of the information security management system.
- (4) Handle and review major information security incidents.
- (5) Major issues or discussions related to information security proposed by each unit.
- (6) Annual review of the overall implementation of information security measures.
- (7) Discussion of other information security issues.

To strengthen the information security management structure, the Bank has created the post of Chief Information Security Officer on December 21, 2021 to oversee the promotion of information security policies and resource allocation.

**\*Information Security Risk Management Framework**



2. Information security policies

King's Town Bank has an "Information Security Policy" to protect the confidentiality, integrity and availability of the Bank's information assets. To ensure the security of information collection, processing, transmission, storage, and circulation, including the risk of improper use, leakage, tampering, or destruction. In addition, we

formulate relevant procedures and instructions in accordance with the "Information Security Policy" for all employees, outsourced service providers and visitors to follow, and report on the implementation of relevant regulations at the Information Security Management Committee.

3. Specific Management Solutions

The Bank's ISMS standard is built in accordance with the ISO 27001 international information security standard and will continue to be reviewed and refined, and is expected to obtain ISO 27001 certification by the end of 2022 in order to comply with the latest development trends in information security-related laws, technologies, organizations and operations. In addition, in accordance with the requirements of the competent authorities, laws and regulations, and the Bank's ISMS regulations, we will implement relevant control measures to build and strengthen the full range of information security capabilities. The specific management plan is as follows.

(1) Information Security Protection and Inspection Analysis

- Establish the information security monitoring center platform for real-time information monitoring and presentation of statistical data.
- Establish backup lines and "Distributed Denial of Service (DDoS) Detection and Traffic Cleansing Protection" for network lines used by critical businesses.
- Regular information security evaluations are conducted by external professional vendors, including information architecture review, network activity testing, security settings review, vulnerability scanning, penetration testing, compliance review, etc. In accordance with the internal information security management regulations established by King's Town Bank, the significant risks and high-risk items in the evaluation report are regularly reviewed and improvement measures are tracked in the Information Security Management Committee to ensure information security is not compromised.
- Regularly update the information security hardware and software to effectively and instantly detect and block network attacks.

(2) Information Security Emergency Response Exercise

In order to ensure that in the event of a sudden and major disaster to information services, through contingency measures to minimize the impact on business and resume operations in the shortest possible time, King's Town Bank has established the "Operation Continuity Management Procedures", "Information Security Incident Management Procedures", "ATM Information Security Incident Emergency Response Plan", "Information Technology Department Denial of Service Attack Handling Instructions", "Open System Backup Exercise Plan Instructions", etc., and arranges drills every year to minimize the impact on information security through familiarization with proper operating procedures. A total of 33 exercises have been conducted during the year, and a summary of the exercises is as follows, which have been submitted to the Information Security Committee for review:

Personal Information Breach Exercise	System host redundancy drill
ATM information security incident emergency response procedure drill	DDos attack emergency response procedure drill
ATM front-end processing system redundancy switch exercise	SWIFT Information Security Emergency Response Procedure Drill
Social Engineering Exercise	SWIFT system redundancy exercise

4. Investing in resources for information and communications security management

- (1) Human Resources: There are 90 employees in total, including a chief of information security, 3 employees in the second line of defense information security promotion unit, and 86 employees in the first line of defense information security implementation unit.
- (2) Cost: A total of NT\$12,849,000 has been invested in information security.

- (3) Education and training: The Bank's company-wide participation rate in information security testing and passing rate is 100%. We have also conducted 3,356.2 hours of internal and external information security related courses, of which 96.9% were of internal education and training courses, while 5.1% were external. In addition, the information security promotion unit conducts information security awareness training twice a year for the whole company. The topics of the awareness training are planned according to the laws and regulations and current internal and external threat events, and the topics are as follows:

No.	Summary
1	Risky Internet Behavior
2	Social engineering (email) attacks
3	IoT Internet of Things
4	Police Department Business Mail Fraud Prevention
5	What is Information Security
6	Smartphones: Possible Threats and Cases
7	Smartphones: How to use safely
8	Password Security
9	Phishing Site (Email) Attack
10	King's Town Bank Information Security Policy
11	Information Security Sub-Policy of King's Town Bank
12	Information Security Circulars
13	Cloud Video Conferencing Software Precautions
14	Fraudulent Newsletter of Fake Financial Institutions

- (II) List the losses, possible impacts and responses to major information and communications security incidents suffered in the most recent year and up to the date of printing of the annual report, and if it is not reasonably estimable, state the fact that it is not reasonably estimable : No major information security incidents in 2021.

## VII. Labor-management relations

### I. Employee benefits

#### 1. Company's welfare measures

- (1) Welfare: Employee deposit and loan privileges, group insurance, sports, recreational activities, etc.
- (2) In addition to the establishment of Employee Benefits Committee by the Bank for handling related welfare matters, employees of the Bank may also apply for subsidies for marriage, childbirth, funeral, etc. in accordance with the regulations.

#### 2. Employee Benefits Committee

We have established Employee Benefits Committee. We deduct 0.5% from employees' salary and allocate 0.1% of our operating income to pool for the employee welfare funds. The Committee is responsible for handling matters related to employee benefits, such as:

- (1) Subsidies for marriage, childbirth, funeral, illness or injury.
- (2) Bonus for Spring Festival, Dragon Boat Festival and Mid-Autumn Festival.
- (3) Club subsidies for activity clubs.

#### 3. Employee benefit savings trust program

Our employees have formed the King's Town Bank Employee Stock Ownership Committee which withdraws a certain amount from members' salary to deposit into a trust to acquire and manage the Company's stocks on a long-term basis. The Company also allocates funds as bonuses to reinforce team cohesion, help members to accumulate wealth, and ensure their welfare after retirement or resignation.

### II. Retirement system

1. The Bank had instituted Regulations for Employee Retirement in accordance to Labor Standards Act and Labor Pension Act to handle employees' retirement matters. Employees who met any of the following criteria below may apply for voluntary retirement:
  - Having served in the Bank for more than 15 years, and reached the age of 55 years old.
  - Having served in the Bank for more than 25 years.
  - Having served in the Bank for more than 10 years. and reached the age of 60 years old.
2. The Regulations for Employee Retirement instituted in accordance to Labor Standards Act is a defined benefit plan. Since 2012, 15% of the total salary has been allocated to the pension fund on a monthly basis and deposited in the Bank of Taiwan in the name of Supervisory Committee of Labor Retirement Reserve. When an employee retires, pension is calculated according to the base number of years of service and the average monthly salary of the half year before retirement.
3. The Regulations for Employee Retirement is a defined contribution plan instituted in accordance to Labor Pension Act, where 6% of employees' salary is allocated to labor pension every month. In 2021 and 2020, the amount of expenses recognized for defined contribution plan was NT\$32,851 thousands and NT\$31,667 thousands respectively.

III. Employer-employee agreements and measures taken to safeguard employee interests

1. Employer-employee meetings: We hold employer-employee meetings on a quarterly basis in accordance with Article 83 of the Labor Standards Act and the Regulations for Implementing Labor-Management Meeting to facilitate harmony in the employer-employee relationship.
2. In order to clearly define the rights and obligations of both employees and employer, so that both parties can work together to create business sustainability, we have established the Work Rules in accordance with Article 70 of the Labor Standards Act with which both parties shall comply.
3. The results of labor condition inspections conducted in 2021 have not shown violation of the Labor Standards Act, the Act of Gender Equality in Employment, and others, showing that we have fulfilled the maintenance of employees' rights and interests.

IV. Losses due to labor disputes in the most recent year and as of the end of January 2022, and the estimates expected currently and for the future to be disclosed and their corresponding measures: None.

**VIII. Important contracts**

Nature of contract	Counterparty	Term of contract	Major contents	Limitations
Contract of mandate	Leader International Asset Management Service Co., Ltd.	2021.10.27-2022.10.26	Outsourced collections for overdue accounts	None
Contract of mandate	Jungshin Asset Management Co., Ltd.	2021.10.27-2022.10.26		None
Contract of mandate	Asia Credit Management Co., Ltd.	2021.10.27-2022.10.26		None
Contract of mandate	United Credit Services	2021.10.27-2022.10.26		None

**IX. Types and the related information regarding securitization products approved under the financial asset securitization act and the clauses of the real estate securitization act in recent years**

Name of beneficiary securities fund	Type	Date of being publicly listed (on OTC)	Total issued
Millerful No. 1 REIT	Real estate investment trust (REIT)	2018.12.05	10.5817 billion
Millerful No. 1 REIT	Real estate investment trust (REIT) Additional Recruitment	2021.12.05	6 billion



## Chapter 6 Financial Overview

### I. Condensed balance sheets and income statements for the past five years

#### (I) Condensed consolidated balance sheets

Unit: NT\$ thousand

Item	Year	Financial information for the past five years				
		2017	2018	2019	2020	2021
Cash and cash equivalents, due from the Central Bank and call loans to other banks		18,978,280	18,187,099	14,711,349	16,524,929	17,556,571
Financial assets at fair value through profit and loss		21,606,855	31,786,797	34,979,793	45,032,063	39,942,021
Financial assets at fair value through other comprehensive income		-	53,487,356	50,891,550	48,819,322	46,552,136
Investments in debt instruments measured at amortized costs		-	17,597,996	17,698,135	18,897,382	18,199,019
Bonds and securities purchased under agreements to resell		2,565,772	624,167	150,022	200,248	-
Receivables - net		2,669,418	3,642,416	4,907,384	5,933,698	8,598,238
Discounts and advances - net		142,947,865	152,229,752	155,350,678	184,901,230	206,356,935
Available-for-sale financial assets		59,078,492	-	-	-	-
Held-to-maturity financial assets		17,600,000	-	-	-	-
Other financial assets - net		2,309,637	4,705	4,396	363	776
Real estate and equipment - net		2,393,890	2,388,923	2,713,818	3,376,707	3,643,607
Right-of-use assets		-	-	215,683	217,504	329,537
Investment property - net		-	-	-	115,036	140,964
Deferred tax assets		275,018	266,927	145,188	185,987	170,475
Other assets - net		751,034	878,581	974,912	1,253,470	1,659,001
Total assets		271,176,261	281,094,719	282,742,908	325,457,939	343,149,280
Central Bank and inter-bank deposits		22,269,428	19,937,251	14,533,849	21,117,468	18,451,547
Loans from the Central Bank and other banks		5,315,680	3,438,640	4,395,830	4,597,650	4,767,450
Financial liabilities at fair value through profit and loss		127,902	25,784	6,002	13,062	14,692
Securities sold under Repurchase Agreements		21,359,805	29,316,496	28,218,020	21,990,934	12,129,935
Payables		2,431,811	2,311,881	1,252,826	1,601,260	2,519,489
Current tax liabilities		564,198	404,846	78,459	573,272	610,911
Deposits and remittances		180,388,401	188,432,924	191,798,662	226,932,674	251,036,564
Other financial liabilities		900,000	1,230,000	500,000	890,000	3,534,057
Liability reserve		473,759	420,427	383,414	394,957	357,754
Lease liability		-	-	217,256	219,898	333,056
Deferred tax liabilities		50,135	59,890	135,832	299,314	188,861
Other liabilities		334,262	332,519	291,249	244,360	323,936
Total liabilities	Before distribution	234,215,381	245,910,658	241,811,399	278,874,849	294,268,252
	After distribution	235,936,103	247,622,510	243,488,750	280,893,071	Note 2
Profit and/or loss attributable to the owners of parent company		36,960,880	35,184,061	40,931,509	46,581,457	48,881,028
Equity	Before distribution	11,512,343	11,512,343	11,312,343	11,212,343	11,212,343
	After distribution	11,512,343	11,512,343	11,312,343	11,212,343	Note 2
Capital reserve		62,323	99,585	56,095	55,622	77,735
Retained earnings	Before distribution	23,478,293	24,355,709	25,553,798	29,159,013	32,991,696
	After distribution	21,757,571	22,643,857	23,876,447	27,140,791	註 2
Other equity		2,037,561	(468,711)	4,107,695	6,252,901	4,599,254
Treasury Stock		(129,640)	(314,865)	(98,422)	(98,422)	-
Non-controlling interest		-	-	-	1,633	-
Total equity	Before distribution	36,960,880	35,184,061	40,931,509	46,583,090	48,881,028
	After distribution	35,240,158	33,472,209	39,254,158	44,564,868	Note 2

Note 1: Financial information from 2017 to 2021 has been verified by CPAs.

Note 2: The dividend payment for 2021 has not been approved by the shareholders' general meeting.

## (II) Condensed individual balance sheet

Unit: NT\$ thousand

Item	Year	Financial information for the past five years				
		2017	2018	2019	2020	2021
Cash and cash equivalents, due from the Central Bank and call loans to other banks		18,938,467	18,163,828	14,667,749	16,362,037	17,361,656
Financial assets at fair value through profit or loss		21,606,855	31,459,508	34,733,596	44,721,848	39,422,088
Financial assets at fair value through other comprehensive income		-	53,412,766	50,810,145	48,717,089	46,442,931
Investments in debt instruments measured at amortized costs		-	17,597,996	17,698,135	18,897,382	18,199,019
Bonds and securities purchased under agreements to resell		2,565,772	624,167	150,022	200,248	-
Receivables - net		950,065	1,028,136	1,270,450	891,330	850,565
Discounts and advances - net		142,947,865	152,229,752	155,350,678	184,901,230	206,356,935
Available-for-sale financial assets		58,723,646	-	-	-	-
Held-to-maturity financial assets		17,600,000	-	-	-	-
Investments accounted for using equity method - net		1,066,561	988,643	699,890	1,167,990	2,429,721
Other financial assets - net		2,189,637	4,705	4,396	363	776
Real estate and equipment - net		2,392,392	2,387,498	2,706,831	3,373,133	3,639,520
Right-of-use assets		-	-	215,683	217,504	329,537
Deferred tax assets		267,833	265,736	142,041	180,966	158,494
Other assets - net		745,778	870,298	956,932	1,204,398	1,579,941
<b>Total assets</b>		<b>269,994,871</b>	<b>279,033,033</b>	<b>279,406,548</b>	<b>320,835,518</b>	<b>336,771,183</b>
Central Bank and inter-bank deposits		22,269,428	19,937,251	14,533,849	21,117,468	18,451,547
Loans from the Central Bank and other banks		4,775,680	2,458,640	1,655,830	907,650	567,450
Financial liabilities at fair value through profit and loss		127,902	25,784	6,002	13,062	14,692
Securities sold under Repurchase Agreements		21,359,805	29,316,496	28,218,020	21,990,934	12,129,935
Payables		2,419,466	2,299,446	1,223,956	1,432,333	2,290,680
Current tax liabilities		544,736	366,893	71,953	566,736	598,742
Deposits and remittances		180,719,981	188,677,300	191,812,314	227,147,197	252,815,445
Other financial liabilities		-	-	-	-	-
Liability reserve		473,759	420,427	383,414	394,957	357,754
Lease liability		-	-	217,256	219,898	333,056
Deferred tax liabilities		50,135	59,890	135,832	299,314	188,861
Other liabilities		293,099	286,845	216,613	164,512	141,993
Total liabilities	Before distribution	233,033,991	243,848,972	238,475,039	274,254,061	287,890,155
	After distribution	234,754,713	245,560,824	240,152,390	276,272,283	Note 2
Profit and/or loss attributable to the owners of parent company		36,960,880	35,184,061	40,931,509	46,581,457	48,881,028
Equity	Before distribution	11,512,343	11,512,343	11,312,343	11,212,343	11,212,343
	After distribution	11,512,343	11,512,343	11,312,343	11,212,343	Note 2
Capital reserve		62,323	99,585	56,095	55,622	77,735
Retained earnings	Before distribution	23,478,293	24,355,709	25,553,798	29,159,013	32,991,696
	After distribution	21,757,571	22,643,857	23,876,447	27,140,791	Note 2
Other equity		2,037,561	(468,711)	4,107,695	6,252,901	4,599,254
Treasury Stock		(129,640)	(314,865)	(98,422)	(98,422)	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	36,960,880	35,184,061	40,931,509	46,581,457	48,881,028
	After distribution	35,240,158	33,472,209	39,254,158	44,563,235	Note 2

Note 1: Financial information from 2017 to 2021 has been verified by CPAs.

Note 2: The dividend payment for 2021 has not been approved by the shareholders' general meeting.

## (III) Condensed consolidated income statement

Unit: NT\$ thousand

Item	Year	Financial information for the past five years				
		2017	2018	2019	2020	2021
Interest Revenue		6,232,248	6,872,966	6,833,454	6,513,084	6,464,907
Less: Interest expense		(1,431,778)	(1,855,473)	(2,078,065)	(1,267,131)	(871,680)
Net interest income		4,800,470	5,017,493	4,755,389	5,245,953	5,593,227
Net Revenue Other than Interest		4,204,975	1,983,321	3,737,595	3,660,967	4,668,731
Net revenue		9,005,445	7,000,814	8,492,984	8,906,920	10,261,958
Bad debt expenses, commitment and guarantee liability provisions		(670,584)	(1,643,112)	(2,655,404)	(744,664)	(1,732,076)
Operating expenses		(1,874,278)	(1,784,391)	(1,933,699)	(1,899,734)	(2,024,864)
Net income before tax from continuing operating units		6,460,583	3,573,311	3,903,881	6,262,522	6,505,018
Income tax (expense) profit		(850,049)	(695,510)	(504,194)	(771,551)	(874,715)
Net income from continuing operations		5,610,534	2,877,801	3,399,687	5,490,971	5,630,303
Profit or loss from discontinued operations		-	-	-	-	-
Net profit (net loss) for the current period		5,610,534	2,877,801	3,399,687	5,490,971	5,630,303
Other comprehensive income (after tax) for the current period		269,202	(3,303,535)	4,469,693	2,113,257	(1,433,045)
Total comprehensive income (after tax) for the current period		5,879,736	(425,734)	7,869,380	7,604,228	4,197,258
Net profit attributable to the owners of parent company		5,610,534	2,877,801	3,399,687	5,490,966	5,630,303
Net profit attributable to non-controlling interest		-	-	-	5	-
Total comprehensive income attributable to parent company		5,879,736	(425,734)	7,869,380	7,604,223	4,197,258
Comprehensive income attributable to non-controlling equity		-	-	-	5	-
Earnings per share		4.89	2.51	2.99	4.90	5.02

Note: Financial information from 2017 to 2021 has been verified by CPAs.

## (IV) Condensed individual income statement

Unit: NT\$ thousand

Item	Year	Financial information for the past five years				
		2017	2018	2019	2020	2021
Interest Revenue		6,162,590	6,729,884	6,649,901	6,233,702	6,120,160
Less: Interest expense		(1,423,685)	(1,836,231)	(2,046,344)	(1,217,287)	(821,747)
Net interest income		4,738,905	4,893,653	4,603,557	5,016,415	5,298,413
Net Revenue Other than Interest		4,139,696	1,945,302	3,676,700	3,692,430	4,666,752
Net revenue		8,878,601	6,838,955	8,280,257	8,708,845	9,965,165
Bad debt expenses, commitment and guarantee liability provisions		(639,497)	(1,606,593)	(2,553,305)	(636,327)	(1,594,999)
Operating expenses		(1,838,849)	(1,727,785)	(1,881,401)	(1,841,317)	(1,905,269)
Net income before tax from continuing operating units		6,400,255	3,504,577	3,845,551	6,231,201	6,464,897
Income tax (expense) profit		(789,721)	(626,776)	(445,864)	(740,235)	(834,594)
Net income from continuing operations		5,610,534	2,877,801	3,399,687	5,490,966	5,630,303
Profit or loss from discontinued operations		-	-	-	-	-
Net profit after tax for the current period		5,610,534	2,877,801	3,399,687	5,490,966	5,630,303
Other comprehensive income (after tax) for the current period		269,202	(3,303,535)	4,469,693	2,113,257	(1,433,045)
Total comprehensive income (after tax) for the current period		5,879,736	(425,734)	7,869,380	7,604,223	4,197,258
Earnings per share		4.89	2.51	2.99	4.90	5.02

Note: Financial information from 2017 to 2021 has been verified by CPAs.

## (V) Name of CPAs and audit opinions

Item	Year				
	2017	2018	2019	2020	2021
CPAs	Tzu-Jen Hu; Cheng-Tao Chang	Tzu-Jen Hu; Cheng- Tao Chang	Shih-Chieh Huang; Cheng-Tao Chang	Shih-Chieh Huang; Cheng-Tao Chang	Shih-Chieh Huang; Cheng-Tao Chang
Audit opinion	Unqualified opinion	Unqualified opinion (emphasis on items or other matters)	Unqualified opinion (emphasis on items or other matters)	Unqualified opinion (other matters)	Unqualified opinion (other matters)

## II. Financial analysis and capital adequacy for the past five years

## (I) Financial Analysis - Consolidated

Unit: NT\$ thousand

Descriptions	Year	Financial analysis for the past five years				
		2017	2018	2019	2020	2021
Operating ability	Loan-to-deposit ratio (%)	80.49	82.04	82.18	82.78	83.47
	Non-performing loans ratio (%)	0.02	0.02	0.01	0.01	0.02
	Interest expense to average deposits balances ratio (%)	0.81	1.02	1.11	0.62	0.37
	Interest income to average credit loan balances ratio (%)	4.62	4.44	4.46	3.86	3.26
	Total asset turnover (times)	0.033	0.025	0.030	0.030	0.030
	Average operation revenue per employee	9,351	7,129	8,501	8,819	9,905
	Average profit per employee	5,826	2,931	3,403	5,437	5,435
Profitability	Return on Tier I Capital (%)	19.84	10.46	11.24	16.16	14.81
	Return on assets (%)	2.18	1.04	1.21	1.81	1.68
	Return on equity (%)	16.08	7.98	8.93	12.55	11.80
	Net profit rate (%)	62.30	41.11	40.03	61.65	54.87
	Earnings per share (NT\$)	4.89	2.51	2.99	4.90	5.02
Financial structure	Liabilities to total assets ratio	86.32	87.45	85.48	85.63	85.70
	Ratio of real estate and equipment to equity	6.48	6.79	6.63	7.25	7.45
Growth rate	Asset growth rate (%)	11.10	3.66	0.59	15.11	5.44
	Profit growth rate (%)	15.78	(44.69)	9.25	60.42	3.87
Cash flow	Cash flow ratio	(49.75)	(13.67)	(3.01)	22.46	32.37
	Cash flow adequacy ratio	280.31	145.75	137.28	118.55	214.93
	Cash flow for operating to cash flow from investing ratio	(3050.87)	16159.67	377.62	1052.44	4479.70
Liquidity reserve ratio (%)	28.46	24.34	25.26	21.97	22.94	
Total credit loan balances for Stakeholders	166,103	202,990	198,132	244,286	247,028	
Total credit extension balance of the stakeholder as a percentage of total credit balance (%)	0.11	0.13	0.13	0.13	0.12	
Operation scale	Asset market asset	0.50	0.49	0.48	0.51	0.51
	Market share of net worth (%)	0.98	0.88	0.95	1.04	1.06
	Market share of deposits (%)	0.51	0.52	0.50	0.54	0.55
	Market share of loans (%)	0.55	0.56	0.54	0.61	0.63
Reasons for changes in financial ratios for the past two years	<ol style="list-style-type: none"> <li>The increase in the non-performing loans ratio was due to the increase in the amount of overdue loans in the current period.</li> <li>The decrease in interest expense to average deposits balances ratio was due to the decrease in the size of interbank loans, repurchase agreements and bond transactions, as well we the decrease in interests expense as a result of the decrease in interest rate on time deposits maturing and renewed due to the rate-cut compared to the previous year.</li> <li>The decrease in asset growth rate was due to the decrease in financial asset and reverse repurchase of bills and bond investments</li> <li>The decrease in profit growth rate was due to the increase in the provision of bad debts and the decrease in gain or loss on investment in financial assets, resulting in a smaller increase in income before tax than the previous period.</li> <li>The increase in cash flow ratio and cash flow adequacy ratio was due to the decrease in the scale of investment in financial assets and the increase in lending, resulting in an increase in cash inflow from operating activities.</li> <li>The increase in cash flow for operating to cash flow from investing ratio was due to the increase in cash outflow from investing activities as a result of the decrease in the acquisition of property and equipment.</li> </ol>					

Note: Financial information from 2017 to 2021 has been verified by CPAs.

## (II) Individual financial analysis

Unit: NT\$ thousand

Descriptions		Year	Financial analysis for the past five years				
		2017	2018	2019	2020	2021	
Operating ability	Loan-to-deposit ratio (%)	80.34	81.94	82.18	82.70	82.88	
	Non-performing loans ratio (%)	0.02	0.02	0.01	0.01	0.02	
	Interest expense to average deposits balances ratio (%)	0.81	1.01	1.10	0.60	0.34	
	Interest income to average credit loan balances ratio (%)	4.57	4.35	4.34	3.70	3.08	
	Total asset turnover (times)	0.033	0.025	0.030	0.030	0.030	
	Average operation revenue per employee	9,465	7,169	8,493	9,072	10,263	
	Average profit per employee	5,981	3,017	3,487	5,720	5,798	
Profitability	Return on Tier I Capital (%)	19.94	10.41	11.20	16.27	15.02	
	Return on assets (%)	2.18	1.05	1.22	1.83	1.71	
	Return on equity (%)	16.08	7.98	8.93	12.55	11.80	
	Net profit rate (%)	63.19	42.08	41.06	63.05	56.50	
	Earnings per share (NT\$)	4.89	2.51	2.99	4.90	5.02	
Financial structure	Liabilities to total assets ratio	86.26	87.35	85.31	85.42	85.43	
	Ratio of real estate and equipment to equity	6.47	6.79	6.61	7.24	7.45	
Growth rate	Asset growth rate (%)	10.68	3.35	0.13	14.83	4.97	
	Profit growth rate (%)	16.42	(45.24)	9.73	62.04	3.75	
Cash flow	Cash flow ratio	(48.80)	(13.11)	0.41	25.01	75.22	
	Cash flow adequacy ratio	146.78	145.75	143.04	131.17	240.68	
	Cash flow for operating to cash flow from investing ratio	(2929.60)	15221.43	132.46	1070.03	1853.91	
Liquidity reserve ratio (%)		28.46	24.34	25.26	21.97	22.94	
Total credit loan balances for Stakeholders		166,103	202,990	198,132	244,286	247,028	
Total credit extension balance of the stakeholder as a percentage of total credit balance (%)		0.11	0.13	0.13	0.13	0.12	
Operation scale	Asset market asset	0.50	0.49	0.47	0.50	0.50	
	Market share of net worth (%)	0.98	0.88	0.95	1.04	1.06	
	Market share of deposits (%)	0.51	0.52	0.50	0.54	0.55	
	Market share of loans (%)	0.55	0.56	0.54	0.61	0.63	
Reasons for changes in financial ratios for the past two years	1.	The increase in the non-performing loans ratio was due to the increase in the amount of overdue loans in the current period.					
	2.	The decrease in interest expense to average deposits balances ratio was due to the decrease in the size of interbank loans, repurchase agreements and bond transactions, as well we the decrease in interests expense as a result of the decrease in interest rate on time deposits maturing and renewed due to the rate-cut compared to the previous year.					
	3.	The decrease in asset growth rate was due to the decrease in financial asset and reverse repurchase of bills and bond investments					
	4.	The decrease in profit growth rate was due to the increase in the provision of bad debts and the decrease in gain or loss on investment in financial assets, resulting in a smaller increase in income before tax than the previous period.					
	5.	The increase in cash flow ratio and cash flow adequacy ratio was due to the decrease in the scale of investment in financial assets and the increase in lending, resulting in an increase in cash inflow from operating activities.					
	6.	The increase in cash flow for operating to cash flow from investing ratio was due to the increase in cash outflow from investing activities as a result of the decrease in the acquisition of property and equipment.					

Note: Financial information from 2017 to 2021 has been verified by CPAs.

## Chapter 6 Financial Overview

The calculation of the financial items in the financial analysis tables (I) and (II) above is shown as follows:

1. Operating ability
  - Loan-to-deposit ratio = Total loans / Total deposits
  - Non-performing loans ratio = Total non-performing loans / Total loans
  - Interest expense to average deposits balances ratio = Total interest expense / Average annual deposit balance
  - Interest income to average credit loan balances ratio = Total interest income / Average annual loan balance
  - Total asset turnover = Net earnings / Average total assets
  - Average operation revenue per employee = Net earnings / Total no. of employees
  - Average profit per employee = Net earnings after tax / Total no. of employees
2. Profitability
  - Return on Tier I Capital = Profit or loss before tax / Average total amount of Tier I Capital
  - Return on assets = Profit or loss after tax / Average total assets
  - Return on equity = Profit or loss after tax / Average net shareholders' equity
  - Net profit rate = Profit or loss after tax / net income
  - Earnings per share = (Income attributable to owners of parent company - Preferred shares dividends) / Weighted average number of shares issued.
3. Financial structure
  - Debt ratio = Total liabilities / Total assets.
  - Ratio of real estate and equipment to equity = Net real estate and equipment / Net equity
4. Growth rate
  - Asset growth rate = (Total assets of current year - Total assets of previous year) / Total assets of previous year
  - Profit growth rate = (Income before tax of the current year - Income before tax of the previous year) / Income before tax of the previous year
5. Cash flow
  - Cash flow ratio = Net cash flow from operating activities / (Interbank lending and overdraft + Commercial paper payable + Financial liabilities at fair value through profit or loss + Bills and bonds sold under repurchase agreement + Payables with maturity within one year)
  - Cash flow adequacy ratio = Net cash flow from operating activities for the past five years / (Capital expenditures + Inventory increment + Cash dividends) for the past five years.
  - Cash flow for operating to cash flow from investing ratio = Net cash flow from operating activities / Net cash flow from investing activities
6. Liquidity reserve ratio = Central bank required current assets / Allowance for liquidity of liabilities.
7. Operation scale
  - Asset market asset = Total assets / Total assets of all financial institutions available for making deposits and loans
  - Market share of net worth = Net worth / Total net worth of all financial institutions available for making deposits and loans
  - Market share of deposits = Total deposits / Total deposits of all financial institutions available for making deposits and loans
  - Market share of loans = Total amount of loans / Total amount of all financial institutions available for making deposits and loans

## (III) Consolidated capital adequacy

Unit: NT\$ thousand, %

Descriptions		Year	Capital adequacy for the past five years					
			2017	2018	2019	2020	2021	
Total self-owned capital	Common stock equity		34,540,390	33,752,396	35,718,515	41,798,281	46,068,265	
	Other Tier I capital other than common stock equity		0	0	0	0	0	
	Tier II Capital		1,371,984	670,827	1,160,997	5,099,791	4,484,950	
	Total self-owned capital		35,912,374	34,423,223	36,879,512	46,898,072	50,553,215	
Risk-weighted assets	Credit risk	Standardized approach	189,364,260	197,892,405	203,419,934	235,788,899	257,536,524	
		Internal ratings-based approach	0	0	0	0	0	
		Asset securitization	0	0	0	0	0	
	Operational risk	Basic indicator approach	13,659,885	13,772,518	14,518,830	15,364,635	16,450,703	
		Standard method/Alternative standardized approach	0	0	0	0	0	
		Advanced measurement method	0	0	0	0	0	
	Market risk	Standardized approach	24,201,891	30,537,017	27,297,382	37,874,809	30,160,509	
		Internal models approach	0	0	0	0	0	
	Total risk-weighted assets			227,226,036	242,201,940	245,236,146	289,028,343	304,147,736
	Capital adequacy ratio			15.80%	14.21%	15.04%	16.23%	16.62%
Tier 1 capital to risk-based assets ratio			15.20%	13.94%	14.56%	14.46%	15.15%	
Ratio of common equity to risk-based assets			15.20%	13.94%	14.56%	14.46%	15.15%	
Leverage ratio			11.95%	11.17%	11.81%	12.27%	12.91%	
Please explain the reasons for the changes in capital adequacy ratio in the past two years (can be exempted if the change is no more than 20%): The capital adequacy ratio in the past two years is less than 20%, so analysis is not required.								

Note: The above financial information for the past five years has been audited and verified by CPAs.

## (IV) Individual capital adequacy

Unit: NT\$ thousand, %

Descriptions		Year	Capital adequacy for the past five years					
			2017	2018	2019	2020	2021	
Total self-owned capital	Common stock equity		34,063,996	33,293,116	35,406,623	41,214,286	44,853,404	
	Other Tier I capital other than common stock equity		0	0	0	0	0	
	Tier II Capital		885,604	211,547	849,105	4,448,388	3,167,981	
	Total self-owned capital		34,949,600	33,504,663	36,255,728	45,662,674	48,021,385	
Risk-weighted assets	Credit risk	Standardized approach	187,587,490	195,257,564	199,737,743	230,396,305	249,367,841	
		Internal ratings-based approach	0	0	0	0	0	
		Asset securitization	0	0	0	0	0	
	Operational risk	Basic indicator approach	13,437,529	13,510,439	14,230,138	15,006,874	16,007,478	
		Standard method/Alternative standardized approach	0	0	0	0	0	
		Advanced measurement method	0	0	0	0	0	
	Market risk	Standardized approach	23,492,259	29,882,439	26,804,987	37,254,379	29,120,643	
		Internal models approach	0	0	0	0	0	
	Total risk-weighted assets			224,517,278	238,650,442	240,772,868	282,657,558	294,495,962
	Capital adequacy ratio			15.57%	14.04%	15.06%	16.15%	16.31%
Tier 1 capital to risk-based assets ratio			15.17%	13.95%	14.71%	14.58%	15.23%	
Ratio of common equity to risk-based assets			15.17%	13.95%	14.71%	14.58%	15.23%	
Leverage ratio			11.85%	11.11%	11.85%	12.28%	12.84%	
Please explain the reasons for the changes in capital adequacy ratio in the past two years (can be exempted if the change is no more than 20%): The capital adequacy ratio in the past two years is less than 20%, so analysis is not required.								

Note:

- The above financial information for the past five years has been audited and verified by CPAs.
- The regulatory capital, risk-weighted assets and exposure measurement in the capital adequacy tables (III) and (IV) shown above are calculated in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and the "Description and Tables of Calculation for Banks' Regulatory Capital and Risk-Weighted Assets".
- The formula for capital adequacy ratio in the capital adequacy tables (III) and (IV) shown above is as follows:
  - Total self-owned capital = Common stock equity + Tier I Capital other than common stock + Tier II Capital.
  - Total risk-weighted-assets = Credit risk-weighted assets + Capital charge of (operational risk + market risk) x 12.5.
  - Capital Adequacy ratio = Total self-owned capital / Total amount risk-weighted assets.
  - The ratio of Tier I capital to risk-weighted assets = (Common stock equity + Tier I capital other than common stock) / Total risk-weighted assets
  - Ratio of common stock equity to risk assets = Common stock equity / Total risk-weighted assets.
  - Leverage ratio = Net Tier I capital / Total exposure
- The leverage ratio has been disclosed since 2015.

### III. Audit committee review report of the 2021 financial reports

京城商業銀行股份有限公司

審計委員會審查報告書

本公司民國一一〇年度個體及合併財務報告，業經安永聯合會計師事務所查核完竣，並出具查核報告，連同營業報告書及盈餘分配案等，經本審計委員會審查，認為尚無不合，爰依照證券交易法第十四條之四、公司法第二百一十九條規定備具報告書，敬請 鑒核。

此致

本公司一一一年股東常會

審計委員會  
召集人：

姜爰亮 

中 華 民 國 一 一 一 年 二 月 二 十 一 日

#### IV. 2021 Financial Reports

Please refer to Appendix I on page 116 of the annual report for the independent auditor's report, financial reports and notes for the year 2021.

#### V. Individual Financial Reports Verified by Independent Auditor For 2021

Please refer to Appendix II on page 288 of the annual report for the individual financial reports verified by independent auditor for 2021.

#### VI. Financial difficulties and their impact on the financial status of the Company and its affiliates: None.



## Chapter 7 Review and Analysis of Financial Condition and Results and Risk Management Matter

### I. Financial status

Unit: NT\$ thousand

Item	Year	2020	2021	Variation	
				Amount	%
Cash and cash equivalents, due from the Central Bank and call loans to other banks		16,524,929	17,556,571	1,031,642	6.24%
Financial assets at fair value through profit and loss		45,032,063	39,942,021	(5,090,042)	(11.30%)
Financial assets at fair value through other comprehensive income		48,819,322	46,552,136	(2,267,186)	(4.64%)
Investments in debt instruments measured at amortized costs		18,897,382	18,199,019	(698,363)	(3.70%)
Bonds and securities purchased under agreements to resell		200,248	-	(200,248)	(100.00%)
Receivables - net		5,933,698	8,598,238	2,664,540	44.91%
Discounts and advances - net		184,901,230	206,356,935	21,455,705	11.60%
Other financial assets - net		363	776	413	113.77%
Real estate and equipment - net		3,376,707	3,643,607	266,900	7.90%
Right-of-use assets		217,504	329,537	112,033	51.51%
Investment property - net		115,036	140,964	25,928	22.54%
Deferred tax assets		185,987	170,475	(15,512)	(8.34%)
Other assets - net		1,253,470	1,659,001	405,531	32.35%
Total assets		325,457,939	343,149,280	17,691,341	5.44%
Central Bank and inter-bank deposits		21,117,468	18,451,547	(2,665,921)	(12.62%)
Loans from the Central Bank and other banks		4,597,650	4,767,450	169,800	3.69%
Financial liabilities at fair value through profit and loss		13,062	14,692	1,630	12.48%
Securities sold under Repurchase Agreements		21,990,934	12,129,935	(9,860,999)	(44.84%)
Payables		1,601,260	2,519,489	918,229	57.34%
Current tax liabilities		573,272	610,911	37,639	6.57%
Deposits and remittances		226,932,674	251,036,564	24,103,890	10.62%
Other financial liabilities		890,000	3,534,057	2,644,057	297.09%
Liability reserve		394,957	357,754	(37,203)	(9.42%)
Lease liability		219,898	333,056	113,158	51.46%
Deferred tax liabilities		299,314	188,861	(110,453)	(36.90%)
Other liabilities		244,360	323,936	79,576	32.57%
Total liabilities		278,874,849	294,268,252	15,393,403	5.52%
Equity		11,212,343	11,212,343	0	-
Capital reserve		55,622	77,735	22,113	39.76%
Retained earnings		29,159,013	32,991,696	3,832,683	13.14%
Other equity		6,252,901	4,599,254	(1,653,647)	(26.45%)
Treasury Stock		(98,422)	-	(98,422)	(100.00%)
Profit and/or loss attributable to the owners of parent company		46,581,457	48,881,028	2,299,571	4.94%
Non-controlling interest		1,633	-	(1,633)	(100.00%)
Total shareholders' equity		46,583,090	48,881,028	2,297,938	4.93%
Description of Differences:					
1. The decrease in bonds and securities purchased under agreements was due to the absence of the commitment to hold transactions with resale conditions.					
2. The increase in receivables - net was due to the increase in notes and accounts receivable as compared to the previous period due to the growth in business volume of the subsidiary's leasing business.					
3. The increase in other financial assets, net was due to the increase in the balance of temporary payments compared to the previous period.					
4. The increase in right-of-use assets and lease liabilities was due to the renewal of the lease of the premises, resulting in the increase in both right-of-use assets and lease liabilities.					
5. The increase in investment property, net was due to the acquisition of additional investment property by subsidiaries due to its operational needs.					
6. The increase in other net assets was due to the increase in the amount retained in the Bank's treasury clearing account compared to the previous period.					
7. The decrease in securities sold under agreements to repurchase was due to decrease in commitments for domestic bonds and overseas bonds with repurchase agreements.					
8. The increase in accounts payable was due to the increase in the balance of exchange of notes in the current period compared to the previous period.					
9. The increase in other financial liabilities was due to the increase in the balance of commercial paper payable as a result of the operational needs of the subsidiaries.					
10. The decrease in deferred income tax liabilities was due to the decrease in the calculation of allowance for doubtful accounts, impairment of assets and unrecognized gain or loss on valuation of financial assets compared with the previous period.					
11. The increase in other liabilities was due to the increase in receivables from subsidiaries for securities business in the current period compared with the previous period.					
12. The increase in capital reserve and decrease in treasury stock were due to the buyback of transfer of treasury shares transferred to employees in this period.					
13. The decrease in other equity was due to the higher valuation benefits from the recovery in the price of overseas bonds in the previous period.					
14. The decrease in non-controlling interest was due to acquisition of the remaining equity in subsidiaries in this period.					

**II. Financial performance**

Unit: NT\$ thousands; %

Item	Year	2020	2021	Increase (Decrease)	
				Amount	Proportion
Net interest income		5,245,953	5,593,227	347,274	6.62%
Net Revenue Other than Interest		3,660,967	4,668,731	1,007,764	27.53%
Bad debt expenses, commitment and guarantee liability provisions		(744,664)	(1,732,076)	987,412	132.60%
Operating expenses		(1,899,734)	(2,024,864)	125,130	6.6%
Net income before tax from continuing operating units		6,262,522	6,505,018	242,496	3.87%
Net income from continuing operations		5,490,971	5,630,303	139,332	2.54%
Profit or loss from discontinued operations		-	-	-	-
Net profit (net loss) for the current period		5,490,971	5,630,303	139,332	2.54%
Analysis of variance:					
1. The increase in net revenue other than interest was mainly due to a higher reversal benefit from the impairment of financial assets in the period resulting from the improvement in economic conditions compared to the previous year.					
2. The increase in bad debt expenses, commitment and guarantee liability provisions was mainly due to the increase in provision for bad debts as a result of the reclassification of a large amount of lending credits as bad debts.					

**III. Cash flow****(I) Analysis on liquidity for the past two years**

Item	Year	December 31, 2020	December 31, 2021	Variation (%)
Cash flow adequacy ratio		118.55	214.93	81.3
Cash flow for operating to cash flow from investing ratio		1052.44	4479.70	325.65
Analysis of variance in increase/ decrease:				
1. The increase in cash flow ratio and cash flow adequacy ratio was due to the decrease in the scale of investment in financial assets and the increase in lending, resulting in an increase in cash inflow from operating activities.				
2. The increase in cash flow for operating to cash flow from investing ratio was due to the increase in cash outflow from investing activities as a result of the decrease in the acquisition of property and equipment.				

**(II) Cash flow analysis for the next year**

Unit: NT\$ thousand

Cash balance amount at the beginning of the year (1)	Expected net annual cash flow from operating activities (2)	Expected annual cash flow (3)	Amount of cash surplus (deficit) (1)+(2)+(3)	Remedial measures for cash inadequacy	
				Investment plans	Financing plans
10,520,403	10,182,616	-3,089,344	17,613,675	-	-

**IV. Impact of major capital expenditures on financial operations in 2021**

(I) Use of major capital expenditure and source of funds: None.

(II) Expected gains: None.

**V. 2021 Re-investment policy, main reasons for profits or losses, improvement plans and investment plans for the next year**

(I) Re-investment policy

In order to meet the Bank's need for long-term operation and development, we engage in investments and assessment of potential re-investment opportunities, and effectively diversifying operational risks and improving the overall profitability are our goals.

(II) Main reasons for profits or losses of re-investment

The main source of profit in 2021 for reinvestment includes cash dividends distributed by the reinvestment companies and feedback from operating performance. If there are appropriate investment opportunities or investment in response to government policies in the future, we will conduct a thorough assessment before taking action in compliance with relevant regulations.

(III) Improvement plans

We update the operating efficiency and financial performance of our reinvestment companies on a quarterly basis, and produce annual performance appraisal reports to understand and monitor their status.

(IV) Investment plans for the next year

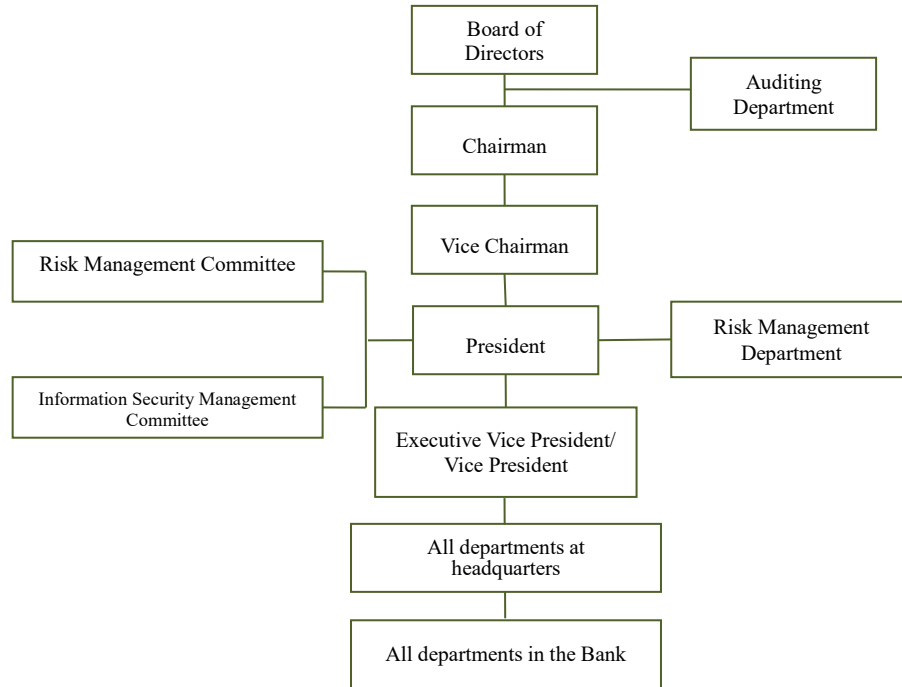
If there are appropriate investment opportunities or investment in response to government policies in the future, we will conduct a thorough assessment before taking action in compliance with relevant regulations.

**VI. Risk management**

(I) Organizational structure and policies of risk management

1. Organizational structure of risk management

Risk Management Committee



(1) Risk Management Committee

For the purpose of upgrading the risk management mechanism, improving various risks management, avoiding all possible adverse effects on the Group, and seeking maximized profits with limited risks, the Risk Management Committee is established with the President acting as the Chief Commissioner, and the department head of the Treasury Department, Digital Service and Channel Management Department, Risk Management Department, Credit Assessment Department, Administration Management Department, International Banking Department, Compliance Department, and the Strategy and Operations Department and other personnel designated by the President act as the Members of the Committee. The Chief Auditor may attend the Committee meeting, but is not entitled with voting rights. The Committee has a meeting held once a month with the following missions to fulfill:

- A. Add and amend the Bank's risk management policy.
- B. Coordinate the risk management issues of the Bank, such as credit risk, market risk, and operational risk.
- C. Review the ratio of the Bank's self-owned capital to risk assets (referred to as "capital adequacy ratio")
- D. Handle and review the major risk exposure and unauthorized events which occur.
- E. Major issues or discussions related to risk management proposed by each unit.
- F. Matters assigned by the Board of Directors, Chairman, and Vice Chairman.

(2) Information Security Management Committee

In November 2015, the Information Security Management Committee was established with the aim of reducing the risk and impact caused by information security issues, as well as to refine the Bank's ISMS, in response to all information security related laws and regulations and in compliance with relevant government regulations. The committee is responsible for the review of policies and regulations for ISMS and the overall implementation of information security. In addition, the Information Security Section of the Risk Management Department shall report to the Chairman on the implementation status annually, and the Auditing Department shall report the audit result to the Board of Directors. The Committee has one convener appointed who is the President or an individual appointed by the President. The members are the head of the Risk Management Department, the Information Technology Department, the Digital Service and Channel Management Department, the Compliance Department, and the department head or the designated individual of the department designated by the convener. The Auditing Department may attend the Committee meeting, but is not

entitled with voting rights. The Committee holds a regular management review meeting at least once a year, or from time to time as necessary. The main tasks are as follows:

- A. Propose the information security policy of the Bank.
- B. Promote the information security management system.
- C. Assess the infrastructure of the information security management system.
- D. Handle and review major information security incidents.
- E. Major issues or discussions related to information security proposed by each unit.
- F. Annual review of the overall implementation of information security measures.
- G. Discussion of other information security issues.

2. Risk management policies

We have established policies and measures based on different risk levels, and they are "Credit Policy," "Various Credit Review and Authorization Measures," "Risk Management Measures" and others. We have also established management standards for the policies and measures, such as the "Credit Risk Management Standards," "Market Risk Management Standards" and "Operational Risk Management Standards" in accordance with "Risk Management Measures." We have established a capital adequacy assessment process which takes into consideration the risk status in order to maintain capital adequacy based on the company's business growth. In addition, we conduct appropriate overall capital allocation to establish management measures for a variety of business risks considering our overall risk exposure to reinforce our operating performance.

3. Information security policies

The Information Security Policy was instituted specifically as a means to protect the confidentiality, integrity, and availability of the Bank's information assets, including software, hardware, communications, personnel, documents, data, and the physical environment, from risk of breaches, damage, or loss due to external threats or improper management by internal personnel. In addition, in accordance with the policy, relevant procedures and manuals were instituted as reference for all employees, outsourced service providers, and visitors.

(II) Qualitative and quantitative information about the various risks

1. Credit risk management system and accrued capital:

Credit risk management system

2021

Item	Contents
I. Credit risk strategies, goals, policies and procedures	<p>1、Credit risk strategy We have made appropriate adjustments in response to changes to the business environment and the associated risks. We make corrections in our strategy in consideration of the impact of economic cycles on the content and quality of overall credit portfolio, so we can ensure that the strategy can cover all major credit risks.</p> <p>2、Credit risk goals Maintain adequate capital and create maximum risk-adjusted return within the scope of credit risk that the Bank can bear.</p> <p>3、Credit risk policies We have established the Credit Policy to properly plan and control the issuance of credit to a same natural person, a same legal person, a same public enterprise, a same related party, a same associate company and a same related company within a corporate group. We have set limits to the ratios of the Company's net worth which they account for (among them, a same public enterprise shall not exceed the Company's net worth, and the limit may be adjusted for a same related company based on the credit rating, financial rating by Cmoney and prospects), in order to control the credit risk to a single party and enhance the efficiency of capital utilization. With respect to the proportion of the Company's total credit committed to the issuance of credit to a single industry, we assess the industry and the overall economy, the non-performing loan ratios in each industry and the future prospect to adjust the limit accordingly. In order to reinforce the risk control of credits to industries located in overseas and China regions, we have set industry-specific limits to those regions. With respect to the proportion of the Bank's total issuance of credit to those who use residential real estate as collateral, we set limits to fund uses such as house repairs and working capital, and dynamically adjust the credit amounts to avoid the overall risk and excessive concentration risk.</p> <p>4、Credit risk procedures In order to maintain a safe and robust credit business and control its associated risk, we have established a credit risk control mechanism for a variety of businesses and follow the procedures of identification, measurement, communication and monitoring. Under a hierarchy of responsibility in credit management, each level conduct case review within its level of authorization in accordance with the Various Credit Review and Authorization Measures to ensure the quality of assets for credit. We also have established the "Essentials for Secondary Review of Credit" for which the Credit Review Department at the head office is responsible to reinforce management after issuing credit, effectively control the associated credit risk. We have established the "Regulations Governing the Procedures to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" to regulate internal system and procedures for assessment of asset quality, allocation of loss reserve, liquidation of collection of nonperforming loans and bad debt write-off. In order to accelerate liquidation of bad debt and reduce</p>

Chapter 7 Review and Analysis of Financial Condition and Results and Risk Management Matter

Item	Contents
	nonperforming loans, we have established the "Non-performing Loan Management Measures," so that we can achieve the goal of having a sound financial structure and reinforcing asset and liability management.
II. Credit risk management organization and framework	<ol style="list-style-type: none"> <li>The board of directors is our highest decision-making body for credit risk management and has the ultimate liability in terms of credit risk management.</li> <li>Risk Management Committee is responsible for implementing decisions on credit risk management approved by the board, reviewing credit risk regulations, coordinating credit risk management tasks and supervising the effectiveness of risk management implementation.</li> <li>Credit Review Committee is responsible for reviewing and discussing credit cases at the board's authorization level and reporting the review results to the board for approval. After the establishment of accounts for cases for which the amount is at the board's authorization level and have been approved by the board, the Credit Review Committee is authorized to adjust the interest rate and fee rate accordingly, and provides summary reports to the board for monthly review.</li> <li>The Risk Management Department is responsible for planning, setting up and integrating the Bank's credit risk management operations, performing overall credit risk management monitoring of the Bank, regularly compiling credit risk information of the Bank and reporting it to the Risk Management Committee and the Board of Directors, and calculating credit risk capital and disclosing risk information in accordance with the regulations of the competent authorities.</li> <li>All departments at headquarters are responsible for establishing and managing the credit risk regulations and operational procedures for its business, monitoring their implementation, and assisting the Risk Management Department to complete the control of credit risk for the entire bank. The head office business units are responsible for identifying and managing the credit risk of all financial instruments and ensure that when engaging in new instruments or transactions</li> <li>All departments in the Bank are responsible for identifying, assessing and measuring risks and adopting appropriate risk management approaches. Comply with the Bank's rules on credit check, credit issuance and credit risk to conduct daily operations and credit risk management and report to the relevant units in accordance with the regulations in a timely manner. Incorporate the control of credit risk into daily operations and ensure the correctness and completeness of information of each operation.</li> <li>The credit review team of the business unit is responsible for holding credit review meetings for credit cases within the authority of the unit manager to strengthen the review of credit business in order to ensure credit rights and risk control.</li> </ol>
III. Scope and features of credit risk reporting and measurement system	<p>The Bank has established the Credit Risk Management Standards based on the overall risk management policy. Risk exposure is categorized to assess various risk-weighted assets and disclose them in risk control reports to be submitted to the board on a quarterly basis. The content and scope are shown as follows:</p> <ol style="list-style-type: none"> <li>Control of limits to counterparties (a same natural person, a same legal person, a same related party, a same associate company, a same related company within a corporate group and a same industry)</li> <li>Control of credit risk concentration (monitor the top 20 clients who receive credit)</li> <li>Analysis of credit business structure (according to types of loan)</li> <li>Asset quality (nonperforming loans, NPL ratio, allowance for bad debts, coverage ratio)</li> </ol> <p>The credit risk measurement system includes credit rating maintenance, on-balance sheet risk-weighted asset maintenance and others.</p>
IV. Credit risk avoidance or mitigation polices, and monitoring the continued effectiveness of risk avoidance and mitigation tools	<ol style="list-style-type: none"> <li>When conducting credit risk businesses, assess the probability of default and the loss amount of the event or transaction and adopt countermeasures, such as risk avoidance - high probability of default and large amount of loss, risk reduction or transfer - low probability of default and large amount of loss, risk control - high probability of default and small amount of loss and risk retention - low probability of default and small amount of loss. Set limit to a same natural person, a same legal person, a same related party, a same associate company, a same related company within a corporate group and a same industry in order to avoid excessive risk concentration. Add credit limit criteria, request for collaterals and guarantor or transfer to credit guarantee funds to reinforce the Bank's claims.</li> <li>Evaluate the fair value of collaterals and conduct on-site inspection of collaterals regularly or irregularly. Conduct credit check and re-evaluation of collaterals based on the current status of credit recipients. Assess the extent of guarantee provided by clients who receive credit and the legality of guarantors to ensure the effectiveness of credit protection. Regularly maintain and develop the credit risk management system based on the status of business and credit retention to ensure continuous and effective operation.</li> </ol>
V. Approaches adopted for statutory capital charges	Standardized approach

Note: This form is applicable to banks which adopt the standardized approach.

Risk exposure amount and accrued capital after risk mitigation under the credit risk standardized approach

December 31, 2021

Unit: NT\$ thousand

Type of exposure	Risk exposure amount after risk mitigation	Accrued capital
Sovereigns	37,829,070	0
Non-central government public sectors	0	0
Banks (including multilateral development banks and qualifying central counterparties)	5,897,862	114,445
Corporations (including securities and insurance companies)	121,337,635	8,364,684
Retail claims	5,057,077	322,793
Property risk exposure	138,955,787	10,499,904
Equity securities investments	3,591,670	287,334
Equity securities investments of funds and venture capital firms	0	0
Other assets	7,107,697	357,261
Total	319,776,797	19,946,421

2. Risk management measures and risk exposure amount for asset securitization, and the management strategy and procedures for securitization of accrued capital.

Risk management system of securitization

2021

Item	Contents
I. Securitization management strategies and procedures	[Trading Book]: 1. In order to implement risk management, we conduct investment decisions and process management based on the Bank's relevant measures on marketable securities when investing in securitized products (such as REITs) on the trading book. 2. We have not taken the role of an originator, service institution or credit enhancement institution. We shall first establish the relevant management policies if we wish to handle the related businesses in the future. [Banking Book]: We have not invested in securitized products which are considered part of the banking book and we have not taken the role of an originator.
II. Securitization management organization and framework	[Trading Book]: 1. We have established the Risk Management Committee responsible for implementing decisions on credit risk management approved by the board and supervising the effectiveness of risk management implementation. We regularly hold the Asset and Liability Management Committee meetings to evaluate the Company's capital and investment operations and reviewing the implementation. We also regularly hold Investment Management Committee meetings to adjust our investment strategy as needed to control investment risk in response to changes in the domestic and overseas financial markets, further protecting the Bank's investment position and profitability. 2. When investing in securitized products (such as REITs) on the trading book, we manage the associated risks based on the credit, market and other relevant risk management organizations and structure. [Banking Book]: We have not invested in securitized products which are considered part of the banking book and we have not taken the role of an originator.
III. Scope and features of securitization risk reporting and measurement systems	[Trading Book]: When investing in securitized products (such as REITs) on the trading book, we evaluate them daily and manage the associated risks based on the credit, market and other relevant risk management organizations and structure, and disclose the information on the risk control reports to be submitted to the board every quarter. [Banking Book]: We have not invested in securitized products which are considered part of the banking book and we have not taken the role of an originator.
IV. Securitization risk hedging or mitigation policies, and monitoring the continued effectiveness of risk avoidance and mitigation tools	[Trading Book]: 1. We have not taken the role of an originator, service institution or credit enhancement institution and have not established policies related to securitization hedging and risk reduction. We shall first establish the relevant management policies if we wish to handle the related businesses in the future. 2. We currently adopt the following measures based on the credit, market and other relevant risk standards: risk avoidance - high probability of default and large amount of loss, risk reduction or transfer - low probability of default and large amount of loss, risk control - high probability of default and small amount of loss and risk retention - low probability of default and small amount of loss. [Banking Book]: We have not invested in securitized products which are considered part of the banking book and we have not taken the role of an originator.
V. Approaches adopted for statutory capital charges	[Trading Book]: Adopt the standardized approach for market risk. [Banking Book]: We have not invested in securitized products which are considered part of the banking book and we have not taken the role of an originator.

Risk exposure amount for securitization and capital accrual

December 31, 2021

Unit: NT\$ thousand

Bank' Role	Type of book	Type of asset	Traditional				Accrued capital	Combination		Total		
			Risk exposure amount					Risk exposure amount	Accrued capital	Risk exposure amount	Accrued capital	Accrued capital before securitization
			Keep or buy	Provide liquid financing amount	Provide credit enhancement	Subtotal	(1)	(2)	Keep or buy	(3)	(4)	(5)=(1)+(3)
Non-originator	Banking Book	-	0	0	0	0	0	0	0	0	0	0
	Trading Book	-	0	0	0	0	0	0	0	0	0	0
	Subtotal	-	0	0	0	0	0	0	0	0	0	0
Originator	Banking Book	-	0	0	0	0	0	0	0	0	0	0
	Trading Book	-	0	0	0	0	0	0	0	0	0	0
	Subtotal	-	0	0	0	0	0	0	0	0	0	0
Total		-	0	0	0	0	0	0	0	0	0	0

Note:

- For the field of "Assets," it is subdivided by the type of assets that are securitized (such as credit cards, home equity loans, and car loans), or the type of securities invested (such as mortgage-backed securities, commercial real estate-backed securities, asset-backed securities, and collateralized debt obligations). RMBS is a type of beneficiary securities for mortgage securitization or asset-backed securities. REITs are real estate investment trust beneficiary securities.
- For the exposure of the banking book, the exposure after risk reduction shall be entered.
- For the field of "Providing Liquidity Facility," the exposure of funds already appropriated and not yet appropriated shall be included.

## 3. Operational risk management system and accrued capital

## Operational risk management system

2021

Item	Contents
I. Operational risk management strategies and processes	<ol style="list-style-type: none"> <li>1. Operational risk management strategies Make appropriate adjustments in response to the changes in the Bank's operating environment and risks involved to maintain the consistency with the Bank's business strategy and objectives, which also cover all important operational risks related to the business.</li> <li>2. Establish operational risk management measures. Identify, measure, communicate and monitor all operational risks that may arise from daily operations and management processes.</li> </ol>
II. Operational risk management organization and framework	<ol style="list-style-type: none"> <li>1. <u>The board</u> of directors is our highest decision-making body for operational risk management and has the ultimate liability in terms of operational risk management.</li> <li>2. <u>Risk Management Committee</u> is responsible for implementing decisions on operational risk management approved by the board, reviewing operational risk regulations, and supervising the effectiveness of risk management implementation.</li> <li>3. <u>Risk Management Department</u> is responsible for planning, building and coordinating the Bank's operational risk management, and it regularly compiles the information on the Bank's operational risk and reports it to the Risk Management Committee.</li> <li>4. <u>All departments at headquarters</u> are responsible for establishing and managing the credit risk regulations and operational procedures for its business, monitoring their implementation, and assisting the Risk Management Department to complete the control of operational risk for the entire bank.</li> <li>5. <u>All departments in the Bank</u> are responsible for identifying, assessing and measuring risks and adopting appropriate risk management approaches. Comply with the Bank's rules on operational risk to conduct daily operations and operational risk management.</li> </ol>
III. Scope and features of operational risk report and measurement system	<p>We have established the Operational Risk Management Standards based on the overall risk management policy to actively and effectively measure, control and monitor all operational risks associated with all products, services, operations and systems, and disclose the information in risk control reports to be submitted to the board on a quarterly basis.</p> <ol style="list-style-type: none"> <li>1. The content and scope are shown as follows: <ol style="list-style-type: none"> <li>(1) Self-assessment of risk control operation of the "Rules and Regulations of the Bank".</li> <li>(2) Self-assessment of risk control in compliance with various rules and regulations of all units' operating procedures.</li> <li>(3) Self-assessment of risk control for new products (business), activities, processes and systems.</li> <li>(4) Managing authorization and limits of credit issuance operations of all business units.</li> <li>(5) Managing authorization and limits of loan, foreign exchange and investment businesses of the Finance Department.</li> <li>(6) Report progress to the point of contact at the financial supervisory authority.</li> <li>(7) Implementation of data collection on losses attributable operational risk.</li> <li>(8) Implementation of key risk indicator (KRI).</li> <li>(9) Implementation of the compliance with the three reinforcing pillars of the New Basel Accord.</li> <li>(10) Education and training sessions on risk management conducted by supervisory units of businesses.</li> </ol> </li> <li>2. In order to effectively measure operational risk, the measurement system is divided into operational risk event maintenance, authorized credit limit maintenance and others and establish the following operational measures: <ol style="list-style-type: none"> <li>(1) Essentials for Collection of Operational Risk Loss Event Data: Collect loss event data, categorize the data based on the patterns and business types and understand the distribution of loss events.</li> <li>(2) Essentials for Business Units' Risk Control Self-Assessment: Use the Risk Control Assessment Form to assess the Bank's operating procedures, rules and regulation, new products (businesses), activities, processes, systems and other operations.</li> <li>(3) Essentials for Key Risk Indicators: Establish quantitative indicators and thresholds and warning values corresponding to main risk exposure in order to monitor the risk exposure and control measures for operational risk.</li> </ol> </li> </ol>
IV. Operational risk hedging or risk mitigation policies, and monitoring the continued effectiveness of risk hedging and mitigation tools	<p>When the Bank conducts business related to operational risk, it evaluates the probability and severity of losses that may arise from the event or transaction and adopts risk avoidance, risk offset or transfer, risk control, risk commitment and other countermeasures (e.g., outsourcing operations, taking out employees' integrity insurance...etc.). We also regularly maintain and develop the operational risk management system in accordance with our business and risk exposures to ensure the system continues to operate effectively.</p>
V. Approaches adopted for statutory capital charges	Basic indicator approach.

## Accrued capital for operational risks

December 31, 2021

Unit: NT\$ thousand

Year	Gross operating profit	Accrued capital
2019	8,236,739	1,280,598
2020	9,014,307	
2021	8,360,918	
Total	25,611,964	

## 4. Market risk management system and accrued capital

## Market risk management system

2021

Item	Contents
I. Market risk management strategies and processes	<ol style="list-style-type: none"> <li>Market risk management strategies Make appropriate adjustments in response to the changes in the Bank's operating environment and risks involved to maintain the consistency with the Bank's business strategy and objectives, which also cover all important market risks related to the business. Seek stability when investing in marketable securities and other financial instrument. Pay attention to the fundamental analysis of products and economic cycle and avoid excessive risk concentration. Comply with the regulations on investment limits.</li> <li>Market risk management process Establish market risk management measures. Effectively identify, measure, communicate and monitor market risks associated with all main products and transactions.</li> </ol>
II. Market risk management organization and framework	<ol style="list-style-type: none"> <li><u>The board of directors</u> is our highest decision-making body for market risk management and has the ultimate liability in terms of market risk management.</li> <li><u>Investment Management Committee</u> may adjust our investment strategy as needed to control investment risk in response to changes in the domestic and overseas financial markets, further protecting the Bank's investment position and profitability.</li> <li><u>Risk Management Committee</u> is responsible for implementing decisions on market risk management approved by the board, reviewing market risk regulations and supervising the effectiveness of risk management implementation.</li> <li><u>Risk Management Department</u> is responsible for planning, building and coordinating the Bank's operational risk management. The department handles the liquidation and settlement of the Bank's capital allocation and securities trading, regular assesses profits and losses at fair market values, controls investment positions and transaction limits and reports over-the-limits, stop-loss and early warnings to business units which have transactions. It regularly compiles the information on the Bank's operational risk and reports it to the Risk Management Committee.</li> <li><u>All departments at headquarters</u> are responsible for establishing and managing the credit risk regulations and operational procedures for its business, monitoring their implementation, and assisting the Risk Management Department to complete the control of market risk for the entire bank.</li> <li><u>All departments in the Bank</u> are responsible for identifying, assessing and measuring risks and adopting appropriate risk management approaches. Comply with the Bank's market risk management rules and carry out daily operations and market risk management. The risk management personnel are independent from the front-end of transactions or are the personnel from different departments or divisions. Actively monitor the over-the-limits and stop-loss measures and report events to the relevant units in a timely manner.</li> </ol>
III. Scope and features of market risk reporting and measurement systems	<p>Market risk involves interest rates, equity securities, foreign exchange and financial instrument. We have established the Market Risk Management Standards based on the overall risk management policy. The positions held are categorized into the "Trading Book" and "Banking Book" in accordance with the Trading Book and Banking Book Categorization Measures to effectively manage positions of financial instrument. The risk management of various investments is conducted in accordance with the relevant regulations and the Bank's standards to control the risk within an acceptable range and disclose the information in risk control reports to be submitted to the board on a quarterly basis. The content and scope are shown as follows:</p> <ol style="list-style-type: none"> <li>Investment limit and early warning management for market risk: <ol style="list-style-type: none"> <li>Invest in a variety of securities: (a) Limits for a variety of securities (required by the authority); (b) Restrictions on investment in a same legal person, a same related company within a corporate group and a same industry (required by the Bank); (c) Limits for non-statutory investment grade (required by the authority), and application criteria for non-statutory investment grade bonds and bills and the balance in any one particular investment (required by the Bank); (d) Limits for balance in any one particular bond and bill on watch (required by the Bank), and limits for non-statutory investment grade bonds and bills on watch (required by the Bank); (e) Bonds and bill on watch with credit ratings of "BBB-/Baa3, twBBB- and equivalent" and the limits for non-statutory investment grade bonds (required by the Bank); (f) Investment ceiling on a particular country with a sovereign credit rating of Baa1 to Baa3/BBB+ to BBB- in accordance with the Bank's National Risk Management Guidelines (required by the Bank). (g) Total balance of investment in various securities in China (required by the Bank), and the balance of investment in bonds and bills in China overall (required by the Bank). Balance of investment in bonds and bills (required by the Bank) issued by non-financial institutions (including leasing companies and asset management companies). (h) Balance of transactions for bond repurchase (required by the government authority). (i) Balance of investment in Islamic fixed income securities (required by the government authority).</li> <li>Invest in derivatives: (a) The upper limits of total position and loss of notional principal; (b) The control of notional principal of various contracts; (c) Upper limit of transaction counterparty's credit risk, early warning for gains of counterparty's market valuation; (d) Limit of counterparty (a related company within a corporate group, an industry); (e) With respect to the total profits or losses in market valuation of the overall unhedged contracts and individual unhedged contract, the limit</li> </ol> </li> </ol>



Item	Contents
	<p>of loss amount if there are losses.</p> <p>(3) Foreign exchange transactions: (a) Limits of uncovered total position between NTD and foreign currencies in the whole company; (b) Uncovered total position between foreign currencies in the whole company; (c) Positions of various exchanges against the USD.</p> <p>(4) Lending limits to counterparties in the loan business (NTD, foreign currencies).</p> <p>2. Stop-loss mechanism for market risk and monitor major risk exposure mechanism:</p> <p>(1) Invest in a variety of securities: (a) Stop-loss position, execution and major risk exposure of various types of securities; (b) Financial asset impairment or sale assessment and major risk exposure of various types of securities.</p> <p>(2) Stop-loss of individual unhedged contract in derivatives investment.</p> <p>(3) Restriction and enforcement of exchange losses of commercial positions and traders of the whole Bank.</p> <p>3. Market risk stress testing (Impact of profits and losses in comprehensive scenarios / Minimum capital calculated needed for the market risk).</p>
IV. Market risk hedging or mitigation policies, and effective strategies and processes for controlling risk hedging and mitigation tools	Establish limits and stop-loss measures in the operating standards and procedures for the Bank's various investment in compliance with the authority's standards on investment limits to monitor market risk. When dealing with market risk-related businesses, we adopt countermeasures in the categories of risk avoidance, risk reduction or transfer, risk control and risk retention. We grasp our overall exposure position and risk measurement results based on the circumstances of businesses and risk retention we face to ensure continued effectiveness.
V. Approaches adopted for statutory capital charges	Standardized approach

## Accrued capital for market risks

December 31, 2021

Unit: NT\$ thousand

Type of risk	Accrued capital
Interest rate risk	1,165,591
Equity securities risk	1,100,301
Foreign exchange risk	63,760
Commodity risk	0
Total	2,329,651

5. Liquidity risk includes maturity analysis of assets and liabilities, and explains how to manage liquidity of assets and liquidity of working capital gaps.

## (1) Risk management procedures:

For various assets and liabilities, the maturity gap and maturity structure changes were regularly analyzed as the basis for fund allocation, liquidity management and liquidity risk reduction. To control interest rate risk, the correlation between various assets and liabilities and market interest rate were regularly analyzed to assess market interest rate risk, and accordingly, deposit interest rate pricing and asset allocation were adjusted. We regularly report the status of asset and liability allocation and the changes in various indicators for risk management at the Asset and Liability Management Committee meetings to ensure the implementation of risk management procedures.

## (2) Principles of measurement and control:

In order to meet the needs for liquidity, monitor liquidity risk and prevent excessive the concentration of capital utilization, we regularly prepare the "NTD Maturity Term Structure Analysis Table" and "USD Maturity Term Structure Analysis Table" to analyze the working capital gaps of various terms and use them as the early warning indicators for liquidity. We also take the impact of domestic and overseas financial market conditions and seasonal factors into consideration and adjust our business strategy, interest rate gaps and asset and liability structure in a timely manner and report the results to the Asset and Liability Management Committee.

In terms of capital utilization, we allocate sufficient funds as legal reserve in accordance with the regulations and the remaining capital is invested in government bonds, transferrable certificates of deposits from the Central Bank, treasury bills, financial bonds, government debt repurchase, corporate bonds, commercial papers, banker's acceptance, beneficiary certificates and other fixed-income financial instruments. We value the security of investments and consider the liquidity of the secondary market to reduce our operational risk.

## NTD maturity date structure analysis table

December 31, 2021

Unit: NT\$ thousand

	Total	Remaining balance to maturity					
		0 to 10 days	11 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Primary inflow upon maturity	289,571,142	52,773,924	25,107,955	18,359,917	21,057,003	54,323,002	117,949,341
Primary outflow upon maturity	323,081,609	23,951,921	18,889,226	35,055,036	41,101,834	52,265,559	151,818,033
Period gap	-33,510,467	28,822,003	6,218,729	-16,695,119	-20,044,831	2,057,443	-33,868,692

Note: This table refers to the amount of NTD of the whole Bank.

## USD maturity date structure analysis table

December 31, 2021

Unit: US\$ thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	1,835,854	222,621	75,616	29,054	107,118	1,401,445
Outward remittance of due fund	1,800,033	719,886	534,568	169,417	63,709	312,453
Period gap	35,821	-497,265	-458,952	-140,363	43,409	1,088,992

Note: This table refers to the amount of US dollars of the whole Bank.

## (III) The influence of domestic and foreign major policies and law amendment exerting on the Bank's financial structure and responding measures

The FSC announced the "Enhancement measures to be taken by the FSC on the management of banks' real estate credit business" and require banks to include internal control and audit system requirements, and internal audit units shall make the above-mentioned matters the focus of internal audits. To stabilize the credit structure of the Bank and strengthen the risk control of real estate loans, the Bank has established internal regulations and implemented them in accordance with the regulations of the competent authorities to maintain the order of domestic real estate and to fulfill the social responsibility of financial institutions. In promoting the core strategies for sustainable financial development as set out in the "Green Finance Action Plan 2.0" and to strengthen the management of climate-related risks by domestic banks, the FSC has established the "Task Force on Climate-related Financial Disclosures (TCFD) for the Domestic Banking Sector", which is expected to be implemented in 2022, and domestic banks shall, starting from 2023, make financial disclosures related to climate risks for the previous year by the end of June each year. The Bank will gradually introduce the TCFD framework with reference to the practices of banks of similar size and the relevant regulations to be subsequently promulgated by the competent authorities, and will make timely disclosures.

## (IV) Impact of technological (including information security risks) and industry changes on the banking and financial businesses and the corresponding measures

In this ever-advancing era of digital finance, we first established a mobile phone authentication measure in 2015 to facilitate the development of services based on digital finance, and then we revised the layout of our personal online banking page to present a new look to customers. In 2016, we continued with our original design elements and style to launch our mobile banking and enterprise online banking, so that both corporate and individual accounts can enjoy convenient financial services without facing geographical and time constraints. In 2017, we continued to build a new generation of personal online banking and mobile banking services, and added fingerprint login feature, expense manager and other daily life functions and personalized reminders to give customers a more user-friendly interface and transaction functions. In 2018, we continued to optimize our personal online banking and mobile banking,

and added mutual fund services to provide customers with more convenient options for personal wealth management. In 2019, we added the "In-house card-less deposit" function to our ATMs. In 2020, we added "Card-less withdrawal service" to our ATMs. In 2021, we have launched the "Taiwan Pay Spending Debit", "Mobile Phone Transfer", "Online Red Envelope" and "JKO Pay" to provide more convenient financial services. In addition, before the system was launched, inter-departmental (including the information security promotion unit) discussions and reviews were conducted for information security risks, and the system was only allowed to go online when it was confirmed that there was no information security concern.

- (V) Impact of the image changes on the bank and the corresponding measures: None.
- (VI) Expected result and possible risks of mergers and acquisitions and Counter assessments: None.
- (VII) Expected benefits, potential risks and countermeasures for expanding business locations: In 2021, we did not expand our business locations.
- (VIII) Risks arising from concentration of business and the countermeasures: Our business development and investment control practices are in compliance with the Banking Act and other relevant laws and regulations.
- (IX) The effect of change in the management produced to the Bank, possible risk and countermeasures: None.
- (X) With respect to the directors, supervisors and shareholders who own more than 1% of shares, the impact of large-scale transfer of their equity and their replacement on the bank's risks and the corresponding measures: None.
- (XI) Litigation and non-litigation events: Lin, a financial manager in the Sales Department, embezzled more than \$60 million from a customer's deposit. The criminal department received the judgment of the Tainan Branch of the Taiwan High Court on August 27, 2020 (2019 Financial Appeal No. 335) The civil lawsuit against the Bank and Lin for damages and was being heard by the Tainan District Court (2019 Appeal No. 216), and the court is considering the costs of the lawsuit.
- (XII) Other important risks and the countermeasures: None.

#### **VII. Crisis management and response mechanisms**

In order to improve our crisis management standards and contingency measures, we have established the "Crisis Response Operations Guidelines," "Safety Maintenance Operations Standards," "Emergency Response Operations Essentials" and "Emergency Response Operations Essentials for Personal Data Breach" for compliance. In the event of a major emergency, the supervisors of the relevant business units can immediately take appropriate measures. For major incidents, all business units of the Bank will take immediately remedial measures, promptly notify the convener and the event holder and adopt the relevant countermeasures in a timely manner to quickly mitigate the impact of crisis and maintain the normal operation of our operating activities.

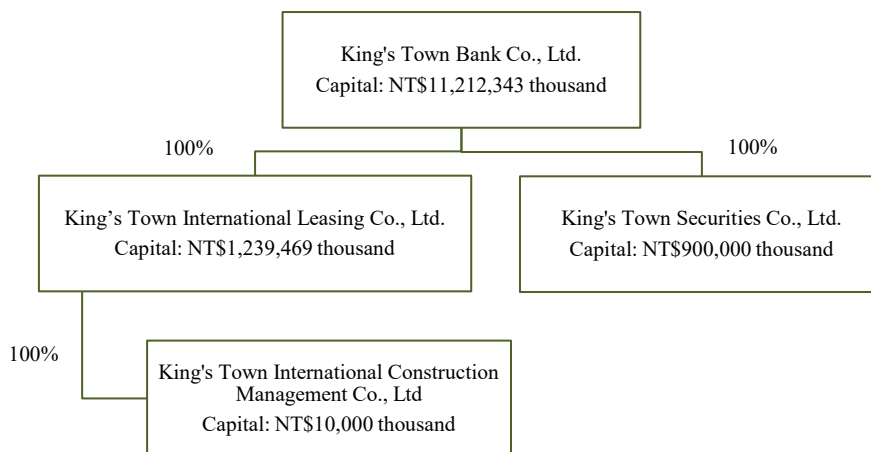
#### **VIII. Other important matters: None.**

## Chapter 8 Special Notes

### I. Information regarding the Bank's affiliates

#### (I) Consolidated operating report for affiliates

##### 1. Organizational chart of affiliates (Base date: 2022.01.31)



##### 2. Profiles of the affiliates

Unit: NT\$ thousand

Name of enterprise	Date of establishment	Address	Paid-in capital	Principal business
King's Town International Leasing Co., Ltd.	2015.01.22	8F., No. 167, Dunhua N. Rd., Songshan Dist., Taipei City	1,239,469	Finance lease
King's Town Securities Co., Ltd.	1990.11.22	2F., No. 193, Xinrong Rd., West Dist., Chiayi City	900,000	Securities business
King's Town International Construction Company	2016.12.07	8F., No. 167, Dunhua N. Rd., Songshan Dist., Taipei City	10,000	Real estate manager

##### 3. Information on directors, supervisors and general managers of affiliates

Base date: January 31, 2022

Name of enterprise	Title	Company name or representative	Shareholdings	
			No. of shares (shares)	Shareholding ratio (%)
King's Town International Leasing Co., Ltd.	Chairman Director Director Supervisor	Representative of King's Town Bank Co., Ltd.: Chien-Chih Liu Representative of King's Town Bank Co., Ltd.: Chen-Chih Tai Representative of King's Town Bank Co., Ltd.: Chiung-Ting Tsai Representative of King's Town Bank Co., Ltd.: Chien-Ko Yang	123,946,880	100%
King's Town Securities Co., Ltd.	Chairman Director Director Director Supervisor	Representative of King's Town Bank Co., Ltd.: Jung-Chi Li Representative of King's Town Bank Co., Ltd.: Qi-Wei You Representative of King's Town Bank Co., Ltd.: Chih-Cheng Yu Representative of King's Town Bank Co., Ltd.: Shu-Chen Tsai Representative of King's Town Bank Co., Ltd.: Yun-Chia Peng Representative of King's Town Bank Co., Ltd.: Hung-Sung Shen	90,000,000	100%
King's Town International Construction Management Co., Ltd	Chairman Director Director Supervisor	Representative of King's Town Bank International Leasing Co., Ltd.: Ming-Hui Chen Representative of King's Town Bank International Leasing Co., Ltd.: Chen-Chih Tai Representative of King's Town Bank International Leasing Co., Ltd.: Chiung-Ting Tsai Representative of King's Town Bank International Leasing Co., Ltd.: Chien-Ko Yang	1,000,000	100%

## 4. Operation overview of affiliates

Base date: December 31, 2021

Unit: NT\$ thousand

Name of enterprise	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit	Current period profit (after tax)	Earnings per share (after tax) (\$)
King's Town International Leasing Co., Ltd.	1,239,469	9,335,921	7,935,554	1,400,367	2,578,427	178,699	152,940	1.23
King's Town Securities Co., Ltd.	900,000	1,422,567	393,213	1,029,354	48,738	(7,039)	(1,725)	(0.02)
King's Town International Construction Management Co., Ltd *	10,000	27,940	4,727	23,213	21,633	13,532	10,948	10.95

\*Note: The company's profit and loss have been reflected in King's Town International Leasing Company.

(II) Consolidate financial statements of associate companies: Same as parent and subsidiary consolidated statements. Please refer to page 124 to 128 of the annual report.

(III) Relationship statement: Please refer to page 117 of the annual report.

**II. Private placement of securities and bank debentures:** None.

**III. Subsidiaries holding or disposing of the Bank's stock:** None.

**IV. Other supplementary notes**

2021 key events:

Date	Events
01/18	In line with the Bank's financial management strategy, the Wealth Management Department was renamed as "Investment Service Department"
01/19	Provide mobile phone number interbank transfer service.
02/01	Launch of online trading function for overseas bonds.
02/01	Launch of the mobile phone "Online Red Envelope" function.
03/04	Addition of the function of foreign currency passbook by the Bank's automatic passbook machine.
03/20	Completed the upgrade of Taiwan AS400 billing server.
03/25	The FSC has approved an increase of NT\$400 million in the Bank's investment in its subsidiary, King's Town Bank International Leasing Co., Ltd. and NT\$700 million in King's Town Securities Co., Ltd.
04/29	Rated the top 5% among the publicly traded companies for the four consecutive years in the 7th Corporate Governance Evaluation in 2020.
06/21	For the purpose of operational needs, the Board of Directors has approved to revise the breakdown of the hierarchical responsibilities of the Audit Department, the Digital Service & Channel Management Department and the Banking and Insurance Department.
11/22	The "Bill Operation Center" under the Digital Service & Channel Management Department was renamed as "Centralized Operation Center", and the Board of Directors has approved the revision of the Organizational Chart and Hierarchical Responsibility Schedule.
11/23	Domestic post-income fund platform officially launched.
12/01	eATM has introduced "Apply for Internet Banking Service".
12/01	The account opening of goyee digital account is now centralized in the Centralized Operation Center.
12/06	Application for additional fund raising for Millerful No. 1 REIT, approved by the Taiwan Stock Exchange to be listed on the Taiwan Stock Exchange.
12/21	The Bank was awarded the 2021 Golden Safety Award for Outstanding Organization and Outstanding Personnel.
12/29	Starting from January 3, 2022, the "Online Customer Consent to Bank's Enquiry of Personal Credit Information from the Union Credit Center" and "Online Guarantor Consent to Bank's Enquiry of Personal Credit Information from the Union Credit Center" business will be launched.
2022/1/26	The Bank has been named to the 2022 Bloomberg Gender Parity Index for the second consecutive year.

**V. Events with material impact in accordance with subparagraph 2, paragraph 3, article 36 of the Securities and Exchange Act:** None.

**Chapter 9 Head office and branches of the Bank**

Name	Address	Telephone
Tainan Branch		
Head Office	No. 506, Section 1, Ximen Road, West Central District, Tainan City	886-6-213-9171
Trust Department	8F., No. 506, Section 1, Ximen Road, West Central District, Tainan City	886-6-213-9922
International Banking Department	9F., No. 506, Section 1, Ximen Road, West Central District, Tainan City	886-6-215-5238
Overseas Banking Branch	9F., No. 506, Section 1, Ximen Road, West Central District, Tainan City	886-6-215-5238
Business Department at the head office	No. 506, Section 1, Ximen Road, West Central District, Tainan City	886-6-214-1271
Tainan Branch	1, 2F., No. 69, Sec. 2, Zhongyi Rd., West Central Dist., Tainan City	886-6-228-3155
Eastern Tainan Branch	1, 2F., No. 98, Sec. 2, Linsen Rd., East Dist., Tainan City	886-6-238-5506
Zhonghua Branch	1F., No. 106, Renhe Rd., East Dist., Tainan City	886-6-260-3171
Xinxing Branch	No. 357, 359, Xinxing Rd., South Dist., Tainan City	886-6-265-8511
Fucheng Branch	1F., No. 15, Sec. 4, Ximen Rd., North Dist., Tainan City	886-6-283-3046
Yunong Branch	1, 2F., No. 619, Yunong Rd., East Dist., Tainan City	886-6-235-0588
Kaiyuan Branch	No. 280, Kaiyuan Rd., North Dist., Tainan City	886-6-234-7302
Anhe Branch	1, 2F., No. 241, Sec. 2, Anhe Rd., Annan Dist., Tainan City	886-6-355-9311
Annan Branch	No. 366, Sec. 1, Haidian Rd., Annan Dist., Tainan City	886-6-259-8153
Yen Hsin branch	No. 54, Zhongzheng N. Rd., Yongkang Dist., Tainan City	886-6-254-1839
Yongkang Branch	No. 27, Sec. 2, Yongda Rd., Yongkang Dist., Tainan City	886-6-272-9621
Guiren Branch	No. 29, Sec. 2, Zhongshan Rd., Guiren Dist., Tainan City	886-6-239-6185
Xinhua Branch	No. 586, Zhongshan Rd., Xinhua Dist., Tainan City	886-6-598-7103
Yujing Branch	No. 130, Zhongshan Rd., Yujing Dist., Tainan City	886-6-574-7673
Rende Branch	1, 2F., No. 365, Zhongshan Rd., Rende Dist., Tainan City	886-6-270-8056
Guanmiao Branch	No. 147, Wenheng Rd., Guanmiao Dist., Tainan City	886-6-596-1550
Madou Branch	1, 2F., No. 83, Zhongshan Rd., Madou Dist., Tainan City	886-6-572-1117
Jiali Branch	1, 2F., No. 203, Wenhua Rd., Jiali Dist., Tainan City	886-6-722-3152
Xigang Branch	No. 344, Zhongshan Rd., Xigang Dist., Tainan City	886-6-795-1949
Xuejia Branch	No. 111, Jisheng Rd., Xuejia Dist., Tainan City	886-6-783-1417
Xinying Branch	No. 148, Zhongshan Rd., Xinying Dist., Tainan City	886-6-632-4161
Baihe Branch	No. 7, Guoguang Rd., Baihe Dist., Tainan City	886-6-685-2085
Liujia Branch	No. 491, Zhongzheng Rd., Liujia Dist., Tainan City	886-6-698-7813
Yanshui Branch	No. 15, Zhongzheng Rd., Yanshui Dist., Tainan City	886-6-652-1677
Shanhua Branch	No. 452, Zhongshan Rd., Shanhua Dist., Tainan City	886-6-581-5658
Xinshi Branch	No. 240, Zhongzheng Rd., Xinshi Dist., Tainan City	886-6-599-5631
Greater Taipei region		
Songshan Branch	8F., No. 167, Dunhua N. Rd., Songshan Dist., Taipei City	886-2-8712-6369
Taipei Branch	2F., No. 75, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City	886-2-2771-0922
Neihu Branch	1F., No. 394, Ruiguang Rd., Neihu Dist., Taipei City	886-2-2799-4599
Zhongxiao Branch	1, 2F., No. 29, Ln. 743, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City	886-2-8785-2525
Banchiao Branch	B1, 1F., No. 3, Sec. 1, Zhongshan Rd., Banqiao Dist., New Taipei City	886-2-8951-5758
Shuanghe Branch	1F., No. 878, Zhongzheng Rd., Zhonghe Dist., New Taipei City	886-2-8221-7871
Xinzhuang Branch	1F., No. 146, Touqian Rd., Xinzhuang Dist., New Taipei City	886-2-2994-1213
Luzhou Branch	1F., No. 232, Jixian Rd., Luzhou Dist., New Taipei City	886-2-2288-4988

Name	Address	Telephone
Xindian Branch	9F., No. 190, Zhongzheng Rd., Xindian Dist., New Taipei City	886-2-8911-9298
Taoyuan and Hsinchu		
Taoyuan Branch	1~3 F., No. 106~108, Zhonghua Rd., Taoyuan Dist., Taoyuan City	886-3-347-2469
Jhongli Branch	1F., No. 175, Puyi Rd., Zhongli Dist., Taoyuan City	886-3-462-8989
Nankang Branch	No. 117, Sec. 1, Xinnan Rd., Luzhu Dist., Taoyuan City	886-3-352-1616
Hsinchu Branch	1, 2F-1, 2F-2, No. 180, Zhongzheng Rd., North Dist., Hsinchu City	886-3-528-0526
Eastern Hsinchu branch	No. 227, 229, 231, Guanxin Rd., East Dist., Hsinchu City 886-3	886-3-563-9998
Taichung and Changhua		
Taichung Branch	1F., No. 200, Zhongming Rd., North Dist., Taichung City	886-4-2329-3511
Wenxin Branch	1, 2F., No. 320, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City	886-4-2328-8007
Dali Branch	1, 2F., No. 408, Daming Rd., Dali Dist., Taichung City	886-4-2406-8829
Changhua Branch	No. 134, 136, Huashan Rd., Changhua City, Changhua County	886-4-728-8998
Yunlin region		
Dounan Branch	No. 131, Zhongzheng Rd., Dounan Township, Yunlin County	886-5-597-3181
Huwei Branch	1F., No. 133, Gong'an Rd., Huwei Township, Yunlin County	886-5-632-3301
Lunbei Branch	No. 375, Zhongshan Rd., Lunbei Township, Yunlin County	886-5-696-6821
Douliu Branch	1F., No. 128, Minsheng Rd., Douliu City, Yunlin County	886-5-532-1561
Xiluo Branch	No. 166, Fuxing Rd., Xiluo Township, Yunlin County	886-5-586-9541
Beigang Branch	No. 61, Minzhu Rd., Beigang Township, Yunlin County	886-5-783-6181
Chiayi region		
Chiayi Branch	No. 175, Linsen W. Rd., West Dist., Chiayi City	886-5-224-2135
Xingye Branch	No. 784, Xinmin Rd., West Dist., Chiayi City	886-5-285-2171
Meishan Branch	No. 126, Zhongshan Rd., Meishan Township, Chiayi County	886-5-262-2131
Zhuqi Branch	No. 221-1, Zhongshan Rd., Zhuqi Township, Chiayi County	886-5-261-1941
Zhongpu Branch	No. 867, Sec. 5, Zhongshan Rd., Zhongpu Township, Chiayi County	886-5-239-0011
Shuishang Branch	No. 317, Zhongxing Rd., Shuishang Township, Chiayi County	886-5-268-9681
Taibao Branch	No. 166-17, Sec. 2, Beigang Rd., Taibao City, Chiayi County	886-5-238-1518
Puzi Branch	No. 43, Shantong Rd., Puzi City, Chiayi County	886-5-379-5181
Minghsiung Branch	No. 6, Minsheng Rd., Minxiong Township, Chiayi County	886-5-226-2372
Dalin Branch	1F., No. 291, Xianghe Rd., Dalin Township, Chiayi County	886-5-265-1541
Kaohsiung region		
Zhongzheng Branch	1, 2F., No. 176, Qixian 1st Rd., Xinxing Dist., Kaohsiung City	886-7-235-2929
Kaohsiung Branch	No. 110, Yucheng Rd., Sanmin Dist., Kaohsiung City	886-7-345-7171
Northern Kaohsiung branch	1F., No. 150, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City	886-7-550-7708
Gangshan Branch	No. 176, Zhongshan N. Rd., Gangshan Dist., Kaohsiung City	886-7-624-1766
Nanzi Branch	1F., No. 67, Yiqun Rd., Nanzi Dist., Kaohsiung City	886-7-362-6969

**King's Town Bank Co., Ltd. and its subsidiaries**  
**Consolidated Financial Statements and Independent Auditors' Report**  
**From January 1 to December 31, 2021 and 2020**

Address: No. 506, Section 1, Ximen Road, Xiancaoli, West Central District, Tainan

Tel: +886-6-213-9171

*Notice to Readers:*

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. The figures are not yet audited by CPA. 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 Chinese version independent auditors' report and consolidated financial statements shall prevail.



## Statement of Declaration

For the year ended December 31, 2021, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the companies that are required to be included in the consolidated financial statements of affiliates, are the same as the companies required to be included in the consolidated financial statements under International Financial Reporting Standards 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare consolidated financial statements of affiliates.

Hereby declared by

Company name: King's Town Bank Co., Ltd.

Person in Charge: Chen-Chih Tai

February 21, 2022

## Independent Auditors' Report

To King's Town Bank Co., Ltd.

### **Audit opinion**

We have audited the accompanying consolidated balance sheets of King's Town Bank Co., Ltd. and Subsidiaries as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, and notes to the consolidated financial statements (including a summary of significant accounting policies) from January 1 to December 31, 2021 and 2020.

In our opinion, the financial statements referred to above present fairly in all significant aspects of the consolidated financial position of King's Town Bank Co., Ltd. and its subsidiaries as of December 31, 2021 and 2020 and the results of its operations and cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks," "Regulations Governing the Preparation of Financial Reports by Securities Issuers," as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and effected by the Financial Supervisory Commission.

### **Basis for opinion**

We have audited the accompanying consolidated financial reports in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountant," Jin-Guan-Yin-Fa-Zi No. 10802731571 Letter and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the consolidated financial statements section. We are independent of King's Town Bank Co., Ltd. and its subsidiaries in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the consolidated financial statements of King's Town Bank Co., Ltd., and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key audit matters**

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the consolidated financial statements of King's Town Bank Co., Ltd. in 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Financial instrument evaluation

King's Town Bank Co., Ltd. and its subsidiaries invest in different types of financial assets. As of December 31, 2021, the total financial assets measured at fair value were NT\$86,494,157 thousand, accounting for about 26% of total assets. Of which, for the investments classified in the Class II fair value hierarchy, including the derivative financial instruments of bonds and FX Swap contracts, there was a book value of NT\$41,526,002 thousand, accounting for 48% of the financial assets measured at fair value. Since the Class II investment evaluation is based on an internal evaluation model, the key input values are the yield rate and exchange rate, which have a significant impact on the estimation of fair value. Therefore, we consider it to be a "Key Audit Matter."

Our audit procedures include (but are not limited to) evaluating and testing the effectiveness of internal controls related to financial instrument evaluation, including the evaluation models and their assumptions managed and approved by the management. We have used the sampling basis to understand and evaluate the rationality of the key assumptions, perform an independent evaluation calculation, and adopt the assistance of internal evaluation experts to compare the differences against the evaluations made by the management in order to see whether they are within the tolerance range.

Please refer to Notes V, VI, XIII, and XIV of the financial statements for the disclosures of financial assets of King's Town Bank Co., Ltd., and its subsidiaries.

### Appropriated allowance for bad debt from loans

As of December 31, 2021, the book value of the loans of King's Town Bank Co., Ltd. and its subsidiaries was NT\$206,356,935 thousand, accounting for 60% of the total assets, which was significant for the financial statements and was subject to the assessment of expected credit losses as stipulated in IFRS 9 "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans." The assumptions adopted by the management in estimating the expected credit losses include the conditions for determining whether the credit risk is significantly increased, whether credit impairment has occurred, the selection and evaluation of the forward-looking factors, the probability of default (PD), the loss given default (LGD) parameters, etc., and involve a high degree of professional judgment. Therefore, we consider them to be "Key Audit Matters."

Our audit procedures include (but are not limited to) evaluating and testing internal controls related to the calculation of expected credit losses, examining whether the expected credit loss assessment model has been approved by the management, assessing the source of expected credit losses, and having internal experts review the reasonableness of the expected credit loss model, the appropriateness and rationality of the input parameters of the expected credit loss model in the sampling test, including the probability of default (PD) and the loss given default (LGD). In addition, we also examine whether the management complies with the requirements of the relevant authority's written order to confirm that the loan classification and allowance for bad debts are in compliance with the statutory requirements.

Please refer to Notes V, VI, and XIV of the financial statements for the disclosure of the allowance for bad debt of King's Town Bank Co., Ltd., and its subsidiaries.

### **Other Matters - Mentioning of the Audit Result of Other Certified Public Accountants (CPAs)**

We did not audit the financial statements of certain subsidiaries furnished to the consolidated financial statements. The financial statements of these subsidiaries were audited by other independent accountants. Therefore, the opinions issued by this CPA regarding to the amounts listed in such subsidiary financial reports from the consolidated financial statements mentioned above are based on the audit report from other CPAs. The assets of the aforementioned subsidiaries as of December 31, 2021 were NT\$286,278 thousand, accounting for 0.08% of the total consolidated assets; the net income for the fiscal year 2021 was NT\$48,375 thousand accounting for 0.47% of the net consolidated income.

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

The Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks," "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and IFRS, IAS, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as the management determines is necessary to enable the preparation of the consolidated financial statements to be free from significant misstatement whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of King's Town Bank Co., Ltd. and its subsidiaries as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate King's Town Bank Co., Ltd. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

The governance unit of King's Town Bank Co., Ltd., and its subsidiaries (including the Audit Committee or supervisors) is responsible for supervising the financial reporting process.

### **Independent Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards in the Republic of China will always detect a significant misstatement when it exists. Misstatements can arise from fraud or error. If fraud or errors are considered significant, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design, and perform audit procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a significant 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 internal control effective in King's Town Bank Co., Ltd. and its subsidiaries.

3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and based on the audit evidence obtained, whether a significant uncertainty exists related to events or conditions that may cast significant doubt on King's Town Bank Co., Ltd. and its subsidiaries and its ability to continue as a going concern. If we conclude that a significant uncertainty exists, we are required to draw attention in auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause King's Town Bank Co., Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall expression, structure, and content of the consolidated financial statements (including related notes) and whether the consolidated financial statements include the relevant transactions and events expressed adequately.
6. Obtain sufficient and appropriate audit evidence for the consolidated financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising, and implementing the audit of the Group. We remain solely responsible for our opinion.

We communicate the following events with the governance unit, including the planned scope and audit time, as well as major audit findings (including significant deficiencies of internal control identified during the audit process).

We also provide a statement to the governance unit that the personnel of the CPA Firm who are subject to the regulation of independence are indeed complying with the independence requirements in accordance with the Code of Professional Ethics. Also, they communicate to the governance unit all relationships and matters (including related protective measures) that may be considered as affecting our independence.

We use the matters communicated with the governance unit to decide the Key Audit Matters for the audit of the 2021 consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries. 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.

## Others

King's Town Bank Co., Ltd. has prepared 2021 and 2020 parent company only financial reports, and the audit report issued by us with an unqualified opinion and notes included is filed for future reference.

Ernst & Young Global Limited

The competent authorities approved the financial report of the public offering company

Auditing and Certification No.:

Jin-Guan-Cheng-6-Zi No. 0950104133

Jin-Guan-Cheng-Shen-Zi No. 1030025503

Shih-Chieh Huang

CPA

Cheng-Tao Chang

February 21, 2022

## King's Town Bank Co., Ltd. and its subsidiaries

## Consolidated Balance Sheets

December 31, 2021 and 2020

Unit: NTD thousand

Assets			December 31, 2021		December 31, 2020	
Code	Account Item	Note	Amount	%	Amount	%
10000	Assets					
11000	Cash and cash equivalents	IV/VI.1	s\$4,832,340	1	\$3,982,321	1
11500	Due from the Central Bank and call loans to other banks	IV/VI.2	12,724,231	4	12,542,608	4
12000	Financial assets measured at FVTPL	IV/VI.3/VIII	39,942,021	12	45,032,063	14
12100	Financial assets measured at FVTOCI	IV/VI.4, 27/VIII	46,552,136	14	48,819,322	15
12200	Debt instrument investments measured at amortized cost	IV/VI.5, 27	18,199,019	5	18,897,382	6
12500	Bills and bonds purchased under resell agreements	IV/VI.6	-	-	200,248	-
13000	Receivables, net	IV/VI.7, 27	8,598,238	3	5,933,698	2
13500	Discounts and loans, net	IV/V/VI.8, 27	206,356,935	60	184,901,230	57
15500	Other financial assets, net	IV/VI.9	776	-	363	-
18500	Property, plant, and equipment, net	IV/VI.10, 27	3,643,607	1	3,376,707	1
18600	Right-of-use assets	III/IV/VI.28	329,537	-	217,504	-
18700	Investment property	VI.11	140,964	-	115,036	-
19300	Deferred income tax assets	IV/VI.31	170,475	-	185,987	-
19500	Other assets, net	VI.12	1,659,001	-	1,253,470	-
	Total assets		<u>\$343,149,280</u>	<u>100</u>	<u>\$325,457,939</u>	<u>100</u>

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Jih-Cheng Chang

Accounting Supervisor: Yu-Hsuan Chen



## King's Town Bank Co., Ltd. and its subsidiaries

## Consolidated Balance Sheets (continued)

December 31, 2021 and 2020

Unit: NTD thousand

Liabilities and Equity			December 31, 2021		December 31, 2020	
Code	Account Item	Note	Amount	%	Amount	%
20000	Liabilities					
21000	Deposits from the Central Bank and other banks	IV/VI.13	\$18,451,547	5	\$21,117,468	7
21500	Funds borrowed from the Central Bank and other banks	VI.14	4,767,450	2	4,597,650	1
22000	Financial liabilities measured at FVTPL	IV/VI.15	14,692	-	13,062	-
22500	Securities sold under agreements to repurchase	IV/VI.16	12,129,935	4	21,990,934	7
23000	Payables	VI.17	2,519,489	1	1,601,260	1
23200	Current income tax liabilities	IV/VI.31	610,911	-	573,272	-
23500	Deposits and remittances	VI.18	251,036,564	73	226,932,674	70
25500	Other financial liabilities	VI.19	3,534,057	1	890,000	-
25600	Provisions	IV/VI.20, 21, 27	357,754	-	394,957	-
26000	Lease liabilities	III/IV/VI.28	333,056	-	219,898	-
29300	Deferred income tax liabilities	IV/VI.31	188,861	-	299,314	-
29500	Other liabilities	VI.22	323,936	-	244,360	-
			<u>294,268,252</u>	<u>86</u>	<u>278,874,849</u>	<u>86</u>
31000	Equity attributable to shareholders of the parent	VI.23				
31100	Share capital		11,212,343	3	11,212,343	3
31500	Capital surplus		77,735	-	55,622	-
32000	Retained earnings					
32001	Legal reserve		13,076,248	4	11,438,543	4
32003	Special reserve		120,039	-	115,319	-
32011	Unappropriated retained earnings		19,795,409	6	17,605,151	5
32500	Other equity interest	IV	4,599,254	1	6,252,901	2
32600	Treasury stock	IV	-	-	(98,422)	-
	Total equity attributable to shareholders of the parent		<u>48,881,028</u>	<u>14</u>	<u>46,581,457</u>	<u>14</u>
38000	Non-controlling interest		-	-	1,633	-
	Total liabilities and equity		<u>48,881,028</u>	<u>14</u>	<u>46,583,090</u>	<u>14</u>
			<u>\$343,149,280</u>	<u>100</u>	<u>\$325,457,939</u>	<u>100</u>

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Jih-Cheng Chang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd. and its subsidiaries  
Consolidated Statements of Comprehensive Income  
From January 1 to December 31, 2021 and 2020

Unit: NTD thousand

Code	Account Item	Note	2021		2020	
			Amount	%	Amount	%
41000	Interest income	IV	\$6,464,907	63	\$6,513,084	73
51000	Less: Interest expenses	IV	(871,680)	(8)	(1,267,131)	(14)
	Net interest income	VI.24	5,593,227	55	5,245,953	59
	Non-interest net income					
49100	Net service fee income	IV/VI.25	2,131,057	21	1,909,280	21
49200	Gain on financial assets and financial liabilities measured at FVTPL	IV/VI.26	954,691	9	2,028,072	23
49310	Realized gain on financial assets at FVTOCI	IV	1,144,958	11	306,334	3
49600	Net exchange (loss)	IV	(217,619)	(2)	(134,144)	(1)
49700	Impairment (loss) reversal gain on assets	IV/VI.27	593,641	6	(512,890)	(6)
49800	Other non-interest net income	IV	62,003	-	64,315	1
	Net income		10,261,958	100	8,906,920	100
58200	Allowances for bad-debts, commitments and guarantees	IV/VI.7, 8, 20, 27	(1,732,076)	(17)	(744,664)	(8)
58400	Operating expenses					
58500	Employee benefits expenses	VI.21, 29	(1,139,093)	(11)	(1,052,771)	(12)
59000	Depreciation and amortization expenses	IV/VI.10, 11, 28, 29	(127,603)	(1)	(132,118)	(1)
59500	Other business and administrative expenses	IV	(758,168)	(7)	(714,845)	(8)
61000	Net income before taxes from continuing operations		6,505,018	64	6,262,522	71
61003	Income tax expenses	IV/VI.31	(874,715)	(9)	(771,551)	(9)
64000	Net income after tax		5,630,303	55	5,490,971	62
65000	Other comprehensive income (loss)					
65200	Items that will not be reclassified to profit or loss	IV/VI.30, 31				
65201	Remeasurements of the defined benefit plan		(4,719)	-	(2,903)	-
65204	Gain on evaluation of equity instruments at FVTOCI		1,200,860	12	379,435	4
65220	Income tax expenses related to items that will not be reclassified subsequently to profit or loss		566	-	349	-
65300	Items that may be reclassified subsequently to profit or loss	IV/VI.30, 31				
65301	Exchange differences from the translation of financial statements of foreign operations		27,617	-	(3,825)	-
65308	Gain or (loss) from debt instrument investment measured at FVTOCI		(2,654,055)	(26)	1,739,742	20
65320	Income tax related to components of other comprehensive income that may be reclassified to profit or loss		(3,314)	-	459	-
	Other comprehensive income (after tax)		(1,433,045)	(14)	2,113,257	24
66000	Total comprehensive income (after tax)		\$4,197,258	41	\$7,604,228	86
67100	Current period after tax net profit and loss attributable to					
67101	Owners of the parent company		\$5,630,303		\$5,490,966	
67111	Non-controlling interest		\$ -		\$5	
67300	Current period after tax comprehensive profit and loss attributable to					
67301	Owners of the parent company		\$4,197,258		7,604,223	
67311	Non-controlling interest		\$ -		\$5	
	Earnings per share (NTD)	VI.32				
67500	Basic Earnings Per Share		\$5.02		\$4.90	
67700	Diluted earnings per share		\$5.02		\$4.90	

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Jih-Cheng Chang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd. and its subsidiaries  
Consolidated Statements of Changes in Equity  
From January 1 to December 31, 2021 and 2020

Unit: NTD thousand

Item	Share capital	Capital surplus	Retained earnings			Other equity items		Treasury stock	Total	Non-controlling interest	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences from the translation of financial statements of foreign operations	Unrealized (loss) profit of financial assets measured at FVTOCI				
Balance on January 1, 2020	\$11,312,343	\$56,095	\$10,418,637	\$538,481	\$14,596,680	\$(44,102)	\$4,151,797	\$(98,422)	\$40,931,509	\$ -	\$40,931,509
The 2019 appropriation and distribution of earnings											
Appropriation of legal reserve	-	-	1,019,906	-	(1,019,906)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(423,162)	423,162	-	-	-	-	-	-
Common stock cash dividends	-	-	-	-	(1,677,351)	-	-	-	(1,677,351)	-	(1,677,351)
Net income for the year ended December 31, 2020	-	-	-	-	5,490,966	-	-	-	5,490,966	5	5,490,971
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(2,554)	(3,366)	2,119,177	-	2,113,257	-	2,113,257
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	5,488,412	(3,366)	2,119,177	-	7,604,223	5	7,604,228
Cost of treasury stock repurchase	-	-	-	-	-	-	-	(276,924)	(276,924)	-	(276,924)
Disposal of treasury stocks	(100,000)	(473)	-	-	(176,451)	-	-	276,924	-	-	-
Disposal of equity instruments measured at FVTOCI	-	-	-	-	(29,395)	-	29,395	-	-	-	-
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	1,628	1,628
Balance on December 31, 2020	11,212,343	55,622	11,438,543	115,319	17,605,151	(47,468)	6,300,369	(98,422)	46,581,457	1,633	46,583,090
The 2020 appropriation and distribution of earnings											
Appropriation of legal reserve	-	-	1,637,705	-	(1,637,705)	-	-	-	-	-	-
Appropriation of special reserve	-	-	-	4,720	(4,720)	-	-	-	-	-	-
Common stock cash dividends	-	-	-	-	(2,018,222)	-	-	-	(2,018,222)	-	(2,018,222)
Net income for the year ended December 31, 2021	-	-	-	-	5,630,303	-	-	-	5,630,303	-	5,630,303
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(4,153)	24,303	(1,453,195)	-	(1,433,045)	-	(1,433,045)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	5,626,150	24,303	(1,453,195)	-	4,197,258	-	4,197,258
Other capital surplus changes											
Share-based payment transaction	-	22,070	-	-	-	-	-	98,422	120,492	-	120,492
Disposal of equity instruments measured at FVTOCI	-	-	-	-	224,755	-	(224,755)	-	-	-	-
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	43	-	-	-	-	-	-	43	-	43
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	\$(1,633)	(1,633)
Balance on December 31, 2021	\$11,212,343	\$77,735	\$13,076,248	\$120,039	\$19,795,409	\$(23,165)	\$4,622,419	\$ -	\$48,881,028	\$ -	\$48,881,028

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Jih-Cheng Chang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd. and its subsidiaries  
Consolidated Statements of Cash Flows  
From January 1 to December 31, 2021 and 2020

Unit: NTD thousand

Item	2021	2020	Item	2021	2020
	Amount	Amount		Amount	Amount
Cash flows from operating activities:			Cash flows from investing activities:		
Profit before tax for the period	\$6,505,018	\$6,262,522	Acquisition of property and equipment	(234,086)	(721,055)
Adjustments:			Proceeds from disposal of property and equipment	-	6,027
Non-cash income and expense items			Proceeds from disposal of investment property and equipment	134	-
Expected credit impairment loss/bad debt expenses	1,732,076	744,664	Acquisition of investment property	(29,314)	(115,488)
Impairment loss /(reversal gain) on assets	(593,641)	512,890	Acquisition of subsidiaries (less the cash received)	(1,590)	(142,895)
Depreciation and amortization expenses	127,603	132,118	Net cash flow (outflow) from investing activities	(264,856)	(973,411)
Net interest income	(5,593,227)	(5,245,953)	Cash flows from financing activities:		
Loss (gain) on disposal and retirement of property, plant and equipment	148	(106)	Due to the Central Bank and other banks increase	169,800	201,820
Loss on disposal of investment property	1,810	-	Securities sold under agreements to repurchase (decrease)	(9,860,999)	(6,227,086)
Gains on disposal of other assets	-	(88)	Cash dividend paid	(2,018,222)	(1,677,351)
(Gain) on bargain purchase	-	(7,661)	Repayment of the principal amount of lease liabilities	(79,036)	(79,264)
Compensation cost of share-based payments	22,070	-	Treasury stock purchased by employee	98,422	-
Changes in operating assets and liabilities	-	-	Cost of treasury stocks repurchase	-	(276,924)
Due from the Central Bank and call loans to other banks (increase)	(893,925)	(655,248)	Net cash flow (outflow) from financing activities	(11,690,035)	(8,058,805)
Financial assets measured at FVTPL decrease (increase)	5,090,042	(10,037,748)	Effect of exchange rate changes on cash and cash equivalents	27,617	(3,825)
Receivables (increase)	(2,844,743)	(1,124,378)	Current cash and cash equivalents (decrease) increase	(62,531)	1,208,558
Discount and loan (increase)	(22,768,123)	(30,116,447)	Cash and cash equivalents at beginning of the period	10,582,934	9,374,376
Financial assets measured at FVTOCI decrease	1,323,195	3,696,285	Cash and cash equivalents at end of the period	\$10,520,403	\$10,582,934
Debt instrument investments measured at amortized cost decrease (increase)	700,000	(1,200,000)	Composition of cash and cash equivalents		
Other financial assets (increase) decrease	(318,640)	4,033	Cash and cash equivalents recorded on the consolidated balance sheets	\$4,832,340	\$3,982,321
Other assets (increase)	(405,531)	(157,029)	Cash and cash equivalents meeting the definition as stated in IAS No. 7 "Cash Flow Statements"	5,688,063	6,400,365
Deposits from the Central Bank and other banks (decrease) increase	(2,665,921)	6,583,619	Due from the Central Bank and call loans to banks meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	-	200,248
Financial liabilities measured at FVTPL increase	1,630	7,060	Cash and cash equivalents meeting the definition as stated in IAS No. 7 "Cash Flow Statements"	-	200,248
Payables increase	927,235	332,682	Investments in bills and bonds purchased under resell agreements meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"		
Deposits and remittances increase	24,103,890	35,134,012	Cash and cash equivalents at end of the period	\$10,520,403	\$10,582,934
Increase in other financial liabilities	2,644,057	390,000			
Liability reserve decrease	(36,069)	(70,303)			
Other liabilities increase (decrease)	79,576	(47,124)			
Interest received	6,537,826	6,575,035			
Interest paid	(876,848)	(1,313,272)			
Income tax paid	(934,765)	(154,964)			
Net cash inflow from operating activities	11,864,743	10,244,599			

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Jih-Cheng Chang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd. and its subsidiaries  
Notes to the Consolidated Financial Statements  
From January 1 to December 31, 2021 and 2020  
(Unless otherwise provide, Unit: NTD Thousand)

I. Company History

1. King's Town Bank Co., Ltd. (hereinafter referred to as the "Group") was restructured from Tainan District Joint Saving Co., Ltd, on January 1, 1978. The Group had applied for restructuring into a commercial bank according to the resolution reached in the extraordinary Shareholders' Meeting on November 29, 2005 and was renamed as "King's Town Bank Co., Ltd." The Company started trading on the Taiwan Stock Exchange Corporation since July 1983. The place of registration and the general management office are located at No. 506, Section 1, Ximen Road, West Central District, Tainan City, and branches are setup nationwide.
2. The Group's main business services are: (1) accepting check deposits, (2) accepting other deposits, (3) issuing financial bonds, (4) handling loans, (5) handling bill discounts, (6) handling various investment businesses, (7) handling domestic and foreign exchange, (8) handling draft acceptance, (9) issuing domestic and foreign letters of credit, (10) handling domestic and foreign guarantees, (11) handling collections and advances, (12) handling the depository and agency services related to the various businesses listed above, and (13) other business chartered by the government.
3. The Company is also the ultimate controller of the Group to which it belongs.
4. The Group had 1,036 employees and 1,010 employees as of December 31, 2021 and 2020, respectively.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

II. Approval Date and Procedures of the Financial Statements

The consolidated financial statements of the Group from January 1 to December 31, 2021 and 2020 were approved for publication by the Board of Directors on February 21, 2022.

III. Application of New, Revised, and Amended Standards and Interpretations

1. Changes in accounting policies resulting from the first-time application of International Financial Reporting Standards

The Group has adopted the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations or Notices that have been approved by the Financial Supervisory Commission (hereinafter referred to as the "FSC") for application after January 1, 2021. The first-time application has no significant impact on the Group.

2. The Group has yet to adopt the following standards that have been announced by the International Accounting Standards Board (IASB) and have been approved by the FSC as either newly announced, revised, and amended standards or interpretations:

No.	New/Amended/Revised Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37, and the Annual Improvements	January 1, 2022

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

- (1) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37, and the Annual Improvements

- A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

This amendment replaces the old version of the index on the Conceptual Framework for Financial Reporting and updates IFRS 3 with the latest version of the index published in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities. In addition, clarify existing guidelines for contingent assets that are not affected by the replacement structure index.

- B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit an enterprise from deducting sales proceeds from the cost of property, plant, and equipment for the items produced while the asset is sold as it gets ready for its intended use. Instead, an enterprise will recognize such sales proceeds and related cost in profit or loss.

- C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

- D. Improvements to IFRSs 2018–2020 Cycle

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

*Amendment to IFRS 1*

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

*Amendment to IFRS 9 Financial Instruments*

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

*Amendment to Illustrative Examples Accompanying IFRS 16 Leases*

The amendment to Illustrative Example 13 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

*Amendment to IAS 41*

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The abovementioned standards and interpretations issued by IASB and recognized by FSC so that they are applicable for annual periods beginning on or after 1 January 2022. According to the Group's evaluation, the new standards, amendments or interpretations have no significant impact on the Group.

3. As of the date of the issuance of the financial report, the Group has not adopted the following new publication, revision, and amendments or interpretations announced by International Accounting Standards Board but have not been approved by the FSC.



Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its  
subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

No.	New/Amended/Revised Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	Amendments to IFRS 10 - Consolidated Financial Statements, and IAS 28 - Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by International Accounting Standards Board
2	IFRS 17 "Insurance Contracts"	January 1, 2023
3	Liabilities classified as current or non-current (Amendment to IAS 1)	January 1, 2023
4	Disclosure Initiative - Accounting Policies (Amendment to IAS 1)	January 1, 2023
5	Definition of Accounting Estimates (Amendment to IAS 8)	January 1, 2023
6	Deferred income tax relating to assets and liabilities arising from a single transaction (Amendment to IAS 12)	January 1, 2023

- (1) Amendments to IFRS 10 - Consolidated Financial Statements, and IAS 28 - Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments addressed the inconsistency between the requirements in IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures," in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture shall be offset through downstream sale. IFRS 10 requires full profit or loss recognition other loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets as defined in IFRS 3 shall be recognized in full.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(2) IFRS 17 "Insurance Contracts"

This standard provides a comprehensive model to insurance contracts, including all accounting treatment (recognition, measurement, expression, and disclosure principle). The core of the standard is general, and under this model, initial recognition measures the insurance contract group by the combination of the cash flow from performance obligation and contract service margin; the book amount at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims.

In addition to the general model, a specific applicable method (Variable Fee Approach, VFA) for contracts with direct participation features as well as a simplified approach for short-term contracts (Premium Allocation Approach, PAA) are provided.

This standard was issued in May 2017 and was amended in June 2020. The amendments include deferral of the date of initial application of the standard by two years to the annual reporting periods beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying this standard and revise some requirements to make the results easier to explain. This standard replaces an interim standard (IFRS 4 "Insurance Contracts")

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

(3) Liabilities classified as current or non-current

This amendment targets sections 69-76 in IAS 1 - Presentation of Financial Statements concerning the classification of liability as either current or non-current.

(4) Disclosure Initiative - Accounting Policies (Amendment to IAS 1)

The objective of the amendment was to improve accounting policy disclosures and help stakeholders provide more relevant information for investors and primary users of financial statements.

(5) Definition of Accounting Estimates (Amendment to IAS 8)

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) to help entities distinguish changes in accounting estimates from changes in accounting policies.

(6) Deferred income tax relating to assets and liabilities arising from a single transaction (Amendment to IAS 12)

Such amendment limits the scope of the deferred income tax recognition exemption in paragraphs 15 and 24 of IAS 12 "Income Tax", so that the exemption does not apply to transactions that give rise to the same amount of taxable and deductible temporary differences on initial recognition.

The aforementioned standards or interpretations have been issued by the IASB but have yet to be approved by the FSC. The actual date of application is subject to the requirements of the FSC. The new announcement or amendment of the standard or interpretation has no significant impact on the Group.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

IV. Summary of Significant Accounting Policies

1. Compliance Statement

The Group's consolidated financial reports for the period of January 1 to December 31, 2021 and 2020 are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks," "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and IFRS, IAS, IFRIC Interpretations, and SIC Interpretations as endorsed and announced by the FSC.

2. Basis of preparation

Besides the consolidated financial instruments measured at fair value, the Individual Financial Statements are prepared on the basis of historical costs. Unless otherwise specified, the consolidated financial statements are denoted in thousands of New Taiwan Dollars (NTD 1,000).

3. Consolidation

The basis of preparation for consolidated financial statements

When the Company is exposed to the varied remunerations participated by the investees or is entitled to the varied remunerations and is capable of affecting the remunerations through the authority over the investees, the controlling is achieved. The Company will only have control over the investee when the following three criteria of control have been met:

- (1) The power over the invested company (i.e., having the vested rights to lead the relevant activities)
- (2) The risk exposure or right of the variable returns from participating in the invested company, and

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

- (3) The ability to influence the amount of returns of the invested company by exercising power over the invested company

When the Company directly or indirectly holds less than a majority of the voting rights or similar rights of the invested company, the Company considers all relevant facts and circumstances to assess whether it has power over the invested company, including:

- (1) Contractual agreements with other voting rights holders of the invested company;
- (2) Rights arising from other contractual agreements;
- (3) Voting rights and potential voting rights

When facts and circumstances indicate that one or more of these criteria for control have changed, the Company shall immediately re-assess whether it still has control over the invested company.

Starting from the acquisition date (i.e., the date when the Company obtains control), the subsidiary will be completely included in the Consolidated Financial Statements until the control over the subsidiary is lost. The accounting cycle and accounting policy of the subsidiary's financial statements will follow those of the parent company. All balances and transactions in the Group and unrealized internal gains and losses arising from internal transactions within the Group and dividends will be completely written off.

If control over the subsidiary is not lost, changes in shares held in the subsidiary will be treated as equity transactions.

A subsidiary's total comprehensive income is attributed to the shareholders of the Company and non-controlling interests, even if non-controlling interests become deficit balance in the process.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

If the Company's control over the subsidiary is lost, then:

- (1) Subsidiary's assets (including goodwill) and liabilities will be derecognized;
- (2) Carrying amount of any non-controlling interests will be derecognized;
- (3) Fair value of the considerations acquired will be recognized;
- (4) Fair value of any retained investments will be recognized;
- (5) Any gains or losses will be recognized as income or loss in the period;
- (6) Amounts recognized in other comprehensive income by the parent company will be reclassified as gains or losses in the period.

The main business entity of the consolidated financial statements is as follows:

Name of investors	Name of subsidiaries	Principal business operation	Percentage of ownership	
			2021.12.31	2020.12.31
The Company	Kings Town Bank International Lease Corporation	Leasing	100.00%	100.00%
The Company	King's Town Securities Co, Ltd.	Securities brokerage	100.00% (Note 2, 3)	99.51% (Note 1, 3)
Kings Town Bank International Lease Corporation	Kings Town Intl. Construction Management Corporation	Construction Management	100.00%	100.00%

The total amount of subsidiaries' income from January 1 to December 31, 2021 and 2020 were recognized for an amount of NTD 153,127 thousand and NTD 137,539 thousand, respectively.

Note 1. In order to provide clients with a comprehensive and diverse finance service, it is resolved at the board meeting on October 12, 2020 that the Company acquires WanTai Securities Corporation by cash. The investment was approved by the competent authority on October 27, 2020. The Company obtained control and included the subsidiary in the Group's consolidated financial statements on November 3, 2020.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Note 2. On January 5, 2021, the Company acquired the remaining outstanding shares of WanTai Securities Co., Ltd., and it became a 100%-owned subsidiary of the Company.

Note 3. WanTai Securities Corporation was changed to "King's Town Securities Co., Ltd." as approved by the Financial Supervisory Commission and the Ministry of Economic Affairs on September 7, 2021.

#### 4. Foreign currency transactions

The consolidated financial statements of the Group are expressed in the Company's functional currency (New Taiwan Dollars). Each subsidiary of the Group determines its own functional currency and measures its financial statements in that functional currency.

Transactions in foreign the currencies from the consolidated entities are recorded by their respective functional currency rates at the date of the transaction. At the end of every reporting period, items denoted in foreign currencies will be translated at the closing exchange rate of the day. Non-monetary foreign currency items measured at fair value will be translated using the exchange rate on the date when the fair value is measured. Non-monetary foreign currency items measured at historical cost are translated at the exchange rate of the date of the transaction.

Except for the following items, exchange differences resulting from delivery or exchange of monetary items will be recognized as gain or loss as they occur:

- (1) For the foreign currency borrowings arising from acquiring assets that meet the requirements, the resulting exchange differences are treated as an adjustment to the interest cost and are capitalized as part of the borrowing cost.
- (2) Foreign currency projects subject to the provisions of IFRS 9 "Financial Instruments" are treated in accordance with the accounting policies of financial instruments.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

- (3) For the monetary items of the reporting entity that are an integral part of the net investment in the foreign operating institution, the resulting exchange differences were originally recognized in other comprehensive income and are reclassified from equity to profit or loss when the net investment is disposed.

When the profit or loss of a non-monetary item is recognized as other comprehensive income, any exchange profit or loss is recognized in other comprehensive income. When the profit or loss of a non-monetary item is recognized in profit or loss, any exchange profit or loss is recognized in profit or loss.

5. Translation of financial statements in foreign currency

When preparing the consolidated financial statements, the assets and liabilities of foreign operating institutions are translated into New Taiwan Dollars at the closing exchange rate on the balance sheet date. The income and loss items are translated at the average exchange rate for the current period. The income and loss items are translated at the average exchange rate for the current period. The exchange difference arising from the conversion is recognized as other comprehensive income. When the foreign operating institution is closed, the accumulated exchange difference previously recognized in other comprehensive income and included in the equity is reclassified from the equity to the profit or loss at the time of recognizing the disposal profit or loss.

6. Cash and cash equivalents

Cash and cash equivalents are cash on hand, demand deposits, and short-term and highly liquid time deposits or investments (including time deposits with a contract period within 12 months) that are readily convertible into fixed cash amount and have a very low risk of changes in value. For the Consolidated Statement of Cash Flows, it also includes the deposits at the Central Bank, interbank lending, and resell (RS) bill and bond investments in accordance with the cash and cash equivalent stipulated in IAS 7 that is approved by the FSC.



Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

7. Bonds Purchased under Resell/Notes Issued under Repurchase Agreements

The accounting process of RP/RS and bond transactions is as follows: (1) For an RP bill transaction, credit the RP bill and bond liability. The trade difference is booked as an interest expense; (2) For an RS bill transaction, debit the RS bill and bond investment. The trade difference is booked as interest income.

8. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the financial instrument contract.

Financial assets and financial liabilities subject to the provisions of IFRS 9 "Financial Instruments" at the time of original recognition, were measured at fair value. The acquisition or issuance transaction costs that are directly attributable to the financial assets and financial liabilities (except for financial assets and financial liabilities that are classified as measured at fair value through profit or loss) are added or subtracted from the fair value of the financial assets and financial liabilities.

(1) Recognition and measurement of financial assets

The recognition and de-recognition of all the financial assets of the Group are handled with the trade date accounting.

The Group uses the following two items to have financial assets classified as subsequently measured at amortized cost, measured at fair value through other comprehensive income, or measured at fair value through profit or loss:

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

- A. Operating model of financial assets management
- B. Contractual cash flow characteristics of financial assets

Financial assets measured at cost after amortization

Financial assets that meet the following two criteria are to be measured at amortized cost and booked in the balance sheet in terms of notes receivable, accounts receivable, financial assets measured at amortized cost, and other receivables.

- A. Operating model of financial assets management: financial asset is held to receive contractual cash flows.
- B. Contractual cash flow characteristics from the financial assets: from the financial asset: cash flow is the interest paid solely on the principal and the outstanding principal.

These financial assets (excluding those involved in hedging) are subsequently measured at the amortized cost [the amount measured at the time of original recognition, less the principal paid, plus or minus the cumulative amortization amount (with the effective interest method) between the original amount and the amount due), and adjusting the allowance for loss]. For de-recognition, the benefits or losses are recognized in profit or loss through amortization procedures or recognition of impairment profit or loss.

Interest that is calculated with the effective interest method (having the effective interest rate multiplied by the total book value of financial assets) or the following conditions is recognized in profit or loss:

- A. For a credit impairment financial asset purchased or originated, have the effective interest rate after credit adjustment multiplied by the amortized cost of financial assets.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

- B. Other than those stated in the preceding paragraph, but which subsequently become credit impaired, have the effective interest rate multiplied by the amortized cost of the financial assets.

Financial assets measured at FVTOCI

Financial assets that meet the following two criteria are to be measured at fair value through other comprehensive income, and the financial assets measured at fair value through other comprehensive income are to be listed in the balance sheet:

- A. Operating model of financial assets management: Collect contractual cash flows and sell financial assets.
- B. Contractual cash flow characteristics from the financial assets cash flow is the interest paid solely on the principal and the outstanding principal.

The recognition of the profit or loss related to such financial assets is as follows:

- A. Before de-recognition or reclassification, except for the impairment profit or loss and foreign currency exchange gains and losses recognized in profit or loss, the profit or loss is recognized in other comprehensive income.
- B. At the time of de-recognition, the cumulative profit or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment.
- C. Interest that is calculated with the effective interest method (having the effective interest rate multiplied by the total book value of financial assets) or the following conditions is recognized in profit or loss:
  - (a) For a credit impairment financial asset purchased or originated, have the effective interest rate after credit adjustment multiplied by the amortized cost of financial assets.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)

(Unless otherwise provided, Unit: NTD Thousand)

- (b) Other than those stated in the preceding paragraph, but which subsequently become credit impaired, have the effective interest rate multiplied by the amortized cost of financial assets.

In addition, for equity instruments applicable to IFRS 9 and are not held as available-for-sale or applicable as a contingent consideration by the acquirer in business combinations in IFRS 3, during initial recognition, the Company will choose (this is not reversible) to state its subsequent fair value changes in the other comprehensive income (loss). Amounts stated in other comprehensive income cannot be converted to income or loss (during disposal of such equity instrument, the accumulated amount stated in other equity item will be directly transferred to retained earnings), and will be stated in the Balance Sheet as financial assets measured at fair value through other comprehensive income (loss). Investment dividends will be recognized in income or loss, unless such dividends clearly represent a portion of the investment cost.

Financial assets measured at FVTPL

In addition to the aforementioned measurement at cost after amortization for having met certain conditions or measurement at fair value through other comprehensive income (loss), financial assets are all measured at fair value through income or loss, and are stated in the balance sheet as financial assets at fair value through profit or loss.

These financial assets are measured at fair value, and any gain or loss from their revaluation will be recognized as profit or loss. The gain or loss recognized as profit or loss includes any dividend or interest received from the financial asset.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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(2) Impairments of financial assets

For the debt instrument investments measured at fair value through other comprehensive income, debt instrument investments measured at amortized cost, and off-balance sheet debt instrument, the Group has them recognized as expected credit loss and with the allowance for loss measured. For the debt instrument investment measured at fair value through other comprehensive income, allowance for loss is recognized in the other comprehensive income (loss), and the book value of the investment will not be reduced. Loans and receivables and off-balance sheet credit assets are recognized and measured in accordance with the expected credit losses. Also, adequate allowances, reserve for guarantee liability, and financing commitment reserves are appropriated according to whichever is higher according to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans."

The Group measures expected credit losses to reflect the following:

- A. An amount that is unbiased and weighted by probability through evaluating each possible outcome.
- B. Time value of money.
- C. Reasonable and corroborative information (that can be obtained on the balance sheet date without excessive costs or inputs) relating to past events, current conditions, and future economic forecasts.

The methods used for measuring allowance for loss are as follows:

- A. It is measured by the 12-month expected credit loss amount: Including the credit risk that has not increased significantly since the original recognition of the financial assets, or it is determined as low credit risk on the balance sheet date. In addition, this also includes those with allowance loss measured by the expected credit loss during the previous reporting period, but no longer meets the condition in which the credit risk has significant increased since the original recognition on the balance sheet date.

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The expected credit loss amount for the duration: Including the significant increase in credit risk of the financial assets since the original recognition, or the financial assets with credit impairment purchased or originated.

- B. For accounts receivable or contractual assets arising from transactions within the scope of IFRS 15, the Group measured the allowance for loss with the expected credit loss amount of the duration.
- C. For the rent receivables arising from the transactions as stipulated in IFRS 16, the Group uses the expected credit losses for the duration of the period to measure the allowance for losses.

In addition to the aforementioned assessments, the Group also has the credit assets assessed and classified according to the following classification methods by referring to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans." Regarding the classification methods, except for the normal credit assets classified in Category I, non-performing credit assets are evaluated according to the status of the loan collateral and the length of time overdue, which are classified as Category II "Special Mention," Category III "Expected to be Recovered," Category IV "Doubtful" and Category V "Losses."

The allowance for bad debt is appropriated for a minimum amount equivalent to the total of 1% of net Category I credit assets of the obligation to Taiwanese government agencies, 2% of Category II credit assets, 10% of Category III credit assets, 50% of Category IV credit assets, and 100% of Category V credit assets.

On each balance sheet date, the Group assesses whether the credit risk of financial instruments after the original recognition has increased significantly by comparing the changes in the default risk of the financial instruments on the balance sheet date and the original recognition date. In addition, please refer to Note XIV for information related to credit risk.

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(3) Derecognizing financial assets

The Group's financial assets will be derecognized when one of the following conditions occurs:

- A. The contractual right from the cash flow of the financial asset is terminated.
- B. When nearly all risk and compensations associated with ownership of a financial asset has been transferred.
- C. Nearly all risk and compensations associated with ownership of an asset has neither been transferred nor retained, but the control of the asset has been transferred.

When a financial asset is derecognized in its entirety, the difference between its carrying amount and any cumulative gain or loss that has been received or is receivable and recognized in other comprehensive income (loss), will be recognized in profit or loss.

(4) Financial liabilities and equity instruments

Classification of liability or equity

The Group classifies the liabilities and equities instrument issued as financial liability or equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

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Equity instruments

Equity instruments refer to any contract with residual interest after subtracting all liabilities from assets. Equity instruments issued by the Group are recognized by the acquisition cost minus direct distribution costs.

Hybrid instruments

The Group recognizes the financial liabilities and equity components of the convertible corporate bonds issued in accordance with contractual terms. In addition, the conversion of corporate bonds issued is based on the assessment of whether the economic characteristics and risks of the embedded purchase and sale rights are closely related to the primary debt commodity before classifying the equity elements.

For liabilities that do not involve derivatives, the fair value is measured using the market interest rate of a bond of comparable nature and without conversion characteristics. This amount is classified as a financial liability measured by amortized cost before conversion or redemption settlement. For other embedded derivatives that are not closely related to the risk characteristics of the principal contract (for instance, the embedded buy-back and redemption rights are confirmed to be substantially inconsistent with the amortized cost of the debt commodity on each execution date), they will be classified as components of liability and is measured at fair value through profit or loss in subsequent periods except for equity components. The amount of the equity component is determined by the conversion of fair value of the corporate bonds subtract the component of the liability, and the carrying amount will not be remeasured in subsequent accounting periods. If the issued conversion corporate bonds from the Group do include an equity element, they are handled in accordance with IFRS 9 Hybrid Instruments.

The transaction costs are allocated to the liability and equity components in proportion to the ratio of the convertible corporate bonds' allocations to liability and equity components during initial recognition.



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When the holder of the convertible corporate bonds should request to exercise conversion rights before the maturity of the convertible bond, the person should adjust the carrying amount of the liability component element to the carrying amount at the time of exercise as the basis of entry for issuance of ordinary shares.

Financial liabilities

Financial liabilities subject to the provisions of IFRS 9 are classified, at the original recognition, as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost.

Financial liabilities measured at FVTPL

Financial liabilities at fair value through profit or loss include available-for-sale financial liabilities and designated financial liabilities at fair value through profit and loss.

A financial asset will be classified as available-for-sale when it meets one of the following conditions:

- A. The primary purpose for acquisition of the asset is short-term sales;
- B. It is part of an identifiable financial instrument combination of the consolidated management at the time of initial recognition, and there is evidence that the combination is a short-term profit operating model in the near future; or
- C. It is a derivative (except for financial guarantee contract or a designated and effective hedging instrument).

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For contracts that include one or multiple embedded derivative instruments, the entire hybrid (integrated) contract could be designated as a financial instrument at fair value through profit or loss. In addition, when it meets one the following conditions and can provide more relevant information, it could be designated as at fair value through profit or loss during initial recognition:

- A. The designation can eliminate or significantly reduce the inconsistency of measurement or recognition; or
- B. The performance of a group of financial liabilities or a group of financial assets and financial liabilities is managed and assessed on a fair value basis according to the written risk management or investment strategies; also, the portfolio information provided to the management within the consolidated company is also based on the fair value.

The benefits or losses arising from the re-measurement of such financial liabilities are recognized in profit or loss. The gain or loss recognized in profit or loss includes any interest paid on the financial liability.

Financial liabilities measured at the amortized cost

Financial liabilities measured at amortized cost include accounts payables and loans, and will continue to be measured through effective interest method after initial recognition. When financial liabilities are derecognized and amortized using effective interest method, related gain or loss and amortization will be recognized in profit or loss.

Calculation of the amortized cost will take discount or premium during acquisition and transaction cost into consideration.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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De-recognition of financial liabilities

When the obligation of a financial liability is terminated, canceled or no longer effective, the financial liability will be derecognized.

When the Group and the creditors exchange debt instruments with significant differences, or make major changes to all or part of the existing financial liabilities (whether due to financial difficulties or otherwise), treatment will include derecognition of the original liabilities and the recognition of new liabilities. During derecognition of financial liabilities, the difference between the carrying amount and the total amount of the consideration paid or payable, including the transferred non-cash assets or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities can only be offset and presented in net terms on the balance sheet only when the recognized amounts currently contain exercise of legal rights for offset and are intended to be settled on a net basis or can be realized simultaneously and the debt can be settled.

9. Derivatives

Derivatives held or issued by the Group are used to hedge exchange rate risk and interest rate risk, of which, the designated and effective hedging items are reported as hedging assets or liabilities on the balance sheet. For those not designated but effective hedging, they are presented on the balance sheet as financial assets or financial liabilities measured at fair value through profit or loss.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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financial liabilities when the fair value is negative. Changes in fair value of derivatives are recognized directly in profit or loss. In the case of effective cash flow hedging and foreign operating institutions net investment hedging, it is recognized in profit or loss or equity based on the type of hedging.

For the main contract that is a non-financial asset or non-financial liability, when it is embedded in the derivative of the main contract, its economic characteristics and risks are not closely related to the main contract; also, when the main contract is not measured at fair value through profit or loss, the embedded derivative should be treated as an independent derivative.

#### 10. Fair value measurement

Fair value refers to the price required or transferred to an asset in an orderly transaction between market participants on a measurement date. Fair value measurement assumes that the transaction for the asset being sold or liability being transferred takes place in one of the following markets:

- (1) Principal market of the asset or liability, or
- (2) If no principal market exists, the most favorable market for the asset or liability

The Group needs to be able to enter the principal or most favorable market in order to carry out the transaction.

Fair value measurement of the asset or liability uses the assumption that market participants would adopt while pricing the asset or liability, where the assumption is that the market participants would take the most favorable economic conditions into consideration.

The fair value measurement of a non-financial asset takes into consideration the market participant's use of the asset for its highest price and best use or by selling the asset to another market participant who will use the asset for its highest price

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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and best use to generate economic benefits.

The Group uses valuation techniques that are appropriate and relevant in the relevant circumstances to measure fair value and maximize the use of observable inputs and to minimize the use of unobservable inputs.

#### 11. Impairment of non-financial assets

At the end of every reporting period, the Group will evaluate all assets for indicators of impairment pursuant to IAS 36 - Impairment of Assets. If signs of impairment exist or if regular annual impairment test is required for a certain asset, the Group will test it on the basis of individual assets or the cash generating unit to which the asset belongs. If result of the impairment test indicates that the carrying amount of the asset or the cash generating unit to which the asset belongs is greater than its recoverable amount, impairment loss will be recognized. The recoverable amount is the higher of fair value net of the disposal cost or the value in use.

At the end of every reporting period, the Group will evaluate all assets except for goodwill for indicators of whether previously recognized impairment loss no longer exists or has been reduced. If such signs exist, the Group will estimate the recoverable amount of the asset or the cash generating unit. If the estimated service potential of the asset changes, resulting in an increase in the recoverable amount, the impairment will be reversed to profit or loss. However, the carrying amount after reversal shall not exceed the amount of the depreciation or amortization of the asset after deducting the depreciation or amortization.

Impairment loss and reversal of continuing operations will be recognized in profit or loss.

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12. Collateral accepted

The accepted collateral is booked at the cost of acceptance. Also, it is valued at the end of the period at the lower of cost or fair value net of selling cost (net realizable value).

13. Property, plant, and equipment

Property, plant, and equipment are recognized at the acquisition net cost of accumulated depreciation and accumulated impairment. The aforementioned cost includes the cost of dismantling, removing, and restoring the location of the property, plant, and equipment and the necessary interest expense arising from the construction in progress. Depreciation is provided separately for the significant parts of the property, plant, and equipment. When major parts of property, plant, and equipment are subject to periodic replacement, the Group treats the parts as an individual asset and recognizes it separately with specific periods of durability and depreciation method. The book value of these replaced parts is derecognized in accordance with the provision of IAS 16 "Property, Plant, and Equipment." If the major repair and maintenance costs are in compliance with the recognition conditions, they are recognized as replacement costs and are recognized as part of the plant and equipment book value. Other repair and maintenance expenses are recognized in profit or loss.

Depreciation of the parent company is calculated and appropriated in accordance with the declining balance method and the estimated useful life of the following assets:

Buildings and structures	3 to 60 years
Transport equipment	3 to 5 years
Other equipment	3 to 10 years

Depreciation of the subsidiaries is calculated and appropriated in accordance with the straight-line method and the estimated useful life of the following assets:

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Other equipment 3 to 10 years

After the original recognition of the property, plant, and equipment or any significant parts, if it is disposed or no economic effect arising from the use or disposal is expected, it will be derecognized and recognized in profit or loss.

The residual value, years of useful life, and depreciation method of the property, plant, and equipment are assessed at the end of each financial year. If the expected value is different from the previous estimate, the change is considered as a change in accounting estimates.

#### 14. Investment property

The Group's investment property is measured at initial cost, including transaction costs for acquiring the properties. The carrying amount of investment property includes the cost of refurbishment or improvement of existing investment property that meet the criteria for cost recognition. However, general maintenance and repairs expenses are not regarded as parts of the cost. Unless classified as properties held for sale (or included in the category held for sale) in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations," investment properties are accounted for using the cost model under IAS 16 "Property, Plant and Equipment" after the initial recognition. However, such properties are accounted for using IFRS 16, if they are held as right-of-use assets and recognized as properties held for sale by the lessee in accordance with IFRS 5.

Depreciation is calculated and appropriated in accordance with the straight-line method and the estimated useful life of the following assets:

Buildings 20 years

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The investment property is derecognized and any gain or loss is recognized upon disposal, if the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

The Group transfers its property to, or from investment property based on its actual use.

When the property is eligible or no longer eligible to be classified as investment property, and there is evidence of change in use, the Group transfers such property to or from investment property.

## 15. Leases

The Group assesses whether the contract is (or includes) a lease on the date the contract is made. If a contract is signed to have the control over the use of identified assets transferred for a period of time in exchange for a consideration, it is (or includes) a lease. In order to assess whether a contract is signed to have the control over the use of identified assets transferred for a period of time, the Group assesses whether there are the following two factors throughout the period of use:

- (1) Obtaining almost all economic benefits from the use of identified assets; and
- (2) Control the right-of-use of the identified assets.

For contracts that are (or include) leases, the Group will treat each lease component in the contract individually, and to separately treat them from the non-lease components in the contracts. For leases that include one lease component and one or more additional lease or non-lease components, the Group will use the single comparison price of each lease component and the aggregated single prices of non-lease components as the basis, and distribute the consideration in the contract to the lease component. The comparison single unit price of the lease and non-lease components will be decided upon the prices separately received by the lessor (or supplier) for such components. If observable single unit prices are not readily available, the Group will maximize the use of observable information to estimate their respective single unit prices.



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The Group is the lessee

Except for leases that meet and select short-term leases or low-value asset leases, when the Group is the lessee of the lease contract, the right-of-use assets and lease liabilities are recognized for all leases.

On the commencement date, the Group measures the lease liability according to the present value of the lease payments that have yet to be paid on that date. If the lease implied interest rate is easy to determine, the lease payment is discounted according to the said implied interest rate. If the lease implied interest rate is not easy to determine, the incremental loan rate of the lessee shall prevail. On the commencement date, the lease payments included in the lease liability include the following payments relating to the use-of-rights underlying asset in the lease term that is yet to be paid on that date:

- (1) Fixed payments (including real fixed payments) net of any collectable lease incentives;
- (2) Lease payments depending on the change in an index or expense rate (measured at the index or expense rate on the commencement date);
- (3) The lessee's expected payment amount with the residual value guaranteed;
- (4) The exercise price of the purchase option, if the Group can reasonably assure that the option will be exercised; and
- (5) The penalty for the termination of the lease, if the lessee intends to exercise the option of having the lease terminated in the lease period.

After the commencement date, the Group measures the lease liability at the amortized cost, increases the book value of the lease liability by the effective interest method, and reflects the interest on the lease liability. The book value of the lease liability is reduced when the lease payment is made.

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On the commencement date, the Group measures the right-of-use assets at cost. The cost of the right-of-use assets includes:

- (1) The originally measured amount of the lease liability;
- (2) Any lease payments paid on or before the commencement date, minus any lease incentives received;
- (3) Any original direct costs incurred to the lessee; and
- (4) The estimated cost for the lessee to have the underlying asset dismantled or removed and restore its location, or have the underlying asset restored to the form as stipulated in the clause and condition.

Subsequent measurement of the right-of-use asset is presented at cost net of the accumulated depreciation and accumulated impairment losses, that is, the right-of-use asset should be measured at cost.

If the ownership of the underlying assets is transferred to the Group at the end of the lease term, or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the depreciation of the right-of-use asset is appropriated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group has the depreciation of the right-of-use asset appropriated from the commencement date to the end of the useful life of the right-of-use asset or the expiration of the lease term whichever is sooner.

The Group applies IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is with impairment; also, handle the identified impairment losses.

Except for leases that meet and select short-term leases or low-value asset leases, the Group presents the right-of-use assets and lease liabilities on the balance sheet, and presents the depreciation expense and interest expense related to the lease separately in the comprehensive income statement.

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For short-term leases and low-value asset leases, the Group chooses to have the related lease payments recognized as expenses over the lease period in accordance with the straight-line basis or a systematic basis.

16. Employee benefits

(1) Retirement benefits plan

The retirement method for employees of the Group is applicable to all full-time employees. The employee retirement fund is fully appropriated to the Supervisory Committee of Business Entities' Labor Retirement Reserve and deposited in the pension fund account. The aforementioned pension is deposited in the name of the Supervisory Committee of Business Entities' Labor Retirement Reserve, which is completely separated from the Group, so it is not included in the consolidated financial statements in the preceding paragraph.

For the defined contribution pension plan, the monthly pension payable rate of the Group shall not be less than 6% of the employee's monthly salary, and the amount of the provision shall be recognized in the profit or loss of the current period.

For the defined contribution pension plan, an appropriation is made according to the project unit credit method and the actuarial report at the end of the annual reporting period. The re-measurement of net defined benefit liabilities (assets) includes the return on the plan asset and changes in the ceiling of the assets, deducting the net interest amount of the net defined benefit liabilities (assets) and the actuarial gains and losses. The net defined benefit liability (asset) re-measurement is included in other comprehensive income when incurred and immediately recognized in the retained earnings.

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The prior-period service cost is the change in the present value of the defined benefit obligation arising from the revision or reduction of the pension plan and is recognized as an expense on the earlier of the following two dates:

- A. When the plan revision or reduction occurs; and
- B. When the Group recognizes the relevant restructuring costs or resignation benefits.

The net interest of the net defined benefit liability (asset) is determined by having the net defined benefit liability (assets) multiplied by the discount rate, both of which are determined at the beginning of the annual reporting period, and then consider the changes which have occurred in the net defined benefit liabilities (assets) for the period arising from the appropriation amount and benefit payment.

(2) Employees preferential deposit benefit

The Group provides preferential deposits, which include the payment of fixed preferential deposits for current employees and for retired employees (before January 1, 2010). The difference between the interest rate of these preferential deposits and the market interest rate is within the scope of employee benefits.

According to Article 28 of the "Regulations Governing the Preparation of Financial Reports by Public Banks," the excess interest arising from the retirement preferential deposit rate agreed upon with the employees over the general market interest rate shall be actuarially calculated according to the defined benefit plan as stipulated in IAS 19 that was approved by the Financial Supervisory Commission. However, the parameters of actuarial assumptions shall be handled in accordance with the provisions of the competent authority if it is available.

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17. Treasury stock

When the Group obtains the shares (treasury stocks) of the parent company, it is recognized at the acquisition cost and is debited to the equity. The spread of treasury stock transactions is recognized in the equity.

18. Recognition of revenue

(1) Interest income from loans is estimated on an accrual basis. The overdue payment transferred to the collection account will cease to bear interest from the date of transfer and will be recognized as income upon collection. The interest income agreed to be posted as receivable due to the bail-out and the extension agreement is recognized as income upon collection.

(2) Service charge income is a fee charged for the various services provided to customers. The accounting treatment is as follows:

The service charge income of the Group is derived from the services provided at a specific point of time or for a certain period of time, or through the transaction services and it is recognized as income. When there is a transfer of services to the customer but without unconditional rights for collecting considerations, it is recognized as a contract asset. However, for some contracts, partial considerations are collected from the customers at the time of signing the contract, the Group must assume the obligation of providing services subsequently. Therefore, it is recognized as a contract liability.

The aforementioned contractual liabilities of the Group did not result in significant financial fluctuations.

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19. Share-based payment transaction

The "share-based payment" transaction cost for the equity clearing between the Group and its employees is measured at the fair value on the equity instruments vested date. Fair value is measured by the appropriate pricing model.

The "share-based payment" transaction cost for the equity clearing is recognized on a period-by-period basis during the period in which the service conditions and performance conditions are fulfilled, and the increase in equity is recognized. The cumulative fees recognized for equity clearing transactions at the end of each reporting period prior to the vesting date reflect the process of the vested period and the best estimate of the ultimate vested equity instruments by the Group. The cumulative cost changes recognized for the share-based payment transactions at the beginning and end of each reporting period are recognized in profit or loss for the period.

If the share-based payment is not in compliance with the vested conditions, no expense will be recognized. However, if the vested conditions of the equity clearing transaction are related to the market price condition or the non-vested conditions, when all the service or performance conditions have been fulfilled, the relevant expenses will be recognized regardless of whether the market price condition or the non-vested condition is fulfilled.

20. Income tax

Income tax expense (profit) refers to the aggregated amount of current income tax and deferred income tax that is included in the current profit or loss.

Current income tax

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The current income tax liabilities (assets) related to the current and prior periods are measured at the legislated or substantially legislated tax rates and tax laws at the end of the reporting period. The current income tax related to the items recognized in other comprehensive income or directly recognized in the equity is recognized in other comprehensive income or equity instead of being recognized in the profit or loss.

The additional business income tax levied on the undistributed earnings is recognized as income tax expense on the date when the distribution of earnings is resolved in the Shareholders' Meeting.

Deferred tax

The deferred income tax is calculated according to the temporary difference between the taxable amount of assets and liabilities and the book value on the balance sheet at the end of the reporting period.

All taxable temporary differences are recognized as deferred income tax liabilities except for the following two items:

- (1) The original recognition of goodwill, or the original recognition of an asset or liability that does not arise from a business combination transaction and does not affect accounting profits and taxable income (loss) at the time of the transaction conducted;
- (2) The taxable temporary difference arising from the investment in subsidiaries, associates, and joint equity. Also, the timing of reversal is controllable, and it is not likely to be reversed in the foreseeable future.

Except for the following two items, deductible temporary difference and deferred income tax assets arising from the taxable losses and income tax credit are recognized within the range of probable future taxable income:

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- (1) The original recognition of, or and of an asset or liability that does not arise from a business combination transaction and does not affect accounting profits and taxable income (loss) at the time of the transaction conducted;
- (2) It is related to the deductible temporary differences arising from the investment in subsidiaries, associates, and the joint equity. It is recognized within the range of probable reversal in the foreseeable future and there is sufficient taxable income at the time the temporary difference occurred.

Deferred income tax assets and liabilities are measured at the tax rate of the expected asset realization or in the period in which the liability is settled. The tax rate is based on the legislated or substantially legislated tax rates and tax laws at the end of the reporting period. The measurement of deferred income tax assets and liabilities reflects the tax consequences arising from the manner in which the asset is expected to be recovered or the book value of the liability is settled at the end of the reporting period. If the deferred income tax is related to items that are not included in the profit or loss, it will not be recognized in profit or loss, but recognized in other comprehensive income according to the relevant transactions or directly recognized in equity. Deferred income tax assets are re-examined and recognized at the end of each reporting period.

Deferred income tax assets and liabilities can be offset against each other legally only in the current period, and the deferred income tax is related to the same taxation entity and is related to the income tax levied by the same taxation authority.

## 21. Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, identifiable assets acquired and liabilities assumed in a business combination are measured at acquisition-date fair value. For each business combination, the acquirer measures the non-controlling interests either at fair value or as a proportion of the identifiable net assets of the acquiree. The costs incurred from the acquisition are recognized as expenses in the current period and included in the administrative expenses.



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When the Group acquires a business, it assesses the assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in acquiree's host contracts.

When a business combination is to be completed in phases, the acquirer's previously held equity in the acquiree is remeasured at fair value on the date of acquisition and the resulting gain or loss is recognized as current profit or loss.

The acquirer expects that the contingent consideration transferred will be recognized at acquisition-date fair value. Subsequent changes in fair value of contingent considerations deemed to be assets or liabilities will be recognized as changes in profit or loss for the current period or changes in other comprehensive income in accordance with IFRS 9. However, if the contingent consideration is classified as equity, it will not be re-measured until it is finally settled in equity.

The goodwill is initially measured as the excess of the sum of the consideration transfer and the non-controlling interest over the amount of fair value of the identifiable assets acquired and liabilities assumed. If the sum of consideration is lower than the fair value of the net assets obtained, the difference will be recognized in current profit or loss.

After the initial recognition, goodwill is measured as cost less accumulated impairment. Goodwill arising from a business combination is, from the date of acquisition, allocated to each cash-generating unit of the Group which is expected to benefit from the merger, irrespective of whether the other assets or liabilities of the acquiree are allocated to such cash-generating units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

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When goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the disposed operation must be included in the carrying amount of the operation. The disposed goodwill is measured based on the relative proportion of recoverable amounts of the operation disposed of and the cash-generating unit retained.

V. Main Source of Significant Accounting Judgment, Estimation, and Assumption Uncertainties

When the consolidated financial statements are prepared by the Group, the management must make judgments, estimates, and assumptions at the end of the reporting period, which will affect the disclosure of income, expenses, assets and liabilities, and contingent liabilities. However, the uncertainty of these significant assumptions and estimates may result in a significant adjustment to the book value of an asset or liability in the future period.

Estimation and assumption

The main source of information on the estimation and assumption uncertainties at the end of the reporting period has significant risks that result in significant adjustments to the book value of assets and liabilities in the next financial year. The explanations are given as follows:

(1) Loan impairment loss

The estimation of the Group's loan impairment loss is based on whether or not the credit risk has increased significantly since the original recognition to determine if it is necessary to have the allowance for loss assessed according to the 12-month expected credit loss amount or the expected credit loss amount throughout the duration. In order to measure the expected credit loss, the Group considers the default probability with the default loss rate included and then multiplied by the default risk exposure amount, and it also considers the impact of the time value of

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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money to estimate the expected credit loss for 12 months as well as the duration. The Group considers historical experiences, current market conditions and forward-looking estimates on each reporting date to determine the assumptions and inputs to be used for calculating the impairments. Please refer to Note XIV for details.

(2) The fair value of financial instruments

When the fair value of financial assets and financial liabilities recognized in the balance sheet cannot be obtained from the active market, the fair value will be determined using evaluation techniques, including the income approach (such as, cash flow discount model) or market approach. The changes in the assumptions of the said approaches will affect the fair value of the financial instruments reported. Please refer to Note XIII.

(3) Retirement benefits plan

The present value of the defined benefit cost and the defined benefit obligations depends on the actuarial valuation. Actuarial valuation involves various assumptions, including: discount rate and changes in expected salary.

(4) Income tax

The uncertainty of income tax exists in the interpretation of complex tax regulations and the amount and timing of future taxable income. Due to a wide range of international business relationships and the long-term and complexity of contracts, the differences between actual results and assumptions made, or changes in such assumptions in the future, may cause the booked income tax benefits and expenses to be adjusted in the future. The appropriation of income tax is a reasonable estimation made according to the possible audit results of the local tax authorities of the countries in which the Group operates. The amount appropriated is based on different factors, such as: previous tax audit experience and the

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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difference in tax law interpretation between the tax entity and the tax authority. The difference in interpretation may result in a variety of issues due to the local situation of the country where an individual enterprise of the Group operates.

The carryforwards of the taxable loss and income tax credit and deductible temporary differences are recognized as deferred income tax assets within the range of probable future taxable income or taxable temporary differences. The amount of the deferred income tax assets to be recognized is estimated according to the possible timing and level of the future taxable income and taxable temporary difference, and also, the future tax planning strategy.

VI. Descriptions of Material Accounting Items

1. Cash and cash equivalents

	2021.12.31	2020.12.31
Cash on Hand	\$1,367,771	\$1,380,287
Foreign currency on hand	155,213	201,570
Notes and checks for clearing	1,356,730	362,649
Due from Central Bank and other banks	1,952,626	2,037,815
Total	<u>\$4,832,340</u>	<u>\$3,982,321</u>

For the purpose of preparing the cash flow statement, cash and cash equivalents are the sum of the following items.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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	2021.12.31	2020.12.31
Cash and cash equivalents recorded on the consolidated balance sheet	\$4,832,340	\$3,982,321
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7 "Cash Flow Statements"	5,688,063	6,400,365
Investments in bills and bonds purchased under resell agreements meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statement"	-	200,248
Cash and cash equivalents on the Consolidated Statement of Cash Flows	<u>\$10,520,403</u>	<u>\$10,582,934</u>

2. Due from the Central Bank and call loans to other banks

	2021.12.31	2020.12.31
Reserve for deposits - Type A	\$4,456,236	\$4,143,721
Reserve for deposits - Type B	7,036,168	6,142,243
Reserve for deposits - Foreign currency	36,827	31,644
Call loans to other banks	1,195,000	2,225,000
Total	<u>\$12,724,231</u>	<u>\$12,542,608</u>

The deposit reserve is calculated according to the monthly legal reserve appropriated for each type of deposit by law, the average daily amount and legal reserve ratio for the current period. Also, it is deposited with the Central Bank. Type A deposit reserve accounts and foreign currency depositor accounts do not bear interest and can be accessed at any time. Type B accounts bear interest, but they cannot be used except in compliance with the regulations.

Please refer to Note VIII for details of the Group's collateral due from the Central Bank and call loans to banks.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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3. Financial assets measured at FVTPL

	<u>2021.12.31</u>	<u>2020.12.31</u>
Mandatorily measured at fair value through profit or loss:		
Stock	\$5,654,715	\$5,613,478
Equity securities	-	2,615,089
Domestic and foreign bonds	33,554,028	36,342,634
Derivatives	33,039	7,369
Convertible bonds	73,950	-
Real estate investment trust fund	439,435	453,493
Limited partnership	186,854	-
Total	<u>\$39,942,021</u>	<u>\$45,032,063</u>

Please refer to Note VIII for details of the financial assets provided as collateral that the Group has them measured at fair value through profit or loss. Financial assets at fair value through profit and loss

4. Financial assets measured at FVTOCI

	<u>2021.12.31</u>	<u>2020.12.31</u>
Debt instrument investments measured at FVTOCI:		
Government bonds	\$7,946,643	\$8,127,640
Corporate bonds	30,013,912	31,425,497
Financial bonds	1,498,087	924,475
Subtotal (total book value)	<u>39,458,642</u>	<u>40,477,612</u>
Valuation adjustment	2,276,808	4,413,672
Subtotal	<u>41,735,450</u>	<u>44,891,284</u>
Equity instrument investments measured at FVTOCI:		
Listed stocks	1,115,811	1,132,511
Non-TWSE/TPEX-listed stocks	3,700,875	2,795,527
Subtotal	<u>4,816,686</u>	<u>3,928,038</u>
Total	<u>\$46,552,136</u>	<u>\$48,819,322</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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Please refer to Note VIII for details of the financial assets provided as collateral that the Group has them measured at fair value through other comprehensive income.

Please refer to Note VI for information on allowance for loss for the debt instrument investments measured at fair value through other comprehensive income. Also, please refer to Note XIV for information related to credit risk.

The recognized dividend income of the Group from equity instrument investments measured at fair value through other comprehensive income from January 1 to December 31, 2021 and 2020 were NTD 140,858 thousand and NTD 98,770 thousand, respectively, and all were related to investments held on the balance sheet date.

The Group's investment in financial assets and equity measured at fair value through other comprehensive income was disposed in the period from January 1 to December 31, 2021 and 2020, the fair values at the time of disposition were NTD 1,296,391 thousand and NTD 20,861 thousand, respectively. Also, the accumulated unrealized loss in valuation at the time of disposal for the amounts of NTD 224,755 thousand and NTD 29,395 thousand were transferred from other equity to retained earnings.

5. Financial assets measured at cost after amortization

	2021.12.31	2020.12.31
Convertible certificate of deposit	\$18,200,000	\$18,900,000
Less: Allowance for losses	(981)	(2,618)
Total	<u>\$18,199,019</u>	<u>\$18,897,382</u>

The Group classifies certain financial assets into financial assets measured at amortized cost. Please refer to Note VI for the information provided on allowances for loss. Also, refer to Note XIV for information related to credit risk and it is not provided as collateral.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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6. Bills and bonds purchased under resell agreements

	2021.12.31	2020.12.31
Government bonds	\$-	\$200,248

The Group's bonds and securities sold under repurchase agreements were processed at the agreed price for an amount of NTD 0 thousand and NTD 200,261 thousand on December 31, 2021 and 2020, respectively.

7. Receivables, net

	2021.12.31	2020.12.31
Accounts receivable and notes	\$7,882,626	\$5,121,318
Interests receivable	783,341	856,260
Clearing amount receivable	4,263	7,500
Other receivables	39,153	37,883
Subtotal (total book value)	8,709,383	6,022,961
Less: Allowance for losses	(111,145)	(89,263)
Net	\$8,598,238	\$5,933,698

The Group assesses impairments in accordance with IFRS 9. Please refer to Note VI for the allowance for loss related information in detail; also, refer to Note XIV for the credit risk related information in detail.

Please refer to Note VIII for details of the Group's collateral over the accounts receivables.



Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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8. Discounts and loans, net

	2021.12.31	2020.12.31
Export Negotiations	\$2,460	\$1,024
Overdrafts	69,756	93,953
Loans	209,422,415	187,729,057
Collections of overdue loans	32,093	18,495
Total amount	209,526,724	187,842,529
Less: allowance for bad debt	(3,169,789)	(2,941,299)
Net	<u>\$206,356,935</u>	<u>\$184,901,230</u>

The Group assesses impairments in accordance with IFRS 9. Please refer to Note VI for the allowance for loss related information in detail; also, refer to Note XIV for the credit risk related information in detail.

9. Other financial assets, net

	2021.12.31	2020.12.31
Others	\$776	\$363
Subtotal (total book value)	776	363
Less: Allowance for losses	-	-
Total	<u>\$776</u>	<u>\$363</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its  
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10. Property, plant, and equipment

The Group's booked property and equipment are owned and used by the Group.

	Land	Buildings and structures	Transport equipment	Other equipment	Construction in progress and prepayments	Total
Cost:						
2021.01.01	\$2,878,552	\$1,189,905	\$16,593	\$225,176	\$108,650	\$4,418,876
Acquisition	-	-	-	11,894	222,192	234,086
Disposal	-	-	(279)	(3,400)	-	(3,679)
Other Changes	290,818	1,830	-	-	(292,648)	-
2021.12.31	<u>\$3,169,370</u>	<u>\$1,191,735</u>	<u>\$16,314</u>	<u>\$233,670</u>	<u>\$38,194</u>	<u>\$4,649,283</u>
2020.01.01	\$2,319,649	\$1,174,455	\$16,649	\$189,507	\$8,610	\$3,708,870
Obtained due to combination	-	-	-	2,518	-	2,518
Acquisition	245,791	3,208	-	40,812	431,244	721,055
Disposal	(3,499)	(2,351)	(56)	(7,661)	-	(13,567)
Other Changes	316,611	14,593	-	-	(331,204)	-
2020.12.31	<u>\$2,878,552</u>	<u>\$1,189,905</u>	<u>\$16,593</u>	<u>\$225,176</u>	<u>\$108,650</u>	<u>\$4,418,876</u>
Depreciation and impairment:						
2021.01.01	\$-	\$862,515	\$14,450	\$165,204	\$-	\$1,042,169
Depreciation	-	19,780	800	29,258	-	49,838
Disposal	-	-	(279)	(3,252)	-	(3,531)
Gain on reversal on impairment	-	(82,800)	-	-	-	(82,800)
2021.12.31	<u>\$-</u>	<u>\$799,495</u>	<u>\$14,971</u>	<u>\$191,210</u>	<u>\$-</u>	<u>\$1,005,676</u>
2020.01.01	\$-	\$842,580	\$13,356	\$139,116	\$-	\$995,052
Depreciation	-	20,012	1,150	33,601	-	54,763
Disposal	-	(77)	(56)	(7,513)	-	(7,646)
2020.12.31	<u>\$-</u>	<u>\$862,515</u>	<u>\$14,450</u>	<u>\$165,204</u>	<u>\$-</u>	<u>\$1,042,169</u>
Net book value:						
2021.12.31	<u>\$3,169,370</u>	<u>\$392,240</u>	<u>\$1,343</u>	<u>\$42,460</u>	<u>\$38,194</u>	<u>\$3,643,607</u>
2020.12.31	<u>\$2,878,552</u>	<u>\$327,390</u>	<u>\$2,143</u>	<u>\$59,972</u>	<u>\$108,650</u>	<u>\$3,376,707</u>

The Group did not provide property, plant and equipment as collateral.

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11. Investment property

The investment property of the Group refers to the self-owned investment properties and investment properties held under right-of-use assets.

	Land	Buildings	Total
Cost:			
2021.01.01	\$95,424	\$20,064	\$115,488
Acquisition - from purchase	18,921	10,393	29,314
Disposal	-	(2,499)	(2,499)
Transferred (out) from inventories and property, plant, and equipment		(118)	(118)
2021.12.31	<u>\$114,345</u>	<u>\$27,840</u>	<u>\$142,185</u>
2020. 01.01	\$-	\$-	\$-
Acquisition - from purchase	95,424	20,064	115,488
2020.12.31	<u>\$95,424</u>	<u>\$20,064</u>	<u>\$115,488</u>
Depreciation and impairment:			
2021. 01.01	\$-	\$452	\$452
Current depreciation	-	1,324	1,324
Disposal	-	(555)	(555)
2021.12.31	<u>\$-</u>	<u>\$1,221</u>	<u>\$1,221</u>
2020. 01.01	\$-	\$-	\$-
Current depreciation	-	452	452
2020.12.31	<u>\$-</u>	<u>\$452</u>	<u>\$452</u>
Net book value:			
2021.12.31	<u>\$114,345</u>	<u>\$26,619</u>	<u>\$140,964</u>
2020.12.31	<u>\$95,424</u>	<u>\$19,612</u>	<u>\$115,036</u>

The Group did not provide investment property as collateral.

The investment property held by the Group is not measured at fair value, but its fair value information (Level III) is disclosed. The fair value of investment property held by the Group as of December 31, 2021 and 2020 were NTD 145,795 thousand and NTD 116,481 thousand, respectively. The said fair value has not been evaluated by independent appraiser, but determined by the Group with reference to transaction prices of similar properties in the market.

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12. Other assets, net

	2021.12.31	2020.12.31
Prepayments	\$37,255	\$25,809
Inter-bank clearing fund	1,404,201	1,050,689
Refundable deposits	142,620	118,269
Others	74,925	58,703
Net	<u>\$1,659,001</u>	<u>\$1,253,470</u>

As of December 31, 2021 and 2020, the other asset – other accumulated impairment of each period amounted to NTD 20,280 thousand.

Please refer to Note VIII for details of the Group's collateral over other assets.

13. Deposits from Central Bank and other banks

	2021.12.31	2020.12.31
Deposits of other banks	\$1,207	\$1,836
Call loans to other banks	18,450,340	21,115,632
Total	<u>\$18,451,547</u>	<u>\$21,117,468</u>

14. Funds borrowed from Central Bank and other banks

	2021.12.31	2020.12.31
Funds borrowed from other banks	\$4,200,000	\$3,690,000
Other funds borrowed from Central Bank	567,450	907,650
Total	<u>\$4,767,450</u>	<u>\$4,597,650</u>

15. Financial liabilities measured at FVTPL

	2021.12.31	2020.12.31
Available-for-sale financial liabilities:		
Derivatives	<u>\$14,692</u>	<u>\$13,062</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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16. Bills and bonds sold under repurchase agreements

	2021.12.31	2020.12.31
Government bonds	\$3,404,497	\$9,443,465
Corporate bonds	8,386,492	12,179,630
Financial bonds	338,946	367,839
Total	<u>\$12,129,935</u>	<u>\$21,990,934</u>

The Group's liabilities of bonds and securities sold under repurchase agreements were processed at the agreed price for an amount of NTD 12,134,511 thousand and NTD 22,002,911 thousand on December 31, 2021 and 2020, respectively.

17. Payables

	2021.12.31	2020.12.31
Accrued expenses	\$394,729	\$407,349
Interest payable	83,085	91,973
Notes and checks in clearing	1,356,730	362,649
Clearing amount payable	42,562	215,069
Others	642,383	524,220
Total	<u>\$2,519,489</u>	<u>\$1,601,260</u>

18. Deposits and remittances

	2021.12.31	2020.12.31
Check deposits	\$2,971,885	\$2,268,167
Demand deposits	52,056,572	45,945,425
Time deposits	48,221,538	40,803,737
Savings deposit	147,785,323	137,912,535
Remittances	1,246	2,810
Total	<u>\$251,036,564</u>	<u>\$226,932,674</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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19. Other financial liabilities

	Interest rate collars:	2021.12.31	2020.12.31
Taiwan Finance Corporation	0.86%~1.2%	\$900,000	\$100,000
China Bills Finance Corporation	0.96%~1.2%	850,000	150,000
Grand Bills Finance Corporation	0.79%~1.22%	750,000	100,000
Mega Bills International Bills Finance Corporation	0.86%~1.2%	700,000	100,000
Taiwan Cooperative Bills Finance Corporation	0.96%~1.22%	120,000	120,000
Ta Ching Bills Finance Corporation	0.94%~1.2%	120,000	120,000
Taichung Commercial Bank Bills	0.93%~1.22%	100,000	100,000
	1.04%	-	100,000
Subtotal		3,540,000	890,000
Less: discount on commercial paper payable		(5,943)	-
Total		<u>\$3,534,057</u>	<u>\$890,000</u>

20. Provisions

	2021.12.31	2020.12.31
Retirement benefits plan	\$149,655	\$180,997
Reserve for guarantee liability	186,281	183,642
Provision for commitment of financing	21,818	30,318
Total	<u>\$357,754</u>	<u>\$394,957</u>

The changes in the provisions for guarantee liability are as follows:

	2021	2020
Beginning balance	\$183,642	\$115,711
Amount appropriated for the period	2,647	67,943
Foreign exchange impact amount	(8)	(12)
Ending balance	<u>\$186,283</u>	<u>\$183,642</u>

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The changes in the financing commitment reserve are as follows:

	2021	2020
Beginning balance	\$30,318	\$19,318
Amount appropriated (reversed) for the period	(8,500)	11,000
Foreign exchange impact amount	-	-
Ending balance	<u>\$21,818</u>	<u>\$30,318</u>

21. Retirement benefits plan

Defined contribution pension plan

The Group has the employee retirement plan stipulated in accordance with the "Labor Pension Act," which is a defined contribution plan. According to the Labor Pension Act, the monthly pension contribution rate of the Group shall not be less than 6% of the employee's monthly salary. The Group has an amount equivalent to 6% of the employee's monthly salary appropriated every month to the personal pension account with the Bureau of Labor Insurance.

The Group had recognized the insurance expense of the defined contribution plan for an amount of NTD 35,653 thousand and NTD 32,853 thousand in 2021 and 2020, respectively.

Defined benefit plan

The employee pension plan stipulated by the Group according to the Labor Standards Act is a defined benefit plan. The employee's pension payment is based on the service points and the average monthly salary at the time of retirement. Two bases will be given for each full year within 15 years (inclusive) of service, and one base will be given for each full year in excess of 15 years of service, but the accumulation of bases is limited to a maximum of 45 bases. The Group levied a pension fund on the total monthly salary every month according to the Labor Standards Law. The pension appropriation ratio has been changed from 8% to 15% since March 2012, and the fund is deposited in the designated account with the Company of Taiwan in the name of the Labor Pension Reserves Committee. In

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)

(Unless otherwise provided, Unit: NTD Thousand)

In addition, the Group estimates the aforementioned labor retirement reserve account balance before the end of each year. If the balance is insufficient to pay the pension amount calculated in accordance with the aforementioned retirement conditions for the employees qualified for retirement in the next year, the amount of difference will be appropriated in a lump sum before the end of March in the next year.

The Ministry of Labor conducts asset allocation in accordance with the "Regulations for Revenues, Expenditures, Safeguarding, and Utilization of the Labor Retirement Fund." Fund investment is arranged with a self-operated and entrusted management method, which adopts a mid-term and long-term investment strategy with an active and passive management. Considering the risks of the market, credit, liquidity, etc., the Ministry of Labor sets the fund risk limit and control plan so that it can be flexible enough to achieve the target remuneration without bearing excessive risk. For the use of the fund, the minimum income of its annual settlement shall not be lower than the income calculated according to the local bank's two-year time deposit. If there is any deficiency, it shall be replenished by the state treasury upon approval by the competent authority. As the Group is not entitled to participate in the operation and management of the fund, it is not possible to disclose the classification of the fair value of the plan assets in accordance with paragraph 142 of IAS 19. As of December 31, 2021, the Group's defined benefit plan is expected to have an amount of NTD 36,165 thousand appropriated in the next year.

As of December 31, 2021 and 2020, the Group's defined benefit plans are expected to expire in 2029 and 2028, respectively.

The cost of the defined benefit plan recognized in profit or loss is summarized as follows:

	2021	2020
Current service costs	\$574	\$828
Net interests of net defined benefit liability	3,805	5,240
Expected return on plan assets	(2,574)	(2,937)
Total	<u>\$1,805</u>	<u>\$3,131</u>



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The reconciliation between the present value of the defined benefit obligation and the fair value of the plan asset is as follows.

	2021.12.31	2020.12.31
Defined benefit obligation	\$502,604	\$527,801
Fair value of the plan asset	(352,949)	(346,804)
Amount of provisions - net defined benefit liabilities	\$149,655	\$180,997

Reconciliation of net defined benefit liabilities (assets):

	Present value of the defined benefit obligation	Fair value of the plan asset	Net defined benefit liabilities (assets)
2020.1.1	\$535,820	\$(287,435)	\$248,385
Current service costs	828	-	828
Interest expense (income)	5,240	(2,937)	2,303
Subtotal	541,888	(290,372)	251,516
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	11,736	-	11,736
Adjustment by experience	-	-	-
Remeasurements of the defined benefit assets	-	(8,833)	(8,833)
Subtotal	11,736	(8,833)	2,903
Benefits paid	(25,823)	20,504	(5,319)
Distribution by employer	-	(68,103)	(68,103)
2020.12.31	\$527,801	\$(346,804)	\$180,997
Current service costs	574	-	574
Interest expense (income)	3,805	(2,574)	1,231
Subtotal	532,180	(349,378)	182,802
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	6,525	-	6,525
Adjustment by experience	-	-	-
Remeasurements of the defined benefit assets	-	(1,806)	(1,806)
Subtotal	6,525	(1,806)	4,719
Benefits paid	(36,101)	36,101	-
Distribution by employer	-	(37,866)	(37,866)
2021.12.31	\$502,604	\$(352,949)	\$149,655

The following key assumptions are used to determine the Company's defined benefit plan.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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	2021.12.31	2020.12.31
Discount Rate	0.50%	0.75%
Expected salary increase rate	2.00%	2.00%

Sensitivity analysis on each significant actuarial assumption:

	2021		2020	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
0.25% increase in discount rate	\$-	\$(4,940)	\$-	\$(5,596)
0.25% decrease in discount rate	5,089	-	5,769	-
0.5% increase in expected salary	10,367	-	11,759	-
0.5% decrease in expected salary	-	(9,880)	-	(11,183)

The aforementioned sensitivity analysis is performed under the assumption that other assumptions remain unchanged. When a single actuarial assumption (such as discount rate or expected salary) changes reasonably possible, it analyzes the possible impact on the determination of benefit obligations. Due to part of actuarial assumptions are related to each other, in practice rarely does a single actuarial assumption change, so the analysis has its limitations.

The methods and assumptions used in the current sensitivity analysis are the same as those of the previous period.

## 22. Other liabilities

	2021.12.31	2020.12.31
Deposits received	\$85,597	\$62,846
Advance income	110,943	145,534
Others	127,396	35,980
Total	<u>\$323,936</u>	<u>\$244,360</u>

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23. Equity

(1) Common stock

As of December 31, 2021 and 2020, the authorized capital stock all amounted to NTD 30,000,000 thousand, and the issued capital stock all amounted to NTD 11,212,343 thousand for 1,121,234 thousand shares issued at par value of NTD 10. Each share is entitled to one voting right and the right to receive dividends.

(2) Capital surplus

	2021.12.31	2020.12.31
Common stock premium	\$53,036	\$53,036
Treasury stock transactions	22,070	-
Others	2,629	2,586
Total	<u>\$77,735</u>	<u>\$55,622</u>

The various capital reserve balances from January 1 to December 31, 2021 and 2020 are adjusted as follows.

	Common stock premium	Treasury stock transactions	Others	Total
Balance as of January 1, 2021	\$53,036	\$-	\$2,586	\$55,622
Share-based payment transaction	-	22,070	-	22,070
Transfer of treasury stock	-	-	-	-
Adjustment based on percentage of ownership	-	-	43	43
Balance as of December 31, 2021	<u>\$53,036</u>	<u>\$22,070</u>	<u>\$2,629</u>	<u>\$77,735</u>
Balance as of January 1, 2020	\$53,509	\$-	\$2,586	\$56,095
Share-based payment transaction	-	-	-	-
Transfer of treasury stock	-	-	-	-
Retirement of treasury stock	(473)	-	-	(473)
Balance as of December 31, 2020	<u>\$53,036</u>	<u>\$-</u>	<u>\$2,586</u>	<u>\$55,622</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its  
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According to the law, additional paid-in capital shall not be used for any purpose except for making up for the loss of the Company. When the Company has no loss, a certain percentage of the additional paid-in capital from the stock premium and the gift can be applied to replenish capital every year. The aforementioned additional paid-in capital can be allocated in cash to shareholders proportionally to their original shareholding ratio.

(3) Treasury stock

a. Changes in Treasury Stocks are as follows:

From January 1 to December 31, 2021:

Cause	Number of shares- beginning of year	Increase in the period	Decrease in the period	Number of shares-end of year
Transfer to employees	3,000 thousand shares	-	3,000 thousand shares	-
Protect the company's credit and shareholder's equity	-	-	-	-
Total	3,000 thousand shares	-	3,000 thousand shares	-

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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January 1, 2020 to December 31, 2020:

Cause	Number of shares- beginning of year	Increase in the period	Decrease in the period	Number of shares-end of year
Transfer to employees	3,000 thousand shares	-	-	3,000 thousand shares
Protect the company's credit and shareholder's equity	-	10,000 thousand shares	10,000 thousand shares	-
Total	3,000 thousand shares	10,000 thousand shares	10,000 thousand shares	3,000 thousand shares

- b. As of December 31, 2021 and 2020, the amounts of treasury stocks that are yet to have retired or distributed to employees were NTD 0 thousand and NTD 98,422 thousand, respectively, or 0 shares and 3,000 thousand shares, respectively.
- c. The Company transferred treasury shares of 3,000 thousand shares to the employees on February 26, 2021.
- d. Based on the resolution of the Board of Directors, the Company had scheduled April 30, 2020 as the base date of de-capitalization. 10,000 thousand shares of treasury stock were bought back and canceled with a total of NTD 100,000 thousand.
- e. The treasury stocks held by the Company shall not be pledged, nor shall they be entitled to the distribution of dividends and voting rights according to the Securities and Exchange Act.

(4) Earnings allocation and dividend policy

According to the Articles of Incorporation of the Company, if there are earnings at the annual final accounts, it should be distributed in the following order:

- A. Payment of all taxes and dues
- B. Offset operation losses

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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- C. Appropriate 30% as the legal reserve
- D. Other special surplus reserve recognized or reversed in accordance with laws and regulations or supervisory authorities.
- E. The remaining earnings shall be distributed by the Board of Directors according to the dividend policy, and reported to the shareholders' meeting.

The principle of dividend distribution of the Company is based on the business operation needs of the Company and the revision of major laws and regulations. The Board of Directors presents the proposal in the Shareholders' Meeting for resolutions with the ratio of the cash dividend moderately adjusted, which shall not be less than 1% of the total dividends. If the cash dividend per share is less than NTD 0.1, it will not be distributed.

Pursuant to the Banking Act, legal capital reserve shall be appropriated until the total sum of which has reached the total paid-in capital. Unless and until the accumulated legal capital reserve equals the paid-in capital, the maximum cash surplus which may be distributed shall not exceed 15% of the total paid-in capital. The legal reserve can be used to set off deficits. When the Company has no loss, the portion of the legal reserve exceeds 25% of the paid-in capital should be distributed as new shares or cash to shareholders proportional to their original shareholding ratio.

According to the provisions of the Securities and Exchange Act, when the competent authorities consider it necessary, it may request the listed companies to have a certain percentage of special reserve appropriated in addition to appropriating the legal reserve lawfully at the time of distributing earnings.

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When the Company distributes earnings that are distributable, an additional special reserve is appropriated for an amount equivalent to the difference between the balance of the special reserve appropriated at the first-time adoption of IFRSs and the net debit of other equity. If other stockholders' equity deductions are reversed afterward, the reversal part of net amount of the deduction of other equity and special reserve reversed may be applicable for the appropriation of earnings.

The Company complies with FSC Explanation Order No. 1090150022 issued on March 31, 2021: upon the first-time adoption of IFRS, on the transition date, for the booked unrealized revaluation increase and aggregated adjustment interest, since the exemption of IFRS 1 "First-time Adoption of IFRS" is transferred into retained earnings, the special reserve shall be recognized. Where relevant assets are subsequently used, disposed of or reclassified, the original proportion of special reserve may be reversed for the distribution of earnings.

As of January 1, 2021 and 2020, the special reserve at the first-time adoption amounted to NTD 45,549 thousand. In addition, the Company did not use, dispose of, or reclassify the relevant assets in the period from January 1 to December 31, 2021 and 2020 that caused the reversal of special reserve to the undistributed earnings. As of December 31, 2021 and 2020, the special reserve for the first time was NTD 45,549 thousand.

The 2021 and 2020 earnings appropriation and distribution and the dividend per share were proposed and resolved in the Board of Directors on February 21, 2022 and Shareholders' Meeting on May 18, 2021 as follows.

	Distribution of retained earnings		Dividends per share (NTD)	
	2021	2020	2021	2020
Legal reserve	\$1,755,271	\$1,637,705		
Special reserve	-	4,720		
Common stock cash dividends	2,354,592	2,018,222	\$2.1	\$1.8
Total	<u>\$4,109,863</u>	<u>\$3,660,647</u>		

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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Please refer to Note VI. 29 for the relevant information on the estimation basis and recognition amount of the employee compensation and the remuneration to directors and supervisors.

(5) Non-controlling interest

In order to provide clients with a comprehensive and diverse finance service, it is resolved at the board meeting on October 12, 2020 that the Company acquires WanTai Securities Corporation by cash. The investment was approved by the competent authority on October 27, 2020. The Company obtained control and included the subsidiary in the Group's consolidated financial statements on November 3, 2020. The percentage of ownership on December 31, 2020 was 99.51%.

On January 5, 2021, the Company acquired the remaining outstanding shares of WanTai Securities Co., Ltd., and it became a 100%-owned subsidiary of the Company.

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 1,633	\$ -
Current net income attributable to non-controlling interest	-	5
Other comprehensive income attributable to non-controlling interest:		
Share of other comprehensive income of associates and joint ventures accounted for using equity method	-	-
Acquiring issued shares of subsidiaries	<u>(1,633)</u>	<u>1,628</u>
Ending balance	<u>\$-</u>	<u>\$1,633</u>



Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

24. Net interest income

	2021	2020
<u>Interest revenue</u>		
Discount and loan interest income	\$4,361,497	\$4,000,178
Due from bank and interbank offered interest income	20,854	33,298
Security investment interest income	1,697,042	2,166,777
Other interest incomes	385,514	312,831
Subtotal	<u>6,464,907</u>	<u>6,513,084</u>
<u>Interest expenses</u>		
Deposits Interest expenses	(724,965)	(876,837)
Interest expense of funds borrowed from Central Bank and other banks	(86,993)	(162,012)
Interest expense of the RP bonds	(56,002)	(224,250)
Others	(3,720)	(4,032)
Subtotal	<u>(871,680)</u>	<u>(1,267,131)</u>
Total	<u>\$5,593,227</u>	<u>\$5,245,953</u>

25. Net service fee income

	2021	2020
Service fee income	\$2,179,802	\$1,955,380
Service fee expenses	(48,745)	(46,100)
Total	<u>\$2,131,057</u>	<u>\$1,909,280</u>

26. Gain (loss) on financial assets and liabilities at fair value through profit and loss

	2021	2020
Stock investment	\$1,121,347	\$1,041,345
Bond investment	(351,429)	865,277
Derivatives	191,913	79,382
Others	(7,140)	42,068
Total	<u>\$954,691</u>	<u>\$2,028,072</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)

(Unless otherwise provided, Unit: NTD Thousand)

27. Gain (impairment loss) on reversal of assets impairment and bad debts, commitments, and reserve reversal (appropriation) of for guarantee liability

	<u>2021</u>	<u>2020</u>
Financial assets measured at FVTOCI	\$509,204	\$(512,137)
Financial assets measured at cost after amortization	1,637	(753)
Gain on reversal on impairment of fixed assets	<u>82,800</u>	<u>-</u>
Subtotal	<u>593,641</u>	<u>(512,890)</u>
Loan and receivables bad debt reversal (appropriation)	(1,737,929)	(665,721)
Reversal (provision) of allowances for guarantees	(2,647)	(67,943)
Reversal (provision) of allowances for financing commitments	8,500	(11,000)
Subtotal	<u>(1,732,076)</u>	<u>(744,664)</u>
Total	<u><u>\$(1,138,435)</u></u>	<u><u>\$(1,257,554)</u></u>

Please refer to Note XIV for credit risk related information.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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28. Leases

(1) The Group is a lessee

The Group leases several assets, including real estate (buildings and structures) and other equipment. The lease period for each contract is for 3-10 years.

The impacts of the lease on the Group's financial position, financial performance, and cash flow are as follows:

A. Amount recognized on the balance sheet

(a) Right-of-use assets

The book value of the right-of-use assets

	2021.12.31	2020.12.31
Buildings and structures	\$328,427	\$214,730
Other equipment	1,110	2,774
Total	<u>\$329,537</u>	<u>\$217,504</u>

The Group had added right-of-use assets for the amounts in 2021 and 2020 were NTD 188,474 thousand and NTD 88,048 thousand, respectively.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)

(Unless otherwise provided, Unit: NTD Thousand)

(b) Lease liabilities

	2021.12.31	2020.12.31
Lease liabilities	<u>\$(333,056)</u>	<u>\$(219,898)</u>
Current	<u>\$(333,056)</u>	<u>\$(219,898)</u>

The interest expenses of the Group's lease liabilities from January 1 to December 31, 2021 and 2020 were NTD 3,720 thousand NTD 4,032 thousand, respectively. For the maturity analysis of the lease liabilities on December 31, 2021 and 2020, please refer to Note XIV. 4 "Liquidity Risk Management."

B. Amount recognized in the statements of comprehensive income

Depreciation of the right-of-use assets

	2021	2020
Buildings and structures	<u>\$74,777</u>	<u>\$75,239</u>
Other equipment	<u>1,664</u>	<u>1,664</u>
Total	<u>\$76,441</u>	<u>\$76,903</u>

C. The lessee and the lease activity related income, expense, and loss

	2021	2020
Short-term lease expense	<u>\$3,884</u>	<u>\$1,797</u>
Low-value asset lease expense (excluding the low-value assets lease expense of the short-term leases)	2,486	2,337

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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D. The lessee and the lease activity related cash outflow

The total cash outflow for the lease of the Group from January 1 to December 31, 2021 and 2020 were NTD 79,036 thousand and NTD 79,264 thousand, respectively.

29. Operating expenses

The employee benefits, depreciation, and amortization expenses are summarized by function as follows:

	2021	2020
Employee benefits expenses		
Salaries and wages	\$985,140	\$910,437
Labor insurance and national health insurance	78,875	68,446
Pension expenses	37,458	35,984
Other employee benefits expenses	37,620	37,904
Depreciation	127,603	132,118
Total	\$1,266,696	\$1,184,889

According to the Articles of Incorporation, if the Company has earnings for the year, no less than 0.01% of the earnings should be appropriated to pay employees' remuneration and no more than 2% of the earnings should be appropriated as remuneration to directors and supervisors. However, when there are accumulated losses, an equivalent amount should be appropriated to make up for losses. The aforementioned remuneration to employees is to be paid in the form of shares or cash. Approval for such benefits should be passed by at least half of the Directors in attendance in a Board meeting attended by no less than two-thirds of all Board members. The results should be reported during Shareholders' Meeting. Please refer to the "Market Observation Post System" of the Taiwan Stock Exchange Corporation for information on employee remuneration and remuneration to directors and supervisors resolved by the Board of Directors.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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Based on the Company's profit from January 1 to December 31, 2021 and 2020, the Company appropriates 0.01% of the earnings to be remuneration to employees, which were NTD 650 thousand and NTD 630 thousand, respectively, and were listed in the "salary expense" account.

The Company's Board of Directors had resolved on February 21, 2022 to distribute the 2021 remuneration to employees and the remuneration to directors and supervisors at the amount of NTD 650 thousand and NTD 0 respectively, which was not significantly different from the expenses booked in the 2021 financial report.

The Company's Board of Directors had resolved on February 22, 2021 to distribute the 2020 remuneration to employees and the remuneration to directors and supervisors at the amount of NTD 630 thousand and NTD 0 respectively, which was not significantly different from the expenses booked in the 2020 financial report.

There is no significant difference between the actual employees' remuneration and remuneration to directors and supervisors distributed in 2021 and the expenses booked in the 2020 financial report.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its  
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(Unless otherwise provided, Unit: NTD Thousand)

30. Other comprehensive income

Other comprehensive income from January 1 to December 31, 2021 is as follows:

	Accrued in current year	Current reclassification adjustment	Other comprehensive income (loss)	Income tax gains (expenses)	After-tax amount
Items not reclassified to income:					
Gain or loss on evaluation of equity instruments at FVTOCI	\$1,200,860	\$-	\$1,200,860	\$-	\$1,200,860
Remeasurements of the defined benefit plan	(4,719)	-	(4,719)	566	(4,153)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences from the translation of financial statements of foreign operations	27,617	-	27,617	(3,314)	24,303
Gains or loss from debt instrument investment measured at FVTOCI	(1,649,955)	(1,004,100)	(2,654,055)	-	(2,654,055)
Total	<u>\$ (426,197)</u>	<u>\$ (1,004,100)</u>	<u>\$ (1,430,297)</u>	<u>\$ (2,748)</u>	<u>\$ (1,433,045)</u>

Other comprehensive income from January 1 to December 31, 2020 is as follows:

	Accrued in current year	Current reclassification adjustment	Other comprehensive income (loss)	Income tax gains (expenses)	After-tax amount
Items not reclassified to income:					
Gain or loss on evaluation of equity instruments at FVTOCI	\$379,435	\$-	\$379,435	\$-	\$379,435
Remeasurements of the defined benefit plan	(2,903)	-	(2,903)	349	(2,554)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences from the translation of financial statements of foreign operations	(3,825)	-	(3,825)	459	(3,366)
Gains or loss from debt instrument investment measured at FVTOCI	1,947,306	(207,564)	1,739,742	-	1,739,742
Total	<u>\$2,320,013</u>	<u>\$ (207,564)</u>	<u>\$2,112,449</u>	<u>\$808</u>	<u>\$2,113,257</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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The Group's debt instrument investment measured at fair value through other comprehensive income in 2021 and 2020 are reclassified to profit or loss from the cumulative other comprehensive income at the time of de-recognition for an amount of NTD 1,004,100 thousand and NTD 207,564 thousand, respectively.

31. Income tax

The main composition of income tax expenses (benefit) is as follows:

Income tax recognized in the profit or loss

	2021	2020
Current income tax expenses (benefit):		
Income tax payable for the current period	\$965,471	\$647,890
The income tax of the previous years adjusted in the current period	(27)	(1,704)
Deferred income tax expense (benefit):		
Deferred income tax expense (benefit) related to the original generation of the temporary difference and its reversal	(90,729)	125,365
Deferred income tax related to change in tax rate or new tax items.	-	-
Income tax expenses	\$874,715	\$771,551



Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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Income tax recognized in the other comprehensive income

	<u>2021</u>	<u>2020</u>
Deferred income tax expense (benefit):		
Exchange differences from the translation of financial statements of foreign operations	\$3,314	\$(459)
Actuarial gain (loss) from defined benefit plan	(566)	(349)
The other comprehensive income related income tax	<u>\$2,748</u>	<u>\$(808)</u>

The amount of income tax expense and accounting profit multiplied by the applicable income tax rate is adjusted:

	<u>2021</u>	<u>2020</u>
Net income before tax of the continuing business units	<u>\$6,505,018</u>	<u>\$6,262,522</u>
Tax amount calculated according to the domestic tax rate applicable to the income of the country concerned	\$1,301,004	\$1,252,504
Income tax effects of tax-exempt income	(994,112)	(407,699)
Income tax effects of non-deductible expenses on tax returns	1,882	348
Income tax effect of deferred income tax assets/liabilities	94,941	(124,557)
Basic tax adjustment	382,796	4,252
Surtax on undistributed earnings	88,231	48,407
The income tax of the previous years adjusted in the current period	(27)	(1,704)
Total income tax expense recognized in profit or loss	<u>\$874,715</u>	<u>\$771,551</u>

Deferred income tax assets (liabilities) balances related to the following items:

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2021

	Beginning balance	Recognized in the profit or loss	Recognized in the other comprehensive income (loss)	Ending balance
Temporary differences:				
Financial assets valuation measured at FVTPL	\$(248,260)	\$110,453	\$-	\$(137,807)
Allowance for bad debt	127,076	(2,706)	-	124,370
Impairment of Assets	12,370	(9,936)	-	2,434
Employees' leave benefits liabilities	3,677	138	-	3,815
Compensation payable	1,149	-	-	1,149
Reserve for guarantee liability	11,026	(682)	-	10,344
Net determined benefit liability - non-current	21,908	(4,328)	566	18,146
Income from investment under equity method	2,308	4,750	-	7,058
Conversion difference of the financial statements of foreign institutions	6,473	-	(3,314)	3,159
Gain on bargain purchase	(919)	-	-	(919)
Deferred Income tax benefit (expense)		<u>\$97,689</u>	<u>\$(2,748)</u>	
Net deferred income tax assets	<u>\$(63,192)</u>			<u>\$31,749</u>
The information expressed on the balance sheet is as follows:				
Deferred tax assets	<u>\$185,987</u>			<u>\$170,475</u>
Deferred tax liabilities	\$249,179			\$138,726
Deferred income tax liabilities - land value incremental tax reserve	<u>50,135</u>			<u>50,135</u>
Total	<u>\$299,314</u>			<u>\$188,861</u>

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2020

	Beginning balance	Recognized in the profit or loss	Recognized in the other comprehensive income (loss)	Ending balance
Temporary differences:				
Financial assets valuation measured at FVTPL	\$(85,697)	\$(162,563)	\$-	\$(248,260)
Allowance for bad debt	82,538	44,538	-	127,076
Impairment of Assets	13,941	(1,571)	-	12,370
Employees' leave benefits liabilities	3,562	115	-	3,677
Compensation payable	1,162	(13)	-	1,149
Reserve for guarantee liability	7,059	3,967	-	11,026
Net determined benefit liability - non-current	29,994	(8,435)	349	21,908
Income from investment under equity method	918	1,390	-	2,308
Conversion difference of the financial statements of foreign institutions	6,014	-	459	6,473
Gain on bargain purchase	-	(919)	-	(919)
Deferred Income tax benefit (expense)		<u>\$(123,491)</u>	<u>\$808</u>	
Net deferred income tax assets	<u>\$59,491</u>			<u>\$(63,192)</u>
The information expressed on the balance sheet is as follows:				
Deferred tax assets	<u>\$145,188</u>			<u>\$185,987</u>
Deferred tax liabilities	<u>\$85,697</u>			<u>\$249,179</u>
Deferred income tax liabilities - land value incremental tax reserve	<u>50,135</u>			<u>50,135</u>
Total	<u>\$135,832</u>			<u>\$299,314</u>

Income tax declaration and audit

As of December 31, 2021, the income tax returns of the Group is assessed and approved as follows:

	<u>Income tax declaration and audit</u>
The Company	Audited up to the year of 2019
Subsidiary - Kings Town Bank International Lease Corporation	Audited up to the year of 2019
Subsidiary - Kings Town Securities	Audited up to the year of 2019
Sub-subsidiary- Kings Town Intl. Construction Management Corporation	Audited up to the year of 2019

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its  
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32. Earnings per share

The basic earnings per share is calculated by having the net profit attributable to the holder of the common stock shares of the parent company divided by the weighted average number of common stock shares outstanding in the current period.

The diluted earnings per share is calculated by dividing the net profit of parent company ordinary shares by weighted average number of ordinary shares outstanding during the period, plus the weighted average number of common stock shares to be issued when all dilutive potential common stock shares were converted into common stock shares.

	2021	2020
(1) Basic earnings per share		
Net income attributable to the holders of common stock of the parent company (NTD thousands)	\$5,630,303	\$5,490,966
Weighted average number of common stock shares (thousand shares) of the earnings per share	1,120,774	1,120,378
Base earnings per share (NTD)	\$5.02	\$4.90
(2) Diluted earnings per share		
Net income attributable to the holders of common stock of the parent company (NTD thousands)	\$5,630,303	\$5,490,966
Weighted average number of common stock shares (thousand shares) of the earnings per share	1,120,774	1,120,378
Dilutive effect	-	-
Weighted average number of common stock shares (thousand shares) after adjusting the dilutive effect	1,120,774	1,120,378
Diluted earnings per share (NTD)	\$5.02	\$4.90

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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There was no other transaction performed to cause significant changes to the outstanding common stock shares or the potential common stock shares after the reporting period and before the release of the financial statements.

33. Changes in ownership interests in subsidiaries

Acquiring issued shares of subsidiaries

On January 5, 2021, the Group acquired an additional 0.49% of the voting shares of King's Town Securities Co., Ltd., increasing the Group's ownership to 100%. The cash consideration paid to the non-controlling shareholders amounted to NTD 1,590 thousand; the carrying amount of net assets of King's Town Securities Co., Ltd. (original acquisition and goodwill not included) amounted to NTD 330,856 thousand, and the additional acquisition of the related equity of King's Town Securities Co., Ltd., including the decrease of non-controlling interests and the accumulated other comprehensive income or loss adjustment, is as follows:

Cash consideration paid to non-controlling shareholders by the Group	\$(1,590)
Amount of increase (decrease) in non-controlling interests	(1,633)
Differences in paid-in capital (or retained earnings) recognized in equity	<u>\$43</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its  
subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

VII. Related Party Transactions

1. Names of related parties and their relationship with the Group

Name	Relationship with the Group
Chen-Chih Tai	Chairman of the Group
Chiung-Ting Tsai	Vice Chairman of the Group
Jih-Cheng Chang	President of the Group
Tiangang Investment Co., Ltd	Director of the Group
Fu Chiang Investment Co., Ltd.	Director of the Group (assumed office on May 12, 2020)
Ming-Tai Chen	Independent Director of the Group (term expired on May 12, 2020)
Chao-Long Chen	Independent Director of the Group
Hung-Liang Chiang	Independent Director of the Group
Chuan-Fu Hou	Independent Director of the Group (assumed office on May 12, 2020)
Others	Representatives of the Group's managers, incorporated directors and supervisors, and second degree of kinship and substantive stakeholders

2. Significant transactions with related parties

(1) Deposits

Account Item	Amount	% of the account balance
<u>2021.12.31</u>		
Deposits	\$298,734	0.12%
<u>2020.12.31</u>		
Deposits	\$279,784	0.12%

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)

(Unless otherwise provided, Unit: NTD Thousand)

For the deposit interest rate between the Group and its related parties, except for when the bank clerk's savings deposit amount within the prescribed limit with interest calculated according to a preferential deposit interest rate, the amount exceeding the threshold and the deposit interest rate of the other related party are same as the interest rate of the general customers.

(2) Loans

Account Item	Amount	% of the account balance
<u>2021.12.31</u>		
Loans	\$64,023	0.03%
<u>2020.12.31</u>		
Loans	\$61,691	0.03%

December 31, 2021

Type	Number of accounts or name of stakeholder	Current period maximum balance	Ending balance	Performance		Collateral contents	Difference in trading conditions and terms with non-stakeholders
				Normal loans	Non-performing loans		
Consumer loan	13	\$7,602	\$7,128	\$7,128	\$-	None	None
Residential mortgage Loan	7	15,845	15,610	15,610	-	Real estate	None
Other loans	Chou, OO	3,000	3,000	3,000	-	Real estate	None
Other loans	Huang, OO	700	700	700	-	Real estate	None
Other loans	You, OO	1,175	1,175	1,175	-	Certificate of Deposit	None
Other loans	Chen, OO	15,800	15,800	15,800	-	Real estate	None
Other loans	Ou, OO	9,000	9,000	9,000	-	Real estate	None
Other loans	Chen, OO	1,500	1,500	1,500	-	Certificate of Deposit	None
Other loans	Chang, OO	10,110	10,110	10,110	-	Real estate	None

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

December 31, 2020

Type	Number of accounts or name of stakeholder	Current period maximum balance	Ending balance	Performance		Collateral contents	Difference in trading conditions and terms with non-stakeholders
				Normal loans	Non-performing loans		
Consumer loan	10	\$6,281	\$6,037	\$6,037	\$-	None	None
Residential mortgage Loan	6	16,575	16,374	16,374	-	Real estate	None
Other loans	Chou, OO	3,000	3,000	3,000	-	Real estate	None
Other loans	Huang, OO	500	500	500	-	Real estate	None
Other loans	You, OO	1,175	1,175	1,175	-	Certificate of Deposit	None
Other loans	Chen, OO	15,800	15,800	15,800	-	Real estate	None
Other loans	Ou, OO	9,000	9,000	9,000	-	Real estate	None
Other loans	Chen, OO	2,230	2,230	2,230	-	Certificate of Deposit	None
Other loans	Hsu, OO	950	950	950	-	Certificate of Deposit	None
Other loans	Wang, OO	470	470	470	-	Certificate of Deposit	None
Other loans	Chang, OO	6,155	6,155	6,155	-	Real estate	None

(3) Leases

The rental expenses paid to the related party for the lease of the office for the periods from January 1 to December 31, 2021 and 2020 were NTD 5,880 thousand and NTD 4,180 thousand, respectively.

(4) Guarantees: None.



Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

(5) Derivative financial instrument transactions: None.

(6) Sales of non-performing loan: None.

(7) Remuneration of directors and key management personnel of the Group

	2021	2020
Short-term employee benefits	\$48,434	\$34,962
Retirement benefits	2,100	1,981
Total	<u>\$50,534</u>	<u>\$36,943</u>

### VIII. Pledged Assets

The Group has the following assets provided as collateral:

Item	Book value		Guaranteed debt
	2021.12.31	2020.12.31	
Financial assets measured at FVTPL	\$3,354,619	\$5,828,699	RP transaction
Financial assets measured at FVTPL	722,109	720,194	Various business reserves and collaterals
Financial assets measured at FVTOCI	9,797,258	18,583,715	RP transaction
Financial assets measured at FVTOCI	1,711,413	3,976,544	Funds borrowed from other banks
Due from the Central Bank and call loans to other banks	2,000,000	2,000,000	Funds borrowed from Central Bank and other banks
Accounts Receivable	2,075,000	1,550,000	Funds borrowed from other banks
Financial assets measured at FVTPL	33,250	41,000	Funds borrowed from other banks
Other assets	30,000	30,000	Settlement money remittance guarantee
Total	<u>\$19,723,649</u>	<u>\$32,730,152</u>	

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its  
subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) The Group has the following or various trust agents and guarantees:

	2021.12.31	2020.12.31
Receivable and collection	\$13,430,429	\$12,340,695
Receivable guarantees	10,015,515	9,057,037
Receivables from L/C	6,728	49,727
Trust and custody	39,182,570	32,554,784
Agreed financing amount	36,238,690	26,358,085

(2)

Major contents	Contract amount	Amount paid	Amount yet to be paid
Land in Guang Pu Phase II	\$423,500-\$653,400	\$21,175	\$402,325-\$632,225

(3) On May 14, 2021, our subsidiary, King's Town Securities Co., Ltd., entered into an operating contract with Full Long Securities Co., Ltd. to transfer all of its (including the head office and Chang An Branch) operating interests in the centralized market and business premises entrusted with the trading of securities on the base date of the transfer. The total contract price is NTD 32,000 thousand (including tax). As of December 31, 2021, 50% of the total consideration of NTD 16,000 thousand was paid under other assets; the other 30% was paid upon the approval of the transfer by the competent authority; the remaining 20% was paid within seven days after the date of the transfer upon confirmation of the assets, financial and business conditions.

X. Contents and Amount of Trust Business Handled in Accordance with the Provisions of the Trust Enterprise Act

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its  
subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

The Group provides the trust balance sheet, income statement, and property list to the Trust Department in accordance with Article 17 of the Enforcement Rules of the Trust Enterprise Act as follows:

Balance Sheet of Trust Accounts

Trust assets	2021.12.31	2020.12.31	Trust liabilities	2021.12.31	2020.12.31
Bank deposits	\$2,860,836	\$2,442,840	Mid-term borrowings	\$4,671,230	\$4,721,230
Stock	2,651,747	2,284,733	Long-term borrowings	614,806	614,806
Funds	9,456,028	8,791,795	Payables	33,813	23,320
Real estate	23,657,805	18,613,156	Other liabilities	90,060	38,447
Other assets	407,221	276,593	Trust capital	33,754,173	27,055,583
			Reserves		
			Cumulative earnings	(130,445)	(44,269)
Total trust assets	<u>\$39,033,637</u>	<u>\$32,409,117</u>	Total trust liabilities	<u>\$39,033,637</u>	<u>\$32,409,117</u>

Income Statement of Trust Accounts

Item	2021	2020
Trust revenue		
Interest revenue	\$861	\$977
Rent revenue	446,534	499,446
Dividend income	109,180	115,703
Unrealized capital gains	158,457	97,169
Other profits	1,164	1,807
Subtotal	<u>716,196</u>	<u>715,102</u>
Trust expenses		
Administrative expenses	(51,650)	(41,132)
Tax expenses	(32,100)	(30,412)
Interest expenses	(66,829)	(69,293)
Unrealized capital loss	(244,326)	(255,828)
Unrealized exchange losses	(251,104)	(143,472)
Appraisal fee	(3,772)	(1,620)
Remuneration fee	(2,700)	(1,200)
Other Expenses	(18,064)	(11,847)
Subtotal	<u>(670,545)</u>	<u>(554,804)</u>
Net profit before tax (loss), net	45,651	160,298
Income tax expenses	-	-
Net profit after tax (loss), net	<u>\$45,651</u>	<u>\$160,298</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its  
subsidaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Property Catalog of Trust Accounts		
Investment	2021.12.31	2020.12.31
Bank deposits	\$2,860,836	\$2,442,840
Stock	2,651,747	2,284,733
Funds	9,456,028	8,791,795
Real estate		
Land	16,274,305	13,372,181
Buildings and structures	7,249,538	5,192,597
Construction in progress	133,962	48,378
Others	407,221	276,593
<b>Total</b>	<b>\$39,033,637</b>	<b>\$32,409,117</b>

The above funds accounted under the business of "handling of specific money in foreign currency trust's investment in foreign securities" of the international financial business branch on December 31, 2021 and 2020 amounted to NTD 17,722 thousand and NTD 12,544 thousand, respectively

XI. Significant Disaster Loss

No such event.

XII. Significant Subsequent Events

No such event.

XIII. Fair Value and Grade Information of Financial Instruments

1. Information on the fair value of financial instruments

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)

(Unless otherwise provided, Unit: NTD Thousand)

Financial assets:

	2021.12.31		2020.12.31	
	Book value	Fair value	Book value	Fair value
Financial assets measured at FVTPL:				
Mandatorily measured at fair value through profit or loss	\$39,942,021	\$39,942,021	\$45,032,063	\$45,032,063
Financial assets measured at FVTOCI	46,552,136	46,552,136	48,819,322	48,819,322
Financial assets measured at cost after amortization:				
Debt instrument investments measured at amortized cost	18,199,019	18,199,019	18,897,382	18,897,382
Cash and cash equivalents (excluding cash on hand)	3,309,356	3,309,356	2,400,464	2,400,464
Due from the Central Bank and call loans to other banks	12,724,231	12,724,231	12,542,608	12,542,608
Bills and bonds purchased under resell agreements	-	-	200,248	200,248
Receivables	8,598,238	8,598,238	5,933,698	5,933,698
Discounts and loans	206,356,935	206,356,935	184,901,230	184,901,230
Other financial assets	776	776	363	363

Financial liabilities:

	2021.12.31		2020.12.31	
	Book value	Fair value	Book value	Fair value
Financial liabilities measured at cost after amortization:				
Deposits from the Central Bank and other banks	\$18,451,547	\$18,451,547	\$21,117,468	\$21,117,468
Funds borrowed from Central Bank and other banks	4,767,450	4,767,450	4,597,650	4,597,650
Securities sold under agreements to repurchase	12,129,935	12,129,935	21,990,934	21,990,934
Payables	2,519,489	2,519,489	1,601,260	1,601,260
Deposits and remittances	251,036,564	251,036,564	226,932,674	226,932,674
Lease liabilities	333,056	333,056	219,898	219,898
Financial liabilities measured at fair value through profit or loss:				
Held for transaction purposes	14,692	14,692	13,062	13,062

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

The derivative financial instrument transactions are detailed as follows:

Item	Contract amount	Fair value
2021.12.31		
Foreign exchange contracts	\$5,937,077	\$18,347
2020.12.31		
Foreign exchange contracts	\$636,677	\$(5,693)

2. Methods and assumptions used in the fair value of financial instruments

Fair value refers to the price required or transferred to an asset in an orderly transaction between market participants on a measurement date. The methods and assumptions used by the Group to measure or disclose the fair value of financial assets and financial liabilities are as follows:

- (1) The fair value of short-term financial products is estimated based on the book value on the balance sheet. As the maturity date of such products is very close or the current collection price is equivalent to the book value, the book value is a reasonable basis for estimating the fair value. This method is applied to cash and cash equivalents, deposits at the Central Bank and inter-bank loans, RS bills and bond investments, receivables, deposits of the Central Bank and other banks, funds borrowed from Central Bank and other banks, RP bills and bond liabilities, payables, deposits and remittances, and other financial liabilities.
- (2) For financial assets and liabilities measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, available-for-sale financial assets, and held-to-maturity financial assets, if there is a public market price available, such market price is the fair value, which refers to the closing price on the balance sheet date for the listed (OTC) equity security with a market price available, the net asset value on the balance sheet date for the fund, the closing price or reference price on the balance sheet date for the bond, and the settlement price or the counterparty's quote for the derivative financial products. If no market price is available for reference, the evaluation method is used for estimation. When the Group adopts the market price including the purchase price and the selling price, the Group will evaluate the selling (purchasing) position at the market buying (selling) price. If there is no market price available at the time of evaluation but there is the most recent market transaction price available, then the said transaction price is the fair value of such financial asset.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)

(Unless otherwise provided, Unit: NTD Thousand)

- (3) Discounts, loans, and deposits are all interest-bearing financial assets and liabilities, so their book value is similar to the current fair value. The book value of the collection is the estimated recovery amount net of the allowance for bad debt. Therefore, the book value is the fair value.
- (4) For debt-based instruments that are without an active market price, the fair value is determined by the counterparty's quotation or valuation method. The valuation method is based on the discounted cash flow analysis. The assumptions of interest rate and discount rate are mainly based on information related to similar instruments (for example, Taipei Exchange reference yield curve, the Reuters commercial promissory interest rate average quotation, and credit risk information).
- (5) The fair value of derivatives (including forward foreign exchange and foreign exchange transactions) is the amount that the Group is expected to obtain or pay if it wishes to terminate the contract at the agreed reporting date. The Group calculates the fair value of the position held based on the parameters or quotation information disclosed by the Reuters Information System.
- (6) The fair value of the equity instruments (e.g., private company's stock shares) that do not have a market price available is estimated with the market approach, which is with the fair value estimated with the price generated in market transactions of the same or comparable company's equity instruments and other relevant information (e.g., lack of liquidity discount factor, the profit ratio of the similar company's stock, and the input value of the similar company's stock price book ratio).

Please refer to Note XIII.3 for the information on the fair value bracket of the Group's financial instruments.

3. Fair value hierarchy

- (1) The definition of the Group's three-level fair value

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

1) Level I

It refers to the public offer (unadjusted) of the same financial instrument available on the active market on the measurement date. The fair value of the listed (OTC) stocks, beneficiary certificates, corporate bonds, financial bonds, convertible corporate bonds, and derivatives with a market price available invested in by the Group is classified as Level I.

2) Level II

It refers to the observable prices other than the quote in an active market, including the observable input parameters directly (as prices) or indirectly (e.g., derived from prices) acquired from an active market. This includes the convertible corporate bonds, Taiwan Central Government bonds, and general derivatives invested by the Group.

3) Level III

It means that the input parameters for measuring fair value are not based on information available from the market or by the quotations provided by the counterparty. This includes the unlisted stocks in which the Group invests.

For assets and liabilities that are recognized in the financial statements on a repetitive basis, the classification is re-evaluated at the end of each reporting period to determine whether there is a transfer between the fair value levels.

(2) Information on the fair value measurement levels:

The Group does not have non-repetitive assets measured at fair value. The information on the fair value level of repetitive assets and liabilities is shown below.



Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its  
subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

2021.12.31

	Total	Level I	Level II	Level III
<u>Assets measured at fair value</u>				
Financial assets measured at FVTPL				
Stock investment	\$5,654,715	\$5,654,715	\$-	\$-
Bond investment	33,627,978	163,628	33,464,350	-
Derivatives	33,039	-	33,039	-
Others	626,289	439,435	186,854	-
Financial assets measured at FVTOCI				
Stock investment	4,816,686	883,565	232,246	3,700,875
Bond investment	41,735,450	33,706,837	8,028,613	-
<u>Liabilities measured at fair value</u>				
Financial liabilities measured at FVTPL				
Derivatives	14,692	-	14,692	-

2020.12.31

	Total	Level I	Level II	Level III
<u>Assets measured at fair value</u>				
Financial assets measured at FVTPL				
Stock investment	\$5,613,478	\$5,613,478	\$-	\$-
Bond investment	36,342,634	2,593,994	33,748,640	-
Derivatives	7,369	-	7,369	-
Others	3,068,582	3,068,582	-	-
Financial assets measured at FVTOCI				
Stock investment	3,928,038	1,076,369	56,142	2,795,527
Bond investment	44,891,284	36,573,280	8,318,004	-
<u>Liabilities measured at fair value</u>				
Financial liabilities measured at FVTPL				
Derivatives	13,062	-	13,062	-

(3) Transfer between Level I and Level II fair value

From January 1 to December 31, 2021 and 2020, the Group's assets and liabilities measured at repetitive fair value did not experience any transfer between fair value Level I and II.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

(4) Changes in Repetitive Fair Value Level III Statement

For the Group's liabilities measured at repetitive fair value that are categorized as Level III, adjustments from beginning to ending balance is as follows:

	Financial assets measured at FVTOCI - Stock
2021.01.01	\$2,795,527
Total benefits recognized in 2021:	
Recognized in other comprehensive income (reported in "Equity instrument investments measured at fair value through other comprehensive income")	896,150
Acquired in the period	9,198
2021.12.31	<u>\$3,700,875</u>

	Financial assets measured at FVTOCI - Stock
2020.01.01	\$2,534,382
Total benefits recognized in 2020:	
Recognized in other comprehensive income (reported in "Unrealized gain(loss) on valuation of equity instrument investments measured at fair value through other comprehensive income")	229,446
Acquired in the period	31,699
2020.12.31	<u>\$2,795,527</u>

Significant unobservable input value information of Level III fair value

For the Group's assets measured at repetitive fair value and categorized in fair value Level III, the material unobservable input used toward fair value measurement is as follows:

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

	Valuation technique	Significant unobservable input value	Range	Relationship between input value and fair value
Financial assets measured at FVTOCI: Stock	Market approach	Lack of liquidity discount rate	20%~30%	The higher the lack of liquidity, the lower the estimated fair value

Evaluation process for Level III fair value

The financial instrument evaluation team of the Group's Risk Management Department is responsible for independent fair value verification. The data from an independent source is used to bring the evaluation results close to the market, to confirm that the data sources are independent, reliable, consistent with other resources, and representing executable prices, and regularly calibrate and evaluate the valuation model, performing backtracking tests, updating the input values and information required for the evaluation model, and any other necessary fair value adjustments to ensure that the valuation results are reasonable.

(5) Not measured at fair value but must disclose fair value level information

Assets in which only fair value is disclosed:	Level I	Level II	Level III	Total
<u>2021.12.31</u>				
Debt instrument investments measured at amortized cost				
Convertible certificate of deposit	\$18,199,019	\$-	\$-	\$18,199,019

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Assets in which only fair value is disclosed:	Level I	Level II	Level III	Total
<u>2020.12.31</u>				
Debt instrument investments measured at amortized cost				
Convertible certificate of deposit	\$18,897,382	\$-	\$-	\$18,897,382

4. Transfer of financial assets

Transferred financial assets that are not fully derecognized

In the daily trading activities of the Group, for the transferred financial assets that did not meet the overall de-recognizing conditions, most of them are RP debt securities as collateral held by the counterparty of the transaction. Such transactions are essentially secured borrowings and reflect the Group's liabilities from repurchasing the obligation of the transferred financial assets at a fixed price in the future. For such transactions, the Group is unable to use, sell, or pledge the transferred financial assets during the effective period of the transaction, but the Group still bears the interest rate risk and credit risk. Therefore, it has not been derecognized entirely.

The table below shows the financial assets not qualified under all conditions and related financial liabilities:

December 31, 2021					
Category of financial assets	Book value of transferred financial assets	Book value of related financial liabilities	Fair value of transferred financial assets	Fair value of related financial liabilities	Net fair value position
Financial assets measured at FVTPL with R/P agreement	\$3,354,619	\$3,404,498	\$3,354,619	\$3,404,498	\$(49,879)
Financial assets measured at FVTOCI with R/P agreement	9,797,258	8,725,438	9,797,258	8,725,438	1,071,820

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

#### XIV. Financial Risk Management

##### 1. Overview

The Group uses the business growth scale to establish a capital adequacy assessment process that meets the risk profile in order to maintain adequate capital. Also, based on the overall risk exposure, the Group implements appropriate overall capital allocation, and establishes management mechanisms for various business risks in order to strengthen business performance. The risks in the businesses on and off the balance sheet, such as, credit risk, market risk, operational risk, liquidity risk, country risk, interest rate risk in the banking book, etc., are included in the Group's scope of risk management. Policies and methods are stipulated according to different risks, such as, "Credit Policy," "Rules Governing Credit Review and Authorization," "Rules Governing Risks," etc. Besides, according to the needs of the policies and methods, management guidelines were formulated, such as formulating "Regulations Governing Credit Risk," "Regulations Governing Market Risk," and "Regulations Governing Operational Risk" in accordance with the "Rules Governing Risks," which were reviewed and approved by the Board of Directors in order to effectively identify, measure, communicate, and monitor various risks.

##### 2. Risk management organizational structure

The risk management of the Group is carried out by the Risk Management Department in accordance with the risk management policy approved by the Board of Directors. The Risk Management Department works closely with business units to identify, assess, and prevent risks. The Board of Directors has a written policy for risk management that covers specific risk exposure, such as, interest rate risk, credit risk, etc. In addition, the Audit Office regularly (at least once a year) and occasionally reviews the risk management and operating procedures of the Group to ensure that the Group's risk management mechanism can be operated effectively. Also, the audit records related to various risks, such as transaction records, statements, and valuations are kept for the review of the Audit Office.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)

(Unless otherwise provided, Unit: NTD Thousand)

(1) Risk Management Committee

For the purpose of upgrading the risk management mechanism, improving various risks management, avoiding all possible adverse effects on the Group, and seeking maximized profits with limited risks, the Risk Management Committee is established with the President acting as the Chief Commissioner, and the department head of the Finance Department, Digital Service and Business Department, Risk Management Department, Credit Review Department, Administration Office, International Sales Department, Compliance Department, and the Business Management Department and other personnel designated by the President act as the Members of the Committee. The chief auditor may attend the Committee meeting, but is not entitled with voting rights. The Committee has a meeting held once a month with the following missions to fulfill:

- 1) Add and amend the Group's risk management policy.
- 2) Coordinate the risk management issues of the Company, such as, credit risk, market risk, and operational risk.
- 3) Review the ratio of the Group's regulatory capital to risk assets (referred to as "capital adequacy ratio")
- 4) Handle and review the major risk exposure and unauthorized events which occur.
- 5) Major issues or discussions related to risk management proposed by each unit.
- 6) Matters assigned by the Board of Directors, Chairman, and Vice Chairman.

The "Risk Management Department" is the execution unit of the Risk Management Committee and the risk management planning and management unit of the Bank. It independently monitors and manages the risks of the Bank. The department head of the Risk Management Department acts as the Executive Secretary who is appointed by the Board of Directors. The Risk Management Department is responsible for calculating and monitoring the capital adequacy, and comprehensively handles the risk management and

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

reports to the competent authorities in accordance with various risks management guidelines. Submits a risk control report to the Committee on a quarterly basis and forwards it to the Board of Directors. Also, the Committee sets rules to control various investment positions and transaction quotas, and handles transaction clearing and settlement, such as, bank-wide fund scheduling and securities trading.

(2) Asset and Liability Management Committee

The President of the Group is the Chief Commissioner of the Company's Asset and Liability Management Committee. The members are composed of the personnel designated by the President and the department head of the Digital Service and Business Department, the Risk Management Department, the Finance Department, and the Administration Office. In response to the domestic and foreign financial situation, the committee is responsible for adjusting the business strategy in a timely manner, maintaining liquidity, safety, and profitability, and holding regular meetings at least once a month. The main tasks are as follows:

- 1) Assess the impact of changes in domestic and foreign political and economic situations and the trend of government policies on financial business operations.
- 2) Predict the impact of domestic and foreign funds, exchange rates, interest rate trends, and other relevant financial indicators on the Group's business operations.
- 3) Assess the Group's operating performance, capital position, asset and liability risk position, and interest rate sensitivity, as well as study and adjust the best ratio of various assets and liabilities.
- 4) Assess the Group's pricing strategy for deposit and loan interest rates.
- 5) Estimate the Group's future operating performance and moderately adjust the Group's business strategy.
- 6) Matters assigned by the Board of Directors, Chairman, and Vice Chairman.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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(3) Credit Review Committee

The Credit Review Committee is chaired by the President and consists of the head of the Credit Review Department, the Risk Management Department, and the Digital Service and Business Department, and the personnel designated by the President to strengthen the review and risk control of credit extensions and to ensure the Group's credits. In principle, a meeting will be held once a week to review the credit cases to be granted by the Board of Directors, and the results of the review will be presented to the Board of Directors for approval. The process and transfer of the proposals will be handled by the Credit Review Department.

(4) Investment Management Committee

In order to respond to changes in domestic and foreign financial situations, the Group timely adjust investment strategies and control investment risks to maintain the safety and profitability of the Group's investment positions. The "Investment Management Committee" is established as the highest management unit responsible for the Group's investment business. The Investment Management Committee is chaired by the President, and the members include the head of the Finance Department and other personnel appointed by the President. The Committee has a meeting held once a month with the following missions to fulfill:

- 1) Set the Bank's investment strategies and principles according to the changes in domestic and foreign political and economic situations and the trend of government policies.
- 2) Assess whether the performance of the investment portfolio meets the expected objectives, predict the impact of changes in domestic and foreign capital situation, exchange rate, interest rate, and other relevant financial indicators on the investment position of the Group, and study whether the investment strategy should be adjusted.
- 3) Review the proportion, allocation, and reinvestment-orientation of various financial investment projects.



Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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4) Review the source of funds and cost structure of the investment.

(5) Information Security Management Committee

The "Information Security Management Committee" is formed to improve the information security management system, respond to all information security-related laws and regulations, and comply with the relevant government regulations in order to reduce the risk impact and influence on the Group due to information security. The Committee has one convener appointed who is the President or an individual appointed by the President. The members are the head of the Risk Management Department, the Information Office, the Digital Service Department, the Compliance Department, and the department head or the designated individual of the department designated by the convener. The Audit Department may attend the Committee meeting, but is not entitled with voting rights. The Committee will hold meetings from time to time as needed. The main tasks are as follows:

- 1) Propose the information security policy of the Group.
- 2) Promote the information security management system.
- 3) Assess the infrastructure of the information security management system.
- 4) Handle and review major information security incidents.
- 5) Major issues or discussions related to information security proposed by each unit.
- 6) Discussion of other information security issues.

3. Credit Risk

(1) Source and definition of credit risk

Credit risk refers to the risk of default loss caused by the borrower or counterparty due to the poor business condition or other factors (such as, disputes between the company and its counterparty), resulting in the borrower or counterparty not fulfilling its contractual obligations. The sources of credit risk included on- and off-balance sheet items. For the Group's credit risk exposure, the items on the balance sheet mainly come from discounts and

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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loans, deposits and interbank lending, debt instrument investments and derivatives, and etc. The off-balance sheet items are mainly guarantees, letters of credit, loan commitments, etc.

(2) Credit risk management policies

The Group's written credit risk management strategy is prepared as a guideline for the credit operating procedure. Also, the relevant policies and operational guidelines are set up to ensure that the strategy can be implemented continuously and effectively in order to maintain rigorous loan granting standards, monitor credit risk, assess possible business opportunities, and identify and manage non-performing loans. The scope of management includes: ① Various credit risks (including individual credit cases, overall credit check, credit extension, non-performing loans, etc.) and credit risk offset instruments, such as, collateral and guarantee, of the businesses on and off the balance sheet. ② A credit risk related product or position of the banking book or transaction book.

In order to maintain a safe and sound credit extension business and control credit risk, the "Regulations Governing Credit Risk" was formulated to establish a credit risk control mechanism when planning various businesses in order to implement the procedures of identification, measurement, communication, and monitoring. Under the hierarchical organization structure of credit management, each level shall, in accordance with the "Rules Governing Credit Review and Authorization," strictly execute case review within the authority to ensure the quality of credit assets. The Group also formulated the "Directions for Credit Review and Implementation," and the Credit Review Department is authorized by the Head Office in handling related matter to strengthen post-loan management, in aim to effectively control credit risk.

The credit risk management procedures and measurement methods for each major business of the Group are described below:

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

1) Credit extension (including loan commitments and guarantees)

The classification of credit assets and credit quality rating are described as follows:

A. Credit asset classification

The Group's credit assets are classified into five categories. Except that the normal credit assets are classified as Category I, the non-performing credit assets are evaluated according to the loan guarantee status and the length of time overdue, which are classified as Category II "Special Mention," Category III "Expected to be Recovered," Category IV "Doubtful," and Category V "Losses." The Group has formulated the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" to establish the internal processing systems and procedures for asset quality assessment, appropriation of loss reserve, collection of overdue loans, and liquidation of bad debts. Also, it is handled in accordance with the requirements of the competent authorities and the Group. In order to speed up the liquidation of non-performing loans and reduce overdue loans, the Group has the "Rules Governing Non-Performing Loans" formulated to realize a sound financial structure and to enhance asset and liability management.

B. Credit quality rating

The Group has formulated the "Corporate Finance and Consumer Finance Business Classification" according to the business characteristics and scales. The directions for credit rating are formulated for corporate account holders and individual account holders. The credit rating scores of the debtors are classified into 10 grades (C1~C10), which is an internal credit rating and it is used for risk management. The credit rating is used as reference for credit approval and as reference in determining credit conditions. Those with a poor credit rating are subject to higher credit review frequency.

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2) Deposit and inter-bank lending

The Group evaluates the credit status of the counterparty before the transaction is initiated. Before the end of each year, the Group determines the NTD and foreign currency loan limits according to domestic and foreign financial interbank credit ratings. And such matters are submitted to the Credit Review Committee for review and reported to the Board of Directors for approval.

3) Debt instrument investment and derivative financial instruments

The Group's credit risk management of debt instrument is to identify credit risk through the credit rating of debt instrument by domestic and international credit rating agencies, bond guarantee institutions, country risks, and counterparty risk. For the financial institutions that initiate investments in the Group's derivative financial product transactions, set the ceiling of the financial transaction amount by the nature of the counterparty and the credit rating in accordance with the "Regulations Governing Derivatives Transactions Quota."

(3) Credit risk hedge or mitigation policy

1) Collateral

The Group adopts the methods of stipulation of credit limit restrictions, collection of collateral, and the guarantor or the transfer of the credit guarantee fund to reduce the credit risk for credit business in order to strengthen the credit claim of the Group. The Group has formulated The Rules Governing Collateral Appraisal and related procedural guidelines and regulations for regulating acceptable types of collateral and the valuation, management, and disposal of collateral, in order to ensure the Group's credit claim. The Group has formulated the creditor's right security clauses, collateral clauses, and offset clauses, which clearly define that in an event of credit, the credit limit may be reduced, repayment period may be reduced or deemed to be fully due, or the debt may be offset by debtor's deposit at the Group to reduce the credit risk.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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The Group carries out on-site appraisal of the collateral on a regular basis or at any time. The Group carries out credit check or revaluation of collaterals according to the status of credit granting accounts. The Group also evaluates the degree of guarantee provided by debtor and the legal effectiveness of the guarantor in order to ensure the security of credit.

2) Credit risk limit and credit risk concentration control

The Group has the "Credit Policy" formulated to properly plan and control the credits of the same natural person, the same legal person, the same public enterprise, the same related party, the same associate, and the same group. Set the ceiling (the same public enterprise shall not exceed the net value of the Group, and the ceiling of the same group enterprise shall be adjusted and approved according to its credit rating and prospect) of the ratio to the net value of the Group for each entity in order to control the single credit risk and improve the efficiency of fund utilization. For the ratio of total credit balance of the same industry to the total credit balance of the Group, the ceiling will be approved according to the industry and the overall economy and by referring to the non-performing loan ratio of the industry and future economy. In order to strengthen the credit risk control of each industry overseas and in Mainland China, the respective limit is stipulated accordingly. For the ratio of the total credit balance secured by residential real estate to the total credit balance of the Group, it is divided into the categories of housing repair and working capital limit control by the intended use of funds. Also, the credit-orientation is dynamically adjusted to hedge the overall risk and to avoid excessive credit risk concentrations.

3) Master netting arrangement

The Group's transactions are usually cleared on a gross amount and the Company agrees with the counterparties upon the clearing method, or all transactions with the counterparty are terminated with a net amount clearing arranged in the event of default in order to further reduce the credit risk.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

(4) Maximum credit risk exposure

The maximum credit risk exposure of the assets stated in the consolidated balance sheet without the consideration of collaterals or other reinforced credit instruments approximate their book value. The maximum credit risk exposure amount (excluding collateral or other credit enhancement instruments, and irrevocable maximum risk exposure amount) associated with off-balance sheet items is as follows:

Off-balance sheet items	Maximum credit risk exposure amount	
	2021.12.31	2020.12.31
Customer's developed and irrevocable loan commitments	\$36,238,690	\$26,358,085
Customer's outstanding letters of credit amount	16,154	18,287
Guarantee payments	10,015,515	9,057,037
Total	\$46,270,359	\$35,433,409

(5) The financial information related to asset on consolidated balance sheet, off-balance sheet collateral held as guarantees, master netting arrangement and other credit enhancements, that have impact on maximum credit risk exposure amount are shown below:

December 31, 2021	Collateral	Master netting arrangement	Total
<u>On-balance sheet items</u>			
Discounts and loans	\$144,511,449	\$ -	\$144,511,449
<u>Off-balance sheet items</u>			
Customer's developed and irrevocable loan commitments	15,222,090	-	15,222,090
Customer's outstanding letters of credit amount	-	-	-
Guarantee payments	4,689,067	-	4,689,067
Total	\$164,422,606	\$ -	\$164,422,606

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its  
subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

December 31, 2020	Collateral	Master netting arrangement	Total
<u>On-balance sheet items</u>			
Discounts and loans	\$135,382,209	\$ -	\$135,382,209
<u>Off-balance sheet items</u>			
Customer's developed and irrevocable loan commitments	9,624,965	-	9,624,965
Customer's outstanding letters of credit amount	3,000	-	3,000
Guarantee payments	4,435,540	-	4,435,540
Total	<u>\$149,445,714</u>	<u>\$ -</u>	<u>\$149,445,714</u>

The Group's management assesses and believes that the credit risk exposure amount of the off-balance sheet items could be controlled and minimized continuously because the Company and its subsidiaries have adopted a more stringent selection process during the credit approval and subsequent periodic review.

(6) Status of credit risk concentration

When a financial instrument counterparty is significantly concentrated on one person, or a financial instrument has several counterparties who are mostly engaging in similar business activities and have similar economic characteristics, so that their ability to perform contracts is affected by economic or other conditions in a similar manner, there is a significant concentration of credit risk.

The Group's credit risk concentration is derived from assets, liabilities, or off-balance sheet items, which are generated through transactions (regardless of products or services) performance or implementation, or a combination of cross-category risk exposure, including credit, deposit and inter-bank lending, marketable securities investments, receivables, and derivatives. There are no significant signs showing that the Group has trading concentrated on a single customer or single transaction counterparties. The total amounts of transaction

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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with single customers or single transaction counterparties does not account for a significant part in the Group's discounts and loans and collection amount. The Group has the credit risk of the discount, loans, and collections illustrated by the industry, region, and collateral as follows:

1) Industry

Industry	2021.12.31		2020.12.31	
	Amount	%	Amount	%
I. Private enterprises	\$158,300,965	76	\$143,012,218	76
II. Government agencies	-	-	-	-
III. Non-profit groups	232,055	-	155,410	-
IV. Private	50,993,704	24	44,674,901	24
V. Financial institutions	-	-	-	-
Total	\$209,526,724	100	\$187,842,529	100

2) By region

The Group's main business is conducted in Taiwan and there is no significant concentration of credit risk by region.

3) Collateral categories

Collateral categories	2021.12.31		2020.12.31	
	Amount	%	Amount	%
Unsecured	\$65,015,275	31	\$52,460,320	28
Secured				
- Financial collateral	27,679,616	13	19,490,849	10
- Real estate	105,152,750	50	102,855,828	55
- Guarantee	5,714,758	3	5,849,882	3
- Other collaterals	5,964,325	3	7,185,650	4
Total	\$209,526,724	100	\$187,842,529	100

(7) Analysis of the Group's financial assets that is overdue but without impairment

The Group had no financial assets that were overdue without impairment as of December 31, 2021 and 2020.



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- (8) Judgment of the Group's credit risk that has increased significantly since the original recognition

Credit extension

The Group assesses the change in the risk of default in the expected duration of each type of credit asset on each reporting date to determine whether the credit risk has increased significantly since the original recognition. For the purpose of this assessment, the Group considers the information that evidences the significant and reasonable increase of credit risk (including forward-looking information) since the original recognition. The main considerations include:

1) Quantitative indicators:

If the contract is overdue for more than 30 days on the reporting date, it is concluded that the credit risk has increased significantly since the original recognition.

2) Qualitative indicators:

The Group evaluates based on the following criteria on the reporting date. If any of the following criteria are met, it is determined that the credit risk has increased significantly since the original recognition.

- a. The records of bounced checks of the debtors reported by the Group.
- b. The dishonored accounts announced by Taiwan Clearing House.
- c. People whose collateral at the Bank is held by compulsory enforcement by other banks.
- d. Informed of the incident that the debtors have applied for reorganization of their debts at other financial institutions when handling post-loan management procedures such as review or follow-up assessment.
- e. Listed as a receivable on demand or written-off of bad debts.

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- f. Informed of the incident that the public certified accountants had issued an opinion on the financial statements of the debtors with a concern over the continuing operation of the audited debtors when implementing the post-loan management procedures of review, tracking, and assessment.
- g. Informed of other non-performing loans of the debtors.

This assumption that "if the credit risk is determined to be low, the credit risk can be deemed to have no significant increase since the original recognition" is not applicable to various credit assets of the Group.

Debt instruments

The Group assesses the change in the risk of default in the expected duration of each type of debt instrument on each reporting date to determine whether the credit risk has increased significantly since the original recognition. For the purpose of this assessment, the Group considers the changes in credit rating that indicates the main evaluation indicator is a quantitative indicator since the original recognition. When the credit rating on each reporting date is lower to an extent than the credit rating on the original recognition date, it is determined that the credit risk has increased significantly since the original recognition.

This assumption that "if the credit risk is determined to be low, the credit risk can be deemed to have no significant increase since the original recognition" is not applicable to various debt instrument the Group.

- (9) Definition of the Group's default and credit impairment financial assets

Credit extension

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

The Group's definition of default on various types of credit assets is the same as the default and credit impairment of each type of credit assets. If one or more of the following conditions are met, the Group determines that the various types of credit assets have been defaulted with credit impairment resulted:

1) Quantitative indicators

If the contract is overdue for more than 90 days on the reporting date, it is concluded that default and credit impairment have occurred.

2) Qualitative indicators

The Group evaluates based on the following criteria on the reporting date. If the matter shows objective evidence of impairment (i.e., agreement, bail-out, rehabilitated, etc.), it is determined that default and credit impairment have occurred.

Debt instruments

The Group's definition of default on a debt instrument is the same as the credit impairment of a debt instrument. If one or more of the following conditions are met, the Group determines that the debt instrument has defaulted with credit impairment:

1) Quantitative indicators

If the credit rating on each reporting date reaches the default level, it is determined as defaulted with credit impairment.

2) Qualitative indicators

The Group evaluates based on the following criteria on the reporting date. If any of the following criteria are met, it is determined that default and credit impairment have occurred.

- a. An event of default occurred
- b. The issuer's significant financial difficulties
- c. The issuer is likely to apply for bankruptcy or other financial restructuring.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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The foregoing definition of default and credit impairment is applicable to all financial assets held by the Group and is consistent with the definitions used for the internal credit risk management purposes of the financial assets and are applied to the relevant impairment assessment model.

If the financial assets on the reporting date no longer meet the definition of default and credit impairment, they are concluded to be in the status of performance and are no longer regarded as financial assets that have defaulted with credit impairment.

(10) Write-off policy

When the Group cannot reasonably expect the financial assets to be recovered entirely or partially, it will write off the whole or part of the financial assets in a timely manner in accordance with the requirements of the competent authorities and in line with the Group's asset quality policy.

(11) Measurement of expected credit loss

For the purpose of assessing expected credit losses, the Group classifies financial assets into the following combinations according to the credit asset/debt instrument categories, credit ratings, and subject matter claim order:

Credit asset/debt instrument category	Definition
Corporate banking loan	Grouped by risk characteristics, company size, and credit category
Consumer banking loan	Grouped by product category, loan type, etc.
Corporate bonds and financial bonds	Classified by long-term issuer rating (mainly Moody's) and subject matter claim order
Government bonds and Central Bank's convertible certificate of deposit	Classified by sovereign rating (mainly Moody's) and subject matter claim order

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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For the financial instruments that have not significantly increased in credit risk (Stage 1) after the original recognition, the Group measures the allowance for loss of the financial instrument according to the expected credit loss amount within 12 months. For the financial instruments with significant increase in credit risk after the original recognition (Stage 2) or with credit impairment (Stage 3), it is measured by the expected credit loss amount of the duration.

In order to measure the expected credit losses, the Group while considering the probability of default (PD) of the borrower/issuer in the next 12 months and the duration includes the loss given default (LGD) and has it multiplied by the exposure at default (EAD), taking into account the impact of the time value of money to calculate the expected credit losses for 12 months and the duration. However, for the off-balance sheet credit assets, it must be multiplied by the credit conversion factor (CCF) that is regulated with the "standardized approach" of Basel II.

The probability of default (PD) and loss given default (LGD) used in the impairment assessment of the Group's credit business/investment business are adjusted and calculated according to the internal and external information of each combination and based on current observable information and forward-looking macro-economic information (e.g., global economic growth rate, inflation rate, etc.).

The Group assesses the amount of financial asset default risk on the reporting date. In addition, based on internal and external information, the Company considers the financial assets to be used within 12 months after the reporting date and the amount expected to be used in order to determine the default risk exposure amount for the calculation of the expected credit loss.

There was no significant change in the estimation techniques or material assumptions that were used in 2021 to assess the expected credit loss.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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(12) Consideration of prospective information

The Group uses archive data to analyze and identify the economic factors that affect the credit risk and expected credit losses of each asset portfolio, and estimates the impairment parameters after prospective adjustment based on the regression model or imputation adjustment method. The relevant economic factors and their impact on PD and LGD vary according to the type of financial instruments.

The relevant economic factor of credit assets identified by the Group in 2021 was the economic growth rate. The relevant economic factors of debt instrument identified by the Group in 2021 were the global economic growth rate and inflation rate.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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(13) Allowance for loss

Changes in allowances for bad debts related to discount and loan

Changes in the allowances for bad debts related to discounts and loans for the period from January 1 to December 31, 2021 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Expected credit losses of the duration (financial assets with non- purchased or originated credit impairment)	Expected credit losses of the duration (financial assets with purchased or originated credit impairment)	Impairment appropriated according to IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non- accrual Loans"	Total
Beginning balance	\$142,428	\$2,352	\$-	\$111,216	\$-	\$255,996	\$2,685,303	\$2,941,299
Changes in financial instruments recognized at the beginning of the period:								
- Converted to expected credit losses of the duration	(1,022)	4,815	-	-	-	3,793	-	3,793
- Converted to financial assets with credit impairment	(19)	(20)	-	9,300	-	9,261	-	9,261
- Converted to 12-month expected credit loss	1	(3)	-	-	-	(2)	-	(2)
- Financial assets derecognized in the current period	(72,082)	(457)	-	(95,083)	-	(167,622)	-	(167,622)
Purchased or originated new financial assets	169,763	2,986	-	2,188,534	-	2,361,283	-	2,361,283
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/Non-accrual Loans"	-	-	-	-	-	-	212,641	212,641
Write-off bad debts	-	-	-	(2,184,623)	-	(2,184,623)	-	(2,184,623)
Recovered amount after write-off bad debts	-	-	-	1,106,936	-	1,106,936	-	1,106,936
Other Changes (Note)	-	-	-	(1,106,936)	-	(1,106,936)	-	(1,106,936)
Changes in exchange rate	-	-	-	-	-	-	(6,241)	(6,241)
Ending balance	\$239,069	\$9,673	\$-	\$29,344	\$-	\$278,086	\$2,891,703	\$3,169,789

Note: Due to the changes in allowance for bad debt are not affected by the recovered amount after write-off bad debts, which is fairly represented, the same amount is deducted from other changes.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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Changes in the allowances for bad debts related to discounts and loans for the period from January 1 to December 31, 2020 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Expected credit losses of the duration (financial assets with non- purchased or originated credit impairment)	Expected credit losses of the duration (financial assets with purchased or originated credit impairment)	Impairment appropriated according to IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non- accrual Loans"	Total
Beginning balance	\$341,497	\$2,232	\$-	\$121,436	\$-	\$465,165	\$1,802,583	\$2,267,748
Changes in financial instruments recognized at the beginning of the period:								
- Converted to expected credit losses of the duration	(1,042)	402	-	-	-	(640)	-	(640)
- Converted to financial assets with credit impairment	-	(34)	-	3,205	-	3,171	-	3,171
- Converted to 12-month expected credit loss	-	(16)	-	-	-	(16)	-	(16)
- Financial assets derecognized in the current period	(279,891)	(478)	-	(76,963)	-	(357,332)	-	(357,332)
Purchased or originated new financial assets	81,864	246	-	341,174	-	423,284	-	423,284
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/Non-accrual Loans"	-	-	-	-	-	-	890,589	890,589
Write-off bad debts	-	-	-	(277,636)	-	(277,636)	-	(277,636)
Recovered amount after write-off bad debts	-	-	-	393,161	-	393,161	-	393,161
Other Changes (Note)	-	-	-	(393,161)	-	(393,161)	-	(393,161)
Changes in exchange rate	-	-	-	-	-	-	(7,869)	(7,869)
Ending balance	<u>\$142,428</u>	<u>\$2,352</u>	<u>\$-</u>	<u>\$111,216</u>	<u>\$-</u>	<u>\$255,996</u>	<u>\$2,685,303</u>	<u>\$2,941,299</u>

Note: Due to the changes in allowance for bad debt are not affected by the recovered amount after write-off bad debts, which is fairly represented, the same amount is deducted from other changes.



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Changes in the total book value of discount and loan

Changes in the total book value for the period from January 1 to December 31, 2021 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Expected credit losses of the duration (financial assets with non- purchased or originated credit impairment)	Expected credit losses of the duration (financial assets with purchased or originated credit impairment)	Total
Beginning balance	\$186,504,097	\$1,084,368	\$-	\$254,064	\$-	\$187,842,529
Converted to expected credit losses of the duration	(1,907,139)	1,879,149	-	-	-	(27,990)
Converted to financial assets with credit impairment	(38,902)	(8,727)	-	35,338	-	(12,291)
Transferred out from the financial assets with credit impairment	6,463	(8,051)	-	-	-	(1,588)
Discount and loan assessed collectively	-	-	-	-	-	-
Originated or purchased discounts and loans	124,419,175	662,782	-	14,536	-	125,096,493
Write-off bad debts	-	-	-	(2,184,623)	-	(2,184,623)
Derecognition	(102,557,676)	(606,183)	-	1,978,053	-	(101,185,806)
Changes resulting from modifications that do not result in derecognition	-	-	-	-	-	-
Other Changes	-	-	-	-	-	-
Ending balance	\$206,426,018	\$3,003,338	\$-	\$97,368	\$-	\$209,526,724

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
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Changes in the total book value for the period from January 1 to December 31, 2020 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Expected credit losses of the duration (financial assets with non- purchased or originated credit impairment)	Expected credit losses of the duration (financial assets with purchased or originated credit impairment)	Total
Beginning balance	\$156,744,815	\$595,799	\$-	\$277,812	\$-	\$157,618,426
Converted to expected credit losses of the duration	(438,692)	356,533	-	-	-	(82,159)
Converted to financial assets with credit impairment	-	(11,854)	-	11,315	-	(539)
Transferred out from the financial assets with credit impairment	6,245	(7,658)	-	-	-	(1,413)
Discount and loan assessed collectively	-	-	-	-	-	-
Originated or purchased discounts and loans	110,317,437	377,865	-	96,953	-	110,792,255
Write-off bad debts	-	-	-	(277,636)	-	(277,636)
Derecognition	(80,125,708)	(226,317)	-	145,620	-	(80,206,405)
Changes resulting from modifications that do not result in derecognition	-	-	-	-	-	-
Other Changes	-	-	-	-	-	-
Ending balance	<u>\$186,504,097</u>	<u>\$1,084,368</u>	<u>\$-</u>	<u>\$254,064</u>	<u>\$-</u>	<u>\$187,842,529</u>

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Changes in expected credit losses of the financial assets-debt instrument measured at fair value through other comprehensive income by the Group are as follows:

Financial assets at fair value through other comprehensive income - allowance for losses	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Expected credit losses on January 1, 2021	\$37,007	\$573,734	\$-	\$-	\$610,741
Changes arising from the recognition of financial instruments on January 1, 2021					
Converted to expected credit losses of the duration	-	-	-	-	-
Converted to financial assets with credit impairment	-	-	-	-	-
Converted to 12-month expected credit loss	-	-	-	-	-
Financial assets derecognized in the current period	(4,932)	(358,875)	-	-	(363,807)
Purchased or originated new financial assets	3,150	14,124	-	-	17,274
Changes in model/risk parameters	(19,794)	(143,809)	-	-	(163,603)
Other changes and exchange rate changes	(889)	(6,165)	-	-	(7,054)
Expected credit losses on December 31, 2021	\$14,542	\$79,009	\$-	\$-	\$93,551

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Financial assets at fair value through other comprehensive income - allowance for losses	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Expected credit losses on January 1, 2020	\$32,546	\$104,030			\$136,576
Changes arising from the recognition of financial instruments on January 1, 2020					
Converted to expected credit losses of the duration	(7,302)	547,419	-	-	540,117
Converted to financial assets with credit impairment	-	-	-	-	-
Converted to 12-month expected credit loss	-	-	-	-	-
Financial assets derecognized in the current period	(4,341)	(79,581)	-	-	(83,922)
Purchased or originated new financial assets	9,578	-	-	-	9,578
Changes in model/risk parameters	7,594	3,164	-	-	10,758
Other changes and exchange rate changes	(1,068)	(1,298)	-	-	(2,366)
Expected credit losses on December 31, 2020	<u>\$37,007</u>	<u>\$573,734</u>	<u>\$-</u>	<u>\$-</u>	<u>\$610,741</u>

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Changes in the total book value of the Group's financial assets - debt instrument measured at fair value through other comprehensive income are further explained as follows:

Financial assets measured at FVTOCI - total book value	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Total book value on January 1, 2021 (Note)	\$35,309,521	\$5,168,091	\$-	\$-	\$40,477,612
Converted to expected credit losses of the duration	-	-	-	-	-
Converted to financial assets with credit impairment	-	-	-	-	-
Transferred out from the financial assets with credit impairment	-	-	-	-	-
Financial assets assessed collectively	-	-	-	-	-
Purchased or originated new financial assets	7,792,463	345,239	-	-	8,137,702
Financial assets derecognized in period	(4,799,702)	(3,605,133)	-	-	(8,404,835)
Changes resulting from modifications that do not result in derecognition	-	-	-	-	-
Other changes and exchange rate changes	(701,749)	(50,088)	-	-	(751,837)
Total book value on December 31, 2021 (Note)	<u>\$37,600,533</u>	<u>\$1,858,109</u>	<u>\$-</u>	<u>\$-</u>	<u>\$39,458,642</u>

Note: The total book value does not include evaluation adjustments.

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Financial assets measured at FVTOCI - total book value	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Total book value on January 1, 2020 (Note)	\$43,244,481	\$1,929,367	\$-	\$-	\$ 45,173,848
Converted to expected credit losses of the duration	(5,012,696)	4,740,147	-	-	(272,549)
Converted to financial assets with credit impairment	-	-	-	-	-
Transferred out from the financial assets with credit impairment	-	-	-	-	-
Financial assets assessed collectively	-	-	-	-	-
Purchased or originated new financial assets	7,823,112	-	-	-	7,823,112
Financial assets derecognized in period	(9,605,812)	(1,477,358)	-	-	(11,083,170)
Changes resulting from modifications that do not result in derecognition	-	-	-	-	-
Other changes and exchange rate changes	(1,139,564)	(24,065)	-	-	(1,163,629)
Total book value on December 31, 2020 (Note)	<u>\$35,309,521</u>	<u>\$5,168,091</u>	<u>\$-</u>	<u>\$-</u>	<u>\$40,477,612</u>

Note: The total book value does not include evaluation adjustments.

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The allowance for loss of the Group's receivables is measured with the expected credit loss amount of the duration. The assessment of the allowance for loss on December 31, 2021 and 2020 is described as follows:

The Group's receivables are not overdue. Counter parties are groups with the considerations of their credit rating, regional, and industrial factors. Also, measure the allowance for loss with the provision matrix. For the total book value were NTD 8,709,383 thousand and NTD 6,022,961 thousand, respectively, the allowance for loss is measured with an expected credit loss rate of 0%~2%, so it is for an amount of NTD 111,145 thousand and NTD 89,263 thousand, respectively.

Changes in allowances or loss of notes and accounts receivables of the Group in 2021 and 2020 are as follows:

	<u>Receivables</u>
2021.01.01	\$89,263
Amount appropriated in current period	107,284
Write-off amount	(143,248)
Recovery of write-off amount	57,846
2021.12.31	<u>\$111,145</u>
2020.01.01	\$81,258
Amount appropriated in current period	99,826
Write-off amount	(157,252)
Recovery of write-off amount	65,431
2020.12.31	<u>\$89,263</u>

(14) The Group's financial assets with the maximum credit risk exposures as of December 31, 2021 and 2020 amounted to NTD 247,998,834 thousand and NTD 229,181,773 thousand, respectively. These include financial assets measured at fair value through other comprehensive income and discounts and loans.

(15) The maximum credit risk exposure amount of the financial instruments that are not subject to impairment requirements is as follows:

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	2021.12.31	2020.12.31
Financial assets measured at FVTPL		
Debt instruments	\$33,627,978	\$36,342,634
Derivatives	33,039	7,369

(16) Collateral and other credit enhancements

The Group adopts a series of policies and measures for the credit business to reduce credit risk, one of the commonly uses methods is to request the borrowers to provide collateral. For the collateral assessment management and loan collateral value calculation, the Group has procedures for the range of collateral collected, the valuation, management, and disposal of collateral formulated to ensure loans. The main types of collateral for the Group's financial assets are as follows:

- Real estate mortgage: The loan amount is set separately according to the location of the real estate. For larger amount or special products, the public appraisers are entrusted to perform price evaluation.
- Stocks: The reasonable loan amount and evaluation criteria are formulated by the conditions of listing, OTC, emerging market, and unlisted stocks.
- Property: An appropriate loan amount is determined according to the nature of disposition and cost.
- Certificate of Deposit: Mainly refers to the Bank's certificate of deposit in foreign currency.
- Credit insurance: It is handled with credit insurance for small and medium-sized enterprises.
- Rights pledge: Special rights, such as, land rights and creditor's rights are judged separately on a case-by-case basis.



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The credit contract states the creditor's right security clauses and collateral clauses, which clearly define that in an event of credit, the credit limit may be reduced, repayment period may be reduced or deemed to be fully due, and others to reduce the credit risk.

The collateral of other non-credit business is subject to the nature of the respective financial instrument. Only asset-based securities and other similar financial instruments are secured by a group of asset-based financial instruments.

The Group's collateral policy has no significant change occurring on the balance sheet date and there has been no significant change in the quality of the overall collateral.

The Group closely observes the value of collateral for financial instruments and determines the impairment to be appropriated for the financial assets with credit impairment occurred. The financial assets with credit impairment are as follows:

	<u>Total book value</u>	<u>Allowance for impairment</u>	<u>Total exposure (cost after amortization)</u>
Impaired financial assets:			
Discounts and loans	\$86,605	\$22,777	\$63,828
Total financial assets with impairment	<u>\$86,605</u>	<u>\$22,777</u>	<u>\$63,828</u>

#### 4. Liquidity Risk

##### (1) Sources and definitions of liquidity risk

The definition of the Group's liquidity risk refers to the possible financial losses due to the inability of having assets cashed or obtaining loans to have the funds needed to liquidate the financial liabilities, for example, depositors' terminating deposits before the maturity date, financing channels and conditions for inter-bank lending become worse or difficult due to specific market influences. Also, the debtor's credit default situation has deteriorated,

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)

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which makes the recovery of funds abnormal and the realization of financial instruments difficult. The aforementioned circumstances may weaken the Group's source of cash for financial activities, such as, loans, trading, and investment. In some extreme situation, the lack of liquidity may result in a decline in the position of the balance sheet, the sale of the asset, or the failure in meeting the borrowing commitment. Liquidity risk exists in the inherent risks of all banking operations and may be affected by various industry-specific or market-wide events, including but not limited to: credit events, mergers or acquisitions, systemic impact, and natural disasters.

(2) Liquidity risk management policy

The liquidity management procedures of the Group are executed separately in the Finance Department and the Risk Management Department. However, the branches are required to notify the Finance Department of the funding gap for the unified control of the Finance Department and are monitored by the independent Risk Management Department. The procedures include:

- 1) Schedule daily finds, monitor future cash flows to ensure the fulfillment of various needs.
- 2) Maintain an appropriate amount of high liquidity assets that can be easily realized to buffer unforeseen and unexpected events that may interrupt cash flow.
- 3) Monitor the liquidity ratio of the consolidated balance sheet in accordance with the internal management purposes and external regulatory requirements.

The monitoring process is based on the measurement and speculation of the flow of funds one day and one month in the future (such period is used by the Group for the management of liquidity risk). The estimation of future cash flows begins with an analysis of the contractual maturity date of financial liabilities and the expected cash realization date of financial assets. The Risk Management Department of the Group also monitors the extent and pattern of contingent liabilities, such as mid-term and long-term borrowing commitments, discount quotas, and guarantee letters.

Relevant information is regularly reported to the Group's Risk Management Committee and the Board of Directors.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its  
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- (3) Regarding the financial liabilities held for the purpose of managing the liquidity risk, the due date of the Group's financial liability contracts is summarized in the table below. The amounts disclosed in the table are based on the contractual cash flows, so the amount disclosed in some of the projects does not correspond to the related items on the consolidated balance sheet.

	<u>2021.12.31</u>				
	Not more than 1 month	1~3 months	3 months ~ 1 year	More than 1 year	Total
<u>Non-derivative financial liabilities</u>					
Deposits from the Central Bank and other banks	\$18,451,547	\$-	\$-	\$-	\$18,451,547
Funds borrowed from Central Bank and other banks	450,000	1,700,000	1,917,450	700,000	4,767,450
Securities sold under agreements to repurchase	10,756,935	1,373,000	-	-	12,129,935
Deposits and remittances	23,845,519	32,162,201	87,275,303	107,753,541	251,036,564
Lease liabilities (Note)	6,668	13,387	59,571	270,391	350,017
Other financial liabilities	249,982	3,284,075	-	-	3,534,057
<u>Derivative financial liabilities</u>					
Derivative financial liabilities measured at FVTPL					
Foreign exchange derivatives					
Cash outflow	\$5,437,804	\$554,660	\$-	\$-	\$5,992,464
Cash inflow	5,424,052	553,720	-	-	5,977,772
Net cash flow	<u>\$(13,752)</u>	<u>\$(940)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(14,692)</u>

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	<u>2020.12.31</u>				
	Not more than 1 month	1~3 months	3 months ~ 1 year	More than 1 year	Total
<u>Non-derivative financial instrument</u>					
Deposits from the Central Bank and other banks	\$21,117,468	\$-	\$-	\$-	\$21,117,468
Funds borrowed from Central Bank and other banks	-	2,535,450	1,212,200	850,000	4,597,650
Securities sold under agreements to repurchase	15,960,934	4,030,000	2,000,000	-	21,990,934
Deposits and remittances	18,875,606	25,987,870	84,464,898	97,604,300	226,932,674
Lease liabilities (Note)	6,554	13,094	53,479	239,561	312,688
Other financial liabilities	130,000	710,000	50,000	-	890,000
<u>Derivative financial instrument</u>					
Derivative financial instruments measured at FVTPL					
Foreign exchange derivatives					
Cash outflow	\$649,739	\$-	\$-	\$-	\$649,739
Cash inflow	636,677	-	-	-	636,677
Net cash flow	<u>\$(13,062)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(13,062)</u>

Note 1. Further information on the maturity analysis of the lease liabilities is provided in the following table:

Lease liabilities	Maturity period				Total
	Less than 1 year	1~5 years	6~10 years	10~15 years	
2021.12.31	\$79,626	\$217,296	\$53,095	\$-	\$350,017
2020.12.31	\$73,127	\$173,681	\$65,880	\$-	\$312,688

## 5. Market Risk

### (1) Source and definition of market risk

Market risk refers to the loss of the positions that may occur on and off the balance sheet due to the changes in market prices. The so-called market price refers to interest rate, exchange rate, stock price, and product price.

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The Group shall classify the holding position into a trading book and a banking book according to its purpose. The market risks faced by each position can be divided into four risk categories: interest rate, equity securities, foreign exchange, and product.

- 1) The "trading book" includes the position of the financial products (including goods and derivative financial products) and physical products held for the purpose of trading or for the risk hedging of the trading book position. The term "trading purpose" stated in the preceding paragraph refers to the intention of a short-term gain or to generate or secure the arbitrage from actual or expected short-term price fluctuations.
- 2) Financial products and physical products that are not held for the aforementioned purpose are within the scope of the "banking book."
- 3) Market risk management scope:
  - A. For interest rates and equity securities, it is only necessary to compute the capital needed for market risk of the trading book.
  - B. For foreign exchange and products, it is necessary to compute the capital needed for all market risks.

(2) Market risk management strategy

- 1) Market risk management strategies should be documented to explain market risk management objectives and to ensure consistency in market risk management of the Bank.
- 2) The market risk management strategies shall be appropriately adjusted in response to the Group's operating environment and changes in risk. They shall also be in line with the Group's business strategies and objectives, and cover all key market risks associated with the business.
- 3) The market risk management strategies shall include at least the following:
  - A. Market risk measurement methods: including qualitative and quantitative methods.
  - B. Market risk monitoring methods: such as limits management, stop-loss mechanism, etc.

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- C. The Group shall establish an approval hierarchy and regulate the standard operating procedure for overrun.

(3) Market risk management process

The market risk management process includes risk identification, measurement, communication, and monitoring. The Group shall effectively identify, measure, communicate, and monitor market risks associated with all major trading products, trading activities, processes, and systems.

1) Risk identification

- A. The so-called market risk factor refers to the market ratio and price that influence the price of the position. The Group's risk measurement system should have sufficient risk factors to measure the risks in the on- and off-balance sheet trading position.
- B. For any structured financial product, the market risk factors of each part should be identified in order to provide the basis for a correct measurement of the market risk exposure of the structured product.
- C. The selection of risk factors includes interest rates, exchange rates, equity securities prices, and product prices.
- D. Each unit of the Group shall identify the market risk in business activities or financial products.

2) Risk measurement

- A. The risk management personnel of the Group's business trading units shall establish reasonable verification and control procedures for the sources of market data, such as, product market price, interest rate, and exchange rate.
- B. When risk management personnel of the business transaction units measure market risk, they should consider the market liquidity risk caused by insufficient market depth, low market transparency, or market disorder.

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- C. The risk management personnel of the financial transaction unit shall evaluate the trading position base on the market price at least once a day. All model parameters should be evaluated daily if the model is used for evaluation.
- D. The Group should develop a procedure for measuring the overall position risk exposure according to the scale and complexity of the portfolio held to avoid excessive concentration of the investment portfolio on a certain risk factor. When performing risk measurement, the individual risk of the subject matter of the transaction and the possible risk dispersion effect should be taken into account upon evaluating the volatility and correlation of the subject matter of the transaction. And a position with poor liquidity or insufficient market price transparency should be evaluated conservatively in order to fully assess the market risks faced by the Group.

3) Risk communication

A. Internal report

- a) Market risk reports shall regularly provide accurate, consistent, and timely information to senior executives as a reference for their decisions.
- b) The Group should establish various operating procedures to ensure that overruns and exceptions (e.g., violations of policies and procedures) can be immediately reported to the governing management.

B. External disclosure

- a) The market risks faced by the Group should be fully disclosed.
- b) The computed capital of the following risks should be disclosed.
- c) Interest rate risk, equity securities risk, foreign exchange risk, and product risk.
- d) The extent of information disclosure should be in line with the scale, risk profile, and complexity of the Group's sales operations.

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4) Risk monitoring

- A. Each business unit of the Group shall establish a transaction limit system, which shall be controlled by the risk management personnel on a daily basis. If there is a lack of risk management, such as, overrun or other special circumstances, it shall be reported in due course to facilitate the adoption of the response measures.
- B. The status of the transaction shall be monitored immediately and comprehensively, such as whether the changes in position, changes in profit or loss, trading patterns, and subject matter of the transaction are within the scope of business authorization.
- C. Information needed for the review of financial products valuation should be obtained by the Group externally or through a channel other than the trading unit in order to avoid manipulation of price data due to conflicts of interest.
- D. The Group shall stipulate the limits management, stop-loss mechanism, and overrun process to effectively monitor market risks.

a) Limits management

The responsible business department shall set the limits for financial product transactions according to the product characteristics and authorization hierarchy, such as, traders, risk category, counterparty's trading position limits, stop-loss limits, etc.

b) Stop-loss mechanism

The responsible business department shall establish a clear stop-loss mechanism and implement it to effectively control the loss within the expected range.

c) Overrun processing

The responsible business department shall clearly establish a defined limit and overrun mechanism and implement it to effectively handle the extraordinary cases.



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(4) Trading book risk management policy

Financial transactions should be divided into trading books and banking books according to the intention of holding, which are defined as follows:

- 1) The scope and definition of the trading book: The trading book includes the position held for the purpose of trading or risk hedging of the trading book. The position must be free from any contractual restrictions in trade, or the risk can be completely hedged. The positions included in the trading book are summarized as follows:
  - A. The positions held for earning a profit from the actual or expected spread.
  - B. The positions held for earning a profit from other price changes.
  - C. The position held due to engaging in the brokerage and trade business.
  - D. The position held to offset all or most of the risks of another asset position or portfolio on the trading book.
  - E. All positions that can be traded within the predetermined investment amount.
- 2) Trading Book Authorization Projects:
  - A. Monetary market transactions: short-term bill (bond) within one year.
  - B. Capital market transactions: More than one year government bonds, corporate bonds, financial bonds, beneficiary securities, asset securitization bonds, stocks, various types of fund beneficiary certificates, and convertible corporate bonds.
  - C. Derivative financial product transactions: including exchange rates, interest rates and stocks, etc.
  - D. Foreign exchange market transactions: foreign exchange spot, swap, forward foreign exchange, and forward rate agreement.
- 3) Evaluation mechanism of the transaction book:

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The evaluation mechanism of the Group's trading book position shall be handled by the risk management personnel who are independent of the trading desk. The trading book position shall be valued on a daily or weekly basis in accordance with the "Market to Market Method" with information from an independent source and readily available, such as, exchange prices, electronic screen quotes, or quotes from independent brokers, which should be presented to the Board of Directors for approval and future reference.

- 4) Management specifications and procedures for the position limits, monitoring, early warning, stop-loss, and reporting: It should be handled in accordance with the Group's "Regulations Governing Market Risk," "Regulations Governing Security Investment," "Regulations Governing Derivatives Transactions," "Regulations Governing Foreign Exchange Business," "Regulations Governing Loans Business," "Interest Rate Risk Management Policy," "Liquidity Risk Management Policy," and other relevant regulations.

(5) Management of interest rate risk in banking book

1) Management strategy and process

Make adequate adjustment to respond to the changes in the Group's operating environment and the changes in risks. Maintain the Group's operational strategies and deepen the Group's operations. Enhance the performance of the Bank's asset portfolio. Assess the impact of changes in interest rate on economic value or earnings. Establish the interest rate risk in banking book control mechanism in accordance with the "Regulations Governing Interest Rate Risks in Banking Book," which is implemented in accordance with the procedures of identification, measurement, communication, and monitoring, so that the interest rate risk is maintained at an appropriate level. Consistency of objectives and coverage of all-important interest rate risks in banking book associated with the business.

2) Management organization and structure

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)

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- A. The Board of Directors is the highest decision-making authority of the Group's interest rate risk in banking book management and bears ultimate responsibility for the Group's interest rate risk in banking book.
- B. The Asset and Liability Management Committee is responsible for assessing the Group's operating performance, capital position, asset and liability risk position and interest rate sensitivity, as well as researching and adjusting the best ratio of various assets and liabilities, and evaluating the Group's deposit and loan interest rate pricing strategy.
- C. The Risk Management Committee is responsible for implementing the interest rate risk in banking book management decisions approved by the Board of Directors, coordinating the interest rate risk in banking book management matters, and continuously monitoring the performance of risk management.
- D. The Risk Management Department is the exclusive unit for the Group's interest rate risk in banking book management. It is responsible for planning, establishing, and integrating the Group's interest rate risk in banking book management operations, and implementing the Bank's overall interest rate risk in banking book management and monitoring work in order to assess the impact of changes in interest rate on the economic value or earnings. Also, regularly aggregating the Bank's interest rate risk in banking book management information and then report it to the Risk Management Committee and the Board of Directors, and disclose risk management information according to the regulations of the competent authorities.
- E. The business units in the head office are responsible for setting and managing the respective regulations and operating procedures for the interest rate risks in banking book, and assisting the Risk Management Department to manage the interest rate risk position related to their business.

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F. All units (including business units) of the Company are responsible for identifying the interest rate risks in the banking book, cooperating with the implementation of the interest rate risk in banking book management decisions, and adopting the risk offset treatment method or response measures approved by the President to operate and adjust the interest rate risk exposure position on and off the balance sheet.

3) Risk reporting/measurement system scope, characteristics, and frequency

The Group makes the "The Ratio of Change in Economic Value of Equity ( $\Delta$ EVE) Accounting for Net Tier 1 Capital When Banking Book Position Is under the Scenarios of Interest Rate Volatility of Six Management and Supervision Recommendations" the supervision and management index to control the Group's interest rate risk in the banking book within the tolerance, and reports it to the Risk Management Committee on a monthly basis. The Group analyzes the changes and compares them to the conditions of the last month. The Group also provides the management with correct, consistent, and prompt information as a reference for their decision-making and have it disclosed in the risk control report to the Board of Directors on a quarterly basis. The content and scope of the risk control report are as follows: (I) Measurement indicators: 1. Earnings perspective (interest rate risk warning and reporting) and 2. Economic value (The Ratio of Change in Economic Value of Equity ( $\Delta$ EVE) Accounting for Net Tier 1 Capital When Banking Book Position Is under the Scenarios of Interest Rate Volatility of Six Management and Supervision Recommendations); (II) Stress test: (1) the impact of changes in interest rate on the "earnings" of the next year and (2) the impact of interest rate volatility on economic value. The Information Department and the business units are to provide the information of relevant electronic files or written materials to the Risk Management Department in order to effectively grasp the overall risk position and to provide appropriate risk measurement results in order to assist with the interest rate risk in banking book management.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)

(Unless otherwise provided, Unit: NTD Thousand)

- 4) Risk hedging/risk-reducing policies and strategies and processes for keeping the monitoring and hedging/reducing risk tools effective continuously.

When handling banking book interest rate risk related businesses and transactions, assess the probability of occurrence of the event or transaction loss and the severity of the loss. Also, adopt countermeasures, such as, risk hedging, risk reduction or transfer, risk control, and risk endurance.

In case of special circumstances that may seriously affect the Group's earnings or economic value, the Risk Management Department or the business units in the head office shall report it to the President and adopt appropriate risk offset methods or response measures to reduce the banking book interest rate sensitivity net impacted position or increase the Group's capital.

(6) Market risk assessment

1) Stress test

The stress test is used to assess the Group's risk tolerance ability under a stress scenario so that the Group is able to develop specific and feasible hedging strategies and response plans in order to monitor possible changes in risk conditions under various scenarios. Also, the Board of Directors and the executives are authorized to determine whether the Group's risk exposure is suitable for its risk appetite. This serves as one of the important tools for identifying, measuring, and controlling capital adequacy and liquidity planning decisions.

※ The Group has investments classified according to the investment classification principle:

A. Domestic and foreign bonds and bills and equity investments in banking books

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)

(Unless otherwise provided, Unit: NTD Thousand)

- a. Domestic bond investment: The book value on the base date is treated as the exposure at default (EAD) and included for calculation. The default rate (PD) is calculated according to the risk linked indicator and referring to the default rate table, and the loss given default (LGD) is divided into with and without guarantee, which are estimated separately by referring to the experience of recovery.
  - b. Domestic equity investment: The book value on the base date is treated as the exposure at default (EAD). The probability of default (PD) is estimated by referring to the stress test of the credit risk of the credit position, and the loss given default (LGD) is estimated at 100% since the probability of recovery is very small.
  - c. Foreign bills and bonds and equity investments: The assets related to foreign bill and bond investments and equity investments has a fixed loss rate (PD\*LGD) given to calculate the expected losses under stress scenario. Among them, sovereign state-based risk is mainly based on its external rating results to give a default rate, and stress tests are only conducted for more serious scenarios. Otherwise, counterparties are given a different probability of default (PD) depending on whether the counterparties belong to the financial industry. For the calculation of the exposure at default, the investment position is calculated on the basis of the book value.
- B. Securities and derivative products transactions in the trading book
- Based on the current calculation of the market risk stress test of the second pillar, the Group uses market risk factor sensitivity analysis to calculate the impact on profit or loss arising from asset impairment due to the changes in risk factors, including equity security, interest rates, gold and exchange rates, products, and credit-derived products. The changes in each risk factor lead to different benefits and losses in depending on the severity of scenarios. Among all risk factors and domestic and foreign scenarios, there may be loss in certain parts of the position while gains in other parts under the same scenario. The greatest loss resulted from the fluctuation of scenario is deemed as the estimated loss in the stress scenario.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

2) Sensitivity Analysis

Test items: For the main trading book positions in different markets, the listed scenario test is carried out if the computed market risk capital of the position accounts for more than 5% of the total market risk capital.

A. Interest rate risk

Assume that all other factors are unchanged, if the yield curves of all markets in the world shifted downward/upward by 100 base points on December 31, 2021, the Group's net profit or loss would increase/decrease by NTD 1,682,160 thousand.

B. Exchange rate risk

Assume that all other factors are unchanged, if the major currency exchange rates on December 31, 2021 were relatively appreciated/depreciated by 3%, the Group's net profit or loss before tax would increase/decrease by NTD 22,222 thousand. The main currencies are the USD, EUR, and JPY.

C. Equity securities price risk

Other things being equal, if the price of equity securities on December 31, 2021 were relatively increased/decreased by 15%, the Group's net profit or loss before tax would increase/decrease by NTD 1,031,532 thousand.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)

(Unless otherwise provided, Unit: NTD Thousand)

D. Sensitivity analysis is compiled as follows:

2021.01.01 ~ 2021.12.31

Market category	Scenario	Affected profit or loss amount	Minimum capital computed for market risk	Percentage
Equity market	Major stock markets +15%	\$1,031,532	\$2,329,651	44.28%
	Major stock markets - 15%	(1,031,532)		-44.28%
Interest rate market	Main interest rate +100bp	(1,682,160)		-72.21%
	Main interest rate -100bp	1,682,160		72.21%
Foreign exchange market	Main currency +3%	22,222		0.95%
	Main currency -3%	(22,222)		-0.95%
Product market	Product price +15%	-		0.00%
	Product price -15%	-		0.00%
General scenario	Main stock markets - 15%, main interest rates +100bp, main currencies +3%, product prices - 15%	(2,691,470)		-115.53%

2020.01.01 ~ 2020.12.31

Market category	Scenario	Affected profit or loss amount	Minimum capital computed for market risk	Percentage
Equity market	Major stock markets +15%	\$1,425,653	\$2,980,350	47.84%
	Major stock markets - 15%	(1,425,653)		-47.84%
Interest rate market	Main interest rate +100bp	(2,294,100)		-76.97%
	Main interest rate -100bp	2,294,100		76.97%
Foreign exchange market	Main currency +3%	25,942		0.87%
	Main currency -3%	(25,942)		-0.87%
Product market	Product price +15%	-		0.00%
	Product price -15%	-		0.00%
General scenario	Main stock markets - 15%, main interest rates +100bp, main currencies +3%, product prices - 15%	(3,693,811)		-123.94%



Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its  
subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

(7) Exchange rate risk concentration information

The Group's foreign currency financial assets and liabilities with significant impact are as follows:

	2021.12.31			2020.12.31		
	Foreign currency (thousand)	Exchange rate	NTD	Foreign currency (thousand)	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$1,629,430	27.69	\$45,118,927	\$1,697,479	28.51	\$48,391,730
HKD	145,906	3.55	518,053	28,660	3.68	105,398
AUD	46,160	20.09	927,312	50,409	21.97	1,107,674
JPY	10,399,994	0.24	2,501,199	2,429,822	0.28	671,846
EUR	4,198	31.32	131,474	2,618	35.05	91,765
RMB	179,232	4.35	779,069	306,196	4.38	1,341,998
<u>Non-monetary items</u>						
	-	-	-	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$1,587,761	27.69	\$43,965,100	\$1,454,548	28.51	\$41,466,264
HKD	20,269	3.55	71,966	9,920	3.68	36,482
AUD	46,272	20.09	929,553	50,408	21.97	1,107,659
JPY	902,110	0.24	216,957	816,715	0.28	225,822
EUR	4,199	31.32	131,521	2,629	35.05	92,140
RMB	253,507	4.35	1,101,918	290,529	4.38	1,273,329
<u>Non-monetary items</u>						
	-	-	-	-	-	-

Due to the wide variety of foreign currencies of the Group, it is impossible to disclose the exchange gains and losses information of monetary financial assets and financial liabilities by each foreign currency with significant impact. The Group's foreign currency exchange losses from January 1 to December 31, 2021 and 2020 were NTD (217,619) thousand and NTD (134,144) thousand, respectively.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

(8) Others

Ever since the outbreak of the COVID-19 global pandemic in 2020 and the unstable economic environment in the domestic and overseas markets, the credit risk of the Group's domestic credit assets and various financial instruments in foreign countries increased, the Group considered the impact in preparing the financial statements. However, it is assessed that the epidemic has no material impact on the Group's financial condition, ability of going concern, and impairment of assets.

XV. Capital Management

1. Overview

In response to the trend of capital management, the Group's overall business monitoring indicators are established to match the business development strategy and to reflect the overall risk situation. The various capital management indicators of the Group are as follows:

- (1) The Bank's overall capital adequacy ratio shall not be less than 10.5%.
- (2) Tier 1 capital shall not be less than 8.5% of the total risk assets.
- (3) The common stock equity shall not be less than 7.0% of the total risk assets.
- (4) The total business reserve and allowance for bad debt as stated in Tier 2 capital with a credit risk standard adopted shall not exceed 1.25% of the total amount of credit risk and weighted risk assets.

2. Capital management procedure

- (1) The Group's capital management objectives are based on the "Legal Capital":

Legal Capital Management Objectives: To meet the legal capital requirements of the supervisory authority, set the Company's capital adequacy ratio target, and ensure that the Company can operate safely and steadily.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

(2) Legal capital management

1) Demand legal capital

The Group uses the "the Methods for calculating Bank's regulatory capital and Risk Weighted Assets" (hereinafter referred to as the "calculation methods") that is issued by the competent authority to calculate the unanticipated losses arising from the credit risk, market risk, and operational risk under the existing assets and operating conditions, and compute the relative capital in response to the situation accordingly.

2) Legal capital available

The Group's legal capital available is based on the rules published by the competent authorities to have the Group's capital classified by its source and characteristics as follows:

Tier 1 Capital:

A. Refers to the common stock equity net of the intangible assets, the deferred income tax assets arising from the losses of previous years, the business reserve and the insufficient appropriation of the allowance for bad debt, the revaluation increments of real estate, the unamortized loss of the bad debts sold, and other legal adjustment items specified and stipulated according to the calculation methods.

Common stock equity: Includes common stock and its share premium, advance capital, additional paid-in capital, legal reserve, special reserve, accumulated profit or loss, non-controlling equity, and other equity items.

B. Other tier 1 capital other than common stock equity: Includes perpetual non-cumulative preferred stock and its share premium, non-cumulative subordinated bonds without a maturity date, perpetual non-cumulative preferred stock and its share premium issued by the subsidiaries that are not directly or indirectly held by Bank, and non-cumulative subordinated bonds without a maturity date.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)

(Unless otherwise provided, Unit: NTD Thousand)

Tier 2 Capital: Includes perpetual cumulative preferred stock and its share premium, cumulative subordinate bonds without a maturity date, convertible subordinate bonds, long-term subordinate bonds, non-perpetual preferred stock and its share premium, real estate's first-time adoption of IAS, increase of retained earnings arising from the fair value or the revaluation value used as the cost, the valuation increments arising from the subsequent measurement of the investment real estate at the fair value and 45% of the unrealized benefits of the financial assets measured at fair value through other comprehensive income, business reserve and allowances for bad debts, perpetual cumulative preferred stock and its share premium issued by the subsidiaries that are not directly or indirectly held by Bank, and cumulative subordinated bonds without maturity date, convertible subordinate bonds, long-term subordinate bonds, and non-perpetual preferred stock and its share premium.

The allowance for bad debt included in Tier 2 capital in the preceding paragraph refers to the amount that the bank's allowance for bad debt exceeding the estimated loss of the bank based on historical losses.

- 3) The management of legal capital is to convert the unanticipated losses of each risk to the total amount of risk assets, and then divide the legal capital available by the total amount of the risk assets to calculate the capital adequacy ratio. The basic objective is to ensure that the Group's capital adequacy ratio is higher than the mandatory legal ratio.

### (3) Capital Adequacy

The Group's consolidated qualified regulatory capital ratio and risk assets ratio on December 31, 2021 and 2020 were 16.62% and 16.23%, respectively. These were in line with the capital management regulations of the competent authorities.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

XVI. Supplementary Disclosure

1. Information on significant transactions

- (1) Cumulative amount of the stock of the same investee purchased or sold totaling NTD 300 million or more than 10% of the paid-in capital: None.
- (2) Acquisition of real estate totaling NTD 300 million or more than 10% of the paid-in capital: None.
- (3) Disposal of real estate totaling NTD 300 million or more than 10% of the paid-in capital: None.
- (4) Discount of service charges in transaction with related party totaling more than NTD 5 million: None.
- (5) Receivables from related party totaling NTD 300 million or more than 10% of the paid-in capital: None.
- (6) Information regarding sale of non-performing loan: None.
- (7) The types of securitized products and related information applied and approved for process according to the "Financial Assets Securitization Act" or the "Clauses of the Real Estate Securitization Act": None.
- (8) Business relationships or significant transactions and amounts between parent company and subsidiaries and among subsidiaries: Please refer to Table 1.
- (9) Other important transactions sufficient to affect the decision-making of financial statements users: None.

2. Information on reinvestment and total shareholding

- (1) Information on reinvestment: None.
- (2) Loaning to others: Please refer to Table 2.
- (3) Endorsements/guarantees to others: None.
- (4) Marketable securities held at the end of the period: Please refer to Table 3.
- (5) Cumulative amount of the stock of the same investee purchased or sold totaling NTD 300 million or more than 10% of the paid-in capital: None.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)

(Unless otherwise provided, Unit: NTD Thousand)

- (6) Information on trading in derivative instruments: None.
  - (7) Acquisition of real estate totaling NTD 300 million or more than 10% of the paid-in capital: None.
  - (8) Disposal of real estate totaling NTD 300 million or more than 10% of the paid-in capital: None.
  - (9) Discount of service charges in transaction with related party totaling more than NTD 5 million: None.
  - (10) Receivables from related party totaling NTD 300 million or more than 10% of the paid-in capital: None.
  - (11) Information regarding sale of non-performing loan: None.
  - (12) The types of securitized products and related information applied and approved for process according to the "Financial Assets Securitization Act" or the "Clauses of the Real Estate Securitization Act": None.
  - (13) Other important transactions sufficient to affect the decision-making of financial statements users: None.
3. Setting up branches and investments in Mainland China
- No such event.
4. Information on major shareholders: Please refer to Table 4.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

5. Disclosure of other supplementary information

- (1) Loans and receivables and allowance for bad debt assessment form: Please refer to XIV. 3 (13) for details.
- (2) Quality of assets: Please refer to Table 5.
- (3) Non-performing loans or overdue accounts receivable exempted from report: Please refer to Table 6.
- (4) Concentration of credit risk: Please refer to Table 7 and Table 7-1.
- (5) Interest rate sensitive assets and liabilities analysis table: Please refer to Table 8 and 8-1.
- (6) Profitability: Please refer to Table 9.
- (7) Maturity date structure analysis table: Please refer to Table 10 and Table 10-1
- (8) Capital adequacy: Please refer to Table 11.

XVII. Department Information

1. The Group has the department operation information disclosed in the consolidated financial statements.
  - (1) Branch business operation department: Handle deposits and loans, foreign exchange, guarantees, discounts and cashiers, safe deposit boxes, trust business promotion, and assets, liabilities, income, and expenses that cannot be directly attributed or cannot be classified to an operating department.
  - (2) Financial market operation department: Take charge of the Bank's fund scheduling and investment related work.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

The management individually monitors the operational results of each operating department and has made decisions on resource allocation and performance evaluation. The performance evaluation of the department is based on the operating profit or loss. The accounting policies of the operating department are the same as the summary of the significant accounting policies described in Note 4.

2021

	Branch business	Financial market	Adjustments and elimination	Total
Interest revenue	\$3,981,361	\$1,611,866	\$-	\$5,593,227
Service fee income	2,131,057	-	-	2,131,057
Investment profit	(7,022)	2,351,104	-	2,344,082
Other income and expenditures	193,592	-	-	193,592
Total revenue	<u>6,298,988</u>	<u>3,962,970</u>	-	<u>10,261,958</u>
Depreciation and amortization	(69,704)	(57,899)	-	(127,603)
Total operating expenses	(1,647,476)	(249,785)	-	(1,897,261)
Other major non-cash accounts				-
Bad debt appropriation	(1,732,076)	-	-	(1,732,076)
Segment profit/loss	<u>\$2,849,732</u>	<u>\$3,655,286</u>	<u>\$-</u>	<u>\$6,505,018</u>



Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

2020

	Branch business	Financial market	Adjustments and elimination	Total
Interest revenue	\$3,395,587	\$1,850,366	\$-	\$5,245,953
Service fee income	1,909,280	-	-	1,909,280
Investment profit	18,858	1,598,749	-	1,617,607
Other income and expenditures	134,080	-	-	134,080
Total revenue	<u>5,457,805</u>	<u>3,449,115</u>	-	<u>8,906,920</u>
Depreciation and amortization	(72,530)	(59,588)	-	(132,118)
Total operating expenses	(1,597,394)	(170,222)	-	(1,767,616)
Other major non-cash accounts				
Bad debt appropriation	(744,664)	-	-	(744,664)
Segment profit/loss	<u>\$3,043,217</u>	<u>\$3,219,305</u>	<u>\$-</u>	<u>\$6,262,522</u>

The information relating to the assets of the Group's operating department on December 31, 2021 and 2020 is shown in the following table:

	Branch business	Financial market	Adjustments and elimination	Total
2021.12.31				
Segment assets	<u>\$240,069,937</u>	<u>\$102,908,868</u>	<u>\$170,475</u>	<u>\$343,149,280</u>
2020.12.31				
Segment assets	<u>\$213,049,970</u>	<u>\$112,221,982</u>	<u>\$185,987</u>	<u>\$325,457,939</u>

## 2. Product information

The Bank and its subsidiaries are divided into operating departments on the basis of business operations. Therefore, no further business information will be disclosed.

## 3. Regional information

The revenues of the Bank and its subsidiaries are entirely generated in Taiwan.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its  
subsidiaries (continued)  
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4. Important customer information

The Bank and its subsidiaries did not generate revenues from one specific external customer for an amount more than 10% of the Bank's income.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 1

Business Relationships and Significant Transactions Between Parent Company and Subsidiaries:

Unit: NTD thousand

No. (Note 1)	Trader's name	Counterparty	Relationship with trader (Note 2)	2021.01.01 ~ 2021.12.31			
				Transactions			
				Account	Amount	Terms and conditions	Percentage of consolidated total revenue or total assets (Note 3)
0	The Company	Kings Town Bank International Lease Corporation	1	Deposits and remittances	815,362	General	0.24
0	The Company	Kings Town Bank International Lease Corporation	1	Other non-interest net profit or loss	912	General	0.01
0	The Company	Kings Town Intl. Construction Management Corporation	1	Deposits and remittances	2,523	General	-
0	The Company	Kings Town Intl. Construction Management Corporation	1	Other non-interest net profit or loss	120	General	-
0	The Company	King's Town Securities Co, Ltd.	1	Deposits and remittances	960,997	General	0.28
0	The Company	King's Town Securities Co, Ltd.	1	Payables	293	General	-
0	The Company	King's Town Securities Co, Ltd.	1	Other business and administrative expenses	2,071	General	0.02
0	The Company	King's Town Securities Co, Ltd.	1	Other non-interest net profit or loss	774	General	0.01

Note 1. The information about transactions between parent company and subsidiaries shall be numbered and noted in the following manner in the box of numbers:

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

1. 0 is for the Parent Company.

2. Subsidiaries are numbered from number 1.

Note 2. There are three types of relationships with traders, please mark the type intended.

1. Parent company vs. subsidiaries

2. Subsidiaries vs. parent company

3. Subsidiary vs. subsidiary

Note 3. For computing the percentage of trade amount to total sales revenue or total assets, if it is for asset and liability account, the computation is based on the ratio of ending balance to total consolidated assets; however, if it is for income and expense account, the computation is based on the ratio of interim cumulative amount to total consolidated revenue.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 2

Loaning to Others

Unit: NTD thousand

No. (Note 1)	Lender of fund	Borrower of fund	Transaction title	Are they related parties	Maximum balance for the period	Ending balance	The actual amounts disbursed	Interest rate range	Nature of loan (Note 4)	Business transaction amount (Note 5)	Reasons for the necessity of short-term financing (Note 6)	Amount of provision for bad debt allowance	Collateral		Loan limit amount for each individual (Note 2)	Total limit on financing amount (Note 3)
													Name	Value		
1	King's Town Bank International Leasing Co., Ltd	Company A	Accounts Receivable	No	660,000	660,000	-	5%~16%	1	100		-	Real estate	662,680	1,261,018	10,088,147
1	King's Town Bank International Leasing Co., Ltd	Company B	Accounts Receivable	No	500,000	500,000	500,000	5%~16%	1	500		5,000	Real estate	527,508	1,261,018	10,088,147
1	King's Town Bank International Leasing Co., Ltd	Company C	Accounts Receivable	No	500,000	500,000	150,000	5%~16%	1	500		1,662	Real estate	238,717	1,261,018	10,088,147
1	King's Town Bank International Leasing Co., Ltd	Company D	Accounts Receivable	No	470,000	470,000	470,000	5%~16%	1	500		4,842	Real estate	434,046	1,261,018	10,088,147
1	King's Town Bank International Leasing Co., Ltd	Company E	Accounts Receivable	No	450,000	450,000	85,000	5%~16%	1	1,000		895	Real estate	465,776	1,261,018	10,088,147
1	King's Town Bank International Leasing Co., Ltd	Company F	Accounts Receivable	No	396,000	396,000	381,037	5%~16%	1	4,000		3,960	Real estate	421,613	1,261,018	10,088,147
1	King's Town Bank International Leasing Co., Ltd	Other customers	Accounts Receivable	No	4,468,925	3,640,180	2,697,110	5%~16%	1	917,040		36,447	No/Movable property/ Real estate	3,920,570	1,261,018	10,088,147
1	King's Town Bank International Leasing Co., Ltd	Other customers	Accounts Receivable	No	425,592	305,227	292,227	5%~16%	2	-	Operation needs	3,972	No/Real estate	444,370	210,170	336,272

Note 1. The financial information of the Company and its subsidiaries should be indicated in the corresponding column. The numbering method is as follows:

- (1) For the column of the issuer, please fill in "0."
- (2) Investee is numbered starting from number 1.

Note 2. Subsidiary's limit amount for each individual:

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

(1) Business counterparty:

Unsecured: The individual loan amount shall not exceed 50% of the lending company's net value in the most recent financial report audited by the certified public accountant.

Total secured/unsecured amount: The individual loan amount shall not exceed 150% of the lending company's net value in the most recent financial report audited by the certified public accountant.

(2) Those who need financial support: The individual loan amount shall not exceed 25% of the lending company's net value in the most recent financial report audited by the certified public accountant.

Note 3. The subsidiary's loan amount may not exceed 40% of the lending company's net value in the most recent financial report audited by the certified public accountant. For the business counterparty, the loan amount may not exceed 12 times of the lending company's net value in the most recent financial report audited by the certified public accountant.

Note 4. The nature of loan is illustrated as follows:

(1) For the business counterparty, please fill in "1."

(2) For those who need a short-term loan, please fill in "2."

Note 5. For the nature of type 1, the amount of business dealings should be provided. The amount of business dealings refers to the amount business transaction amount between the lender and the borrower in the most recent year.

Note 6. For the nature of type 2, the reasons for the need, purpose and use of the loan shall be provided. Such reasons may include repayment of loans, purchase of equipment, operation needs, etc.

Note 7. 7) The investee, King's Town International Leasing Co., Ltd., has granted loans to 98 customers; however, a detailed list is not prepared since no individual loan amount exceeds 5% of the total loan.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 3

Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Venture):

Unit: NTD thousand

Holding company	Types and names of securities (Note 1)	Relationship with the securities issuer	Accounts in books	End of period				Note
				Shares (thousand shares)	Book value	Shareholding ratio	Fair value	
King's Town Bank International Leasing Co., Ltd	Bank of Panhsin	Financial assets measured at FVTOCI	Financial assets measured at FVTOCI	11,798	88,133	0.75%	88,133	
King's Town Bank International Leasing Co., Ltd	Hoyii Life Co., Ltd.	Financial assets measured at FVTOCI	Financial assets measured at FVTOCI	526	4,137	2.49%	4,137	
King's Town Bank International Leasing Co., Ltd	Forest Water Environmental Engineering Co., Ltd.	Financial assets measured at FVTPL	Financial assets measured at FVTPL	3,758	124,955	2.61%	124,955	
King's Town Bank International Leasing Co., Ltd	Radium Life Tech Co., Ltd.	Financial assets measured at FVTPL	Financial assets measured at FVTPL	1,530	16,600	0.17%	16,600	
King's Town Bank International Leasing Co., Ltd	Mirle Automation Corporation	Financial assets measured at FVTPL	Financial assets measured at FVTPL	1,083	47,381	0.55%	47,381	
King's Town Bank International Leasing Co., Ltd	WPG Holdings	Financial assets measured at FVTPL	Financial assets measured at FVTPL	830	43,658	0.05%	43,658	
King's Town Bank International Leasing Co., Ltd	YAGEO Corporation	Financial assets measured at FVTPL	Financial assets measured at FVTPL	30	14,385	0.01%	14,385	
King's Town Bank International Leasing Co., Ltd	Taiwan Semiconductor Manufacturing Co., Ltd.	Financial assets measured at FVTPL	Financial assets measured at FVTPL	140	86,100	-	86,100	
King's Town Bank International Leasing Co., Ltd	Lian Ding Capital Investment Limited Partnership	Financial assets measured at FVTPL	Financial assets measured at FVTPL	-	186,854	10.28%	186,854	
King's Town Securities Co, Ltd.	Taiwan Futures Exchange	Financial assets measured at FVTOCI	Financial assets measured at FVTOCI	199	16,935	0.05%	16,935	

Note 1. Securities as stated in this table are the stocks, bonds, beneficiary certificates, and the securities deriving from the above items within the scope of IFRS 9, "Financial Instruments."

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 4

Information on major shareholders			
	Shareholding	No. of shares held (shares)	Shareholding ratio
Name of major shareholder			
Chen-Chih Tai		78,209,000	6.97%
Tien-Tsan Tsai		72,752,033	6.48%

Remarks:

- (1) The major shareholders in this table are shareholders holding more than 5% of the common and preference shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial report and the number of shares actually delivered by the company without physical registration may differ due to calculation basis.
- (2) For the above are shares entrusted by the shareholders, the information thereto shall be based on the shares disclosed by the individual trust account of opened by the trustees. For information on shareholders, who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act, and their shareholdings include their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, please refer to MOPS.



Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 5

Quality of Assets

Non-performing Loans and Overdue Accounts Receivable

Unit: NTD thousand, %

Year / month		December 31, 2021					December 31, 2020				
Business category\Items		Non-performing loan (NPL) amount (Note 1)	Total amount of loans	NPL ratio (Note 2)	Amount of bad debt allowance	Allowance for bad debt coverage rate (Note 3)	Non-performing loan (NPL) amount (Note 1)	Total amount of loans	NPL ratio (Note 2)	Amount of bad debt allowance	Allowance for bad debt coverage rate (Note 3)
Corporate banking	Secured	\$28,444	\$125,157,157	0.02%	\$1,925,833	6,770.61%	\$15,466	\$116,158,497	0.01%	\$1,843,815	11,921.73%
	Unsecured	-	65,274,322	-	937,778	-	-	52,030,811	-	770,578	-
Consumer banking	Residential mortgage loans (Note 4)	5,976	14,822,471	0.04%	246,805	4,192.94%	5,646	15,848,747	0.04%	271,702	4,812.29%
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small credit loans (Note 5)	283	137,637	0.21%	3,345	1,181.98%	307	133,851	0.23%	4,089	1,331.92%
	Others (Note 6)	3,591	4,084,565	0.09%	55,330	1,540.90%	3,591	3,535,909	0.10%	49,325	1,373.67%
	Unsecured	-	50,572	-	698	-	-	134,714	-	1,790	-
Total amount		\$38,294	\$209,526,724	0.02%	\$3,169,789	8,277.51%	\$25,010	\$187,842,529	0.01%	\$2,941,299	11,760.49%
		Overdue receivable amount	Balance of accounts receivable	Overdue receivable ratio	Amount of bad debt allowance	Allowance for bad debt coverage rate	Overdue receivable amount	Balance of accounts receivable	Overdue receivable ratio	Allowance for bad debt Amount	Allowance for bad debt coverage rate
Credit card		\$469	\$469	100.00%	\$337	71.86%	\$486	\$486	100.00%	\$376	77.37%
Non-recourse receivables factoring business (Note 7)		-	-	-	-	-	-	-	-	-	-

Note 1. The non-performing loan is the overdue amount reported in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans." The Non-performing credit card amount is reported according to the FSC, Banking (IV) Tzi Letter No. 0944000378 dated July 6, 2005.

Note 2. Non-performing loan ratio = Non-performing loan/total loan amount. Non-performing credit card ratio = Non-performing amount/balance of accounts receivable.

Note 3. Coverage ratio of allowance for bad debt = Allowance for bad debt appropriated for loans/NPL amount. Coverage ratio of allowance for bad debt of credit card = Allowance for bad debt appropriated for credit card receivables/NPL amount.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

- Note 4. The residential mortgage loan refers to the borrower providing the resident purchased (owned) by the borrower of his/her spouse or minors as collateral to financial institutions in exchange for funds in order to purchase or construct or furnish houses.
- Note 5. Small credit loans refer to small credit loans other than credit cards and cash cards. Also, it is subject to the FSC, Banking (IV) Tzi Official Letter No. 09440010950 dated December 19, 2005.
- Note 6. The "Other" consumer finance refers to the secured or unsecured consumer finance loans other than the "residential mortgage loans," "cash cards," and "small credit loans," excluding credit cards.
- Note 7. The accounts receivable business without recourse is reported as non-performing loans within three months upon confirming that the accounts receivable factoring banks or insurance companies decline to compensate in accordance with the FSC, Banking (V), Tzi No. 094000494 Official Letter dated July 19, 2005.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 6

Non-performing Loans or Overdue Accounts Receivable Exempted from Report

Unit: NTD thousand

	December 31, 2021		December 31, 2020	
	Total NPL exempted from report	Total non-performing receivable accounts exempted from report	Total NPL exempted from report	Total non-performing receivable accounts exempted from report
Exempted amount after a debt negotiation and contractual performance (Note 1)	\$2,007	\$28	\$2,861	\$60
Performance of debt clearance program and rehabilitation program (Note 2)	5,787	12	8,289	36
Total	\$7,794	\$40	\$11,150	\$96

Note 1. For the FSC. Banking (I) Tzi No. 09510001270 Official Letter dated April 25, 2006. It is regarding the matters to be disclosed additionally according to the credit reporting methods and information disclosure requirement of the cases approved according to the "Unsecured Debt Negotiation Mechanism for Consumer Finance Cases of the Bankers Association of the Republic of China."

Note 2. For the FSC, Banking (I) Tzi No 09700318940 Official Letter dated September 15, 2008. It is regarding the matters to be disclosed additionally according to the credit reporting and information disclosure requirements of the pre-negotiation, rehabilitation, and liquidation cases approved according to the "Consumer Debt Clearance Act."

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 7

Concentration of Credit Risk

Unit: NTD thousand, %

Year	December 31, 2021		
Ranking (Note 1)	The industry that the Company or the Group engaged in (Note 2)	Total balance of loan (Note 3)	Ratio of the current net value (%)
1	Company (Group) A - Construction engineering business	6,582,631	13.47%
2	Company (Group) B - Glass container manufacturing business	5,016,000	10.26%
3	Company (Group) C - Real Estate development business	4,267,301	8.73%
4	Company (Group) D - Unclassified other financial service business	4,111,897	8.41%
5	Company (Group) E - Real estate development business	3,689,018	7.55%
6	Company (Group) F - Unclassified other financial service business	3,455,997	7.07%
7	Company (Group) G - Other holdings business	3,322,800	6.80%
8	Company (Group) H - Power supply business	3,130,581	6.40%
9	Company (Group) I - Unclassified other financial service business	3,112,553	6.37%
10	Company (Group) J - Power supply business	2,941,717	6.02%

Note 1. Ranked according to the total credit balance of the debtors. Please list the names of the top ten debtors that are not a government agency or a state-owned enterprise. If the debtor is an enterprise of the Group, the credit amount of the said enterprise should be attributed and included in the total amount. Also, it should be disclosed in the form of "code" + "industry" [such as, Company (or Group) A LCD panel and its components manufacturing]. For an enterprise of the Group, the industry with the highest risk exposure to the enterprise of the Group should be disclosed. The industry should be classified to the "detailed category" according to the industry standard classification of the Directorate-General of Budget, Accounting and Statistics.

Note 2. The group refers to those defined in Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3. The total credit balance refers to the total amount of various loans (including import bill advance, export bills negotiations, discounts, overdrafts, short-term loans, short-term secured loans, securities receivables factoring, mid-term loans, mid-term secured loans, long-term loans, long-term secured loans, collection), inward remittance, non-recourse receivables factoring, remittance receivables, and guarantee balances.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 7-1

Concentration of Credit Risk

Unit: NTD thousand, %

Year	December 31, 2020		
Ranking (Note 1)	The industry that the Company or the Group engaged in (Note 2)	Total balance of loan (Note 3)	Ratio of the current net value (%)
1	Company (Group) A - Construction engineering business	7,328,686	15.73%
2	Company (Group) B - General product wholesale business	5,561,428	11.94%
3	Company (Group) C - Glass container manufacturing business	5,348,000	11.48%
4	Company (Group) D - Real estate development business	4,114,180	8.83%
5	Company (Group) E - Real estate rental and sale business	3,726,012	8.00%
6	Company (Group) F - Power supply business	3,288,948	7.06%
7	Company (Group) G - Unclassified other financial service business	2,881,884	6.19%
8	Company (Group) H - Power supply business	2,480,518	5.33%
9	Company (Group) I - Unclassified other financial service business	2,456,650	5.27%
10	Company J - Construction services and consulting business	2,378,223	5.11%

Note 1. Ranked according to the total credit balance of the debtors. Please list the names of the top ten debtors that are not a government agency or a state-owned enterprise. If the debtor is an enterprise of the Group, the credit amount of the said enterprise should be attributed and included in the total amount. Also, it should be disclosed in the form of "code" + "industry" [such as, Company (or Group) A LCD panel and its components manufacturing]. For an enterprise of the Group, the industry with the highest risk exposure to the enterprise of the Group should be disclosed. The industry should be classified to the "detailed category" according to the industry standard classification of the Directorate-General of Budget, Accounting and Statistics.

Note 2. The group refers to those defined in Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3. The total credit balance refers to the total amount of various loans (including import bill advance, export bills negotiations, discounts, overdrafts, short-term loans, short-term secured loans, securities receivables factoring, mid-term loans, mid-term secured loans, long-term loans, long-term secured loans, collection), inward remittance, non-recourse receivables factoring, remittance receivables, and guarantee balances.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 8

Interest Rate Sensitive Assets and Liabilities Analysis Table (NTD)

2021.01.01~2021.12.31

Unit: NTD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$218,918,927	\$3,416,831	\$2,105,230	\$39,360,576	\$263,801,564
Interest rate sensitivity liabilities	198,931,970	11,071,423	23,068,239	1,554,967	234,626,599
Interest rate sensitivity gap	19,986,957	(7,654,592)	(20,963,009)	37,805,609	29,174,965
Net value					43,322,424
Interest rate sensitivity assets and liabilities rate					112.43
Interest rate sensitivity gap and net value rate					67.34

2020.01.01~2020.12.31

Unit: NTD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$201,772,175	\$281,529	\$2,948,182	\$42,398,641	\$247,400,527
Interest rate sensitivity liabilities	184,388,695	15,970,540	22,534,770	1,850,382	224,744,387
Interest rate sensitivity gap	17,383,480	(15,689,011)	(19,586,588)	40,548,259	22,656,140
Net value					39,959,689
Interest rate sensitivity assets and liabilities rate					110.08
Interest rate sensitivity gap and net value rate					56.70

- Note: 1. This table is prepared to report the amount in NTD (excluding foreign currency) of the head office and domestic and foreign branches.
2. Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.
3. Interest rate sensitivity gap=Interest rate sensitivity assets - Interest rate sensitivity liabilities.
4. Interest rate sensitivity assets and liabilities rate = Interest rate sensitivity assets ÷ interest rate sensitivity liabilities (i.e., interest rate sensitivity assets and interest rate sensitivity liabilities in NTD).

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 8-1

Interest rate sensitivity assets and liabilities analysis data (USD)

2021.01.01~2021.12.31

Unit: USD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$405,904	\$15,229	\$111,410	\$1,070,205	\$1,602,748
Interest rate sensitivity liabilities	1,425,554	93,755	63,677	-	1,582,986
Interest rate sensitivity gap	(1,019,650)	(78,526)	47,733	1,070,205	19,762
Net value					200,744
Interest rate sensitivity assets and liabilities rate					101.25
Interest rate sensitivity gap and net value rate					9.84

2020.01.01~2020.12.31

Unit: USD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$311,974	\$10,154	\$-	\$1,351,536	\$1,673,664
Interest rate sensitivity liabilities	1,299,242	95,538	55,830	-	1,450,610
Interest rate sensitivity gap	(987,268)	(85,384)	(55,830)	1,351,536	223,054
Net value					232,272
Interest rate sensitivity assets and liabilities rate					115.38
Interest rate sensitivity gap and net value rate					96.03

- Note: 1. This table is prepared to report the amount in USD of the head office and domestic branches, international financial business branches, and overseas branches, excluding contingent assets and contingent liabilities.
2. Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.
3. Interest rate sensitivity gap=Interest rate sensitivity assets - Interest rate sensitivity liabilities.
4. Interest rate sensitivity assets and liabilities rate = Interest rate sensitivity assets ÷ interest rate sensitivity liabilities (i.e., interest rate sensitivity assets and interest rate sensitivity liabilities in USD)

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 9

Profitability

Unit: %

Item		2021.12.31	2020.12.31
Return on Assets (ROA)	Before tax	1.95	2.06
	After tax	1.68	1.81
Return on Equity (ROE)	Before tax	13.63	14.31
	After tax	11.80	12.55
Net profit rate		54.87	61.65

(Note):

1. ROA = Income before (after) tax/Average total assets
2. ROE=Income before (after) tax / Average net value
3. Profit rate = Income after tax/income-net
4. Income before (after) tax means the income accumulated from January of the current year until the current quarter



Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 10

Maturity Date Structure Analysis Table (NTD)

2021.12.31

Unit: NTD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$289,571,142	\$77,881,879	\$18,359,917	\$21,057,003	\$54,323,002	\$117,949,341
Outward remittance of due fund	323,081,609	42,841,147	35,055,036	41,101,834	52,265,559	151,818,033
Period difference	(33,510,467)	35,040,732	(16,695,119)	(20,044,831)	2,057,443	(33,868,692)

2020.12.31

Unit: NTD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$271,668,534	\$78,483,469	\$12,704,457	\$22,535,530	\$47,400,525	\$110,544,553
Outward remittance of due fund	295,381,414	36,218,246	32,329,569	41,352,446	47,315,088	138,166,065
Period difference	(23,712,880)	42,265,223	(19,625,112)	(18,816,916)	85,437	(27,621,512)

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its  
subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 10-1

Maturity Date Structure Analysis Table (USD)

2021.12.31

Unit: USD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$1,835,854	\$222,621	\$75,616	\$29,054	\$107,118	\$1,401,445
Outward remittance of due fund	\$1,800,033	719,886	534,568	169,417	63,709	312,453
Period difference	35,821	(497,265)	(458,952)	(140,363)	43,409	1,088,992

2020.12.31

Unit: USD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$1,723,931	\$165,331	\$7,215	\$16,684	\$32,500	\$1,502,201
Outward remittance of due fund	\$1,704,434	801,093	349,349	128,208	121,001	304,783
Period difference	19,497	(635,762)	(342,134)	(111,524)	(88,501)	1,197,418

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its  
subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 11

Capital Adequacy (Explanation 1)

Unit: NTD thousand

Items		Year (Explanation 2)	December 31, 2021	December 31, 2020
Self-owned	Common stock equity		46,068,265	\$41,798,281
	Other Tier 1 Capital			-
	Tier 2 Capital		4,484,950	5,099,791
	Self-owned capital		50,553,215	46,898,072
Total risk-weighted assets	Credit Risk	Standardized approach	257,536,524	235,788,899
		Internal ratings-based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	16,450,703	15,364,635
		Standard Method/Selective Standard Method	-	-
		Advanced Measurement	-	-
	Market Risk	Standardized approach	30,160,509	37,874,809
		Internal models approach	-	-
	Total risk-weighted assets		304,147,736	289,028,343
	Capital adequacy ratio		16.62%	16.23%
Ratio of Common Stock Equity to Risk-Based		15.15%	14.46%	
Ratio of Tier 1 capital to Risk-Based Assets		15.15%	14.46%	
Leverage ratio		12.91%	12.27%	

Explanation:

1. The amount of the regulatory capital, weighted risk assets, and total risk exposure should be calculated in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Description and Table of Calculation Methods for Capital and Risk Assets of Banks."
2. The capital adequacy ratio for the current period and the previous period should be filled in the annual financial statement. The interim financial statements shall, in addition to disclosing the ratio of the current period and the previous period, also disclose the capital adequacy ratio at the end of the previous year.
3. This table should demonstrate the following formula:
  - (1) Self-owned capital = Common stock equity + Other Tier 1 Capital + Tier 2 Capital.
  - (2) Total amount of risk-weighted-assets = Credit risk-weighted assets + Capital charge of (operational risk + market risk) x 12.5.
  - (3) Capital Adequacy ratio = Total self-owned capital / Total amount risk-weighted assets.
  - (4) Ratio of common stock equity to risk assets = Common stock equity / Total risk weighted assets
  - (5) Ratio of Tier 1 capital to risk-based assets = (Common stock equity + Tier 1 capital) / Total risk-weighted asset.
  - (6) Leverage ratio = Tier 1 capital / Total exposure.
4. This table may not be disclosed in the financial statements for Q1 and Q3.

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**King's Town Bank Co., Ltd.**  
**Financial Statements and Independent Auditor's Report**  
**From January 1 to December 31, 2021 and 2020**

Address: No. 506, Section 1, Ximen Road, Xiancaoli, West Central District, Tainan  
Tel: +886-6-213-9171

*Notice to Readers:*

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. The figures are not yet audited by CPA. 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 Chinese version independent auditors' report and financial statements shall prevail.

## Independent Auditors' Report

To King's Town Bank Co., Ltd.

### **Audit opinion**

We have audited the accompanying individual balance sheets of King's Town Bank Co., Ltd. as of December 31, 2021 and 2020, and the individual statements of comprehensive income, individual statements of changes in equity, individual statements of cash flows, and notes to the individual financial statements (including a summary of significant accounting policies) from January 1 to December 31, 2021 and 2020.

In our opinion, the individual financial statements referred to above present fairly in all significant aspects of the financial position of King's Town Bank Co., Ltd. as of December 31, 2021 and 2020, and the results of its financial performance and cash flows for the year ended on December 31, 2021 and 2020 in conformity with the "Regulations Governing the Preparation of Financial Reports by Public Banks" and the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

### **Basis for opinion**

We have audited the accompanying consolidated financial reports in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountant," Jin-Guan-Yin-Fa-Zi No. 10802731571 Letter and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the individual financial statements section. We are independent of King's Town Bank Co., Ltd. in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the financial statements of King's Town Bank Co., Ltd., and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the individual financial statements of King's Town Bank Co., Ltd. in 2021. These matters were addressed in the context of our audit of the individual financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

### **Financial instrument evaluation**

King's Town Bank Co., Ltd. invests in different types of financial assets. As of December 31, 2021, the total financial assets measured at fair value were NT\$85,865,019 thousand, accounting for about 26% of total assets. Of which, for the investments classified in the Class II fair value hierarchy, including the derivative financial instruments of bonds and FX Swap contracts, there was a book value of NT\$41,526,002 thousand, accounting for 48% of the financial assets measured at fair value. Since the Class II investment evaluation is based on an internal evaluation model, the key input values are the yield rate and exchange rate, which have a significant impact on the estimation of fair value. Therefore, we consider it to be a "Key Audit Matter."

Our audit procedures include (but are not limited to) evaluating and testing the effectiveness of internal controls related to financial instrument evaluation, including the evaluation models and their assumptions managed and approved by the management. We have used the sampling basis to understand and evaluate the rationality of the key assumptions, perform an independent evaluation calculation, and adopt the assistance of internal evaluation experts to compare the differences against the evaluations made by the management in order to see whether they are within the tolerance range.

Please refer to Notes V, VI, XIII, and XIV of the financial statements for the disclosures of financial assets of King's Town Bank Co., Ltd.

#### Appropriated allowance for bad debt from loans

As of December 31, 2021, the book value of the loans of King's Town Bank Co., Ltd. was NT\$206,356,935 thousand, accounting for 61% of the total assets, which was significant for the financial statements and was subject to the assessment of expected credit losses as stipulated in IFRS 9 "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans." The assumptions adopted by the management in estimating the expected credit losses include the conditions for determining whether the credit risk is significantly increased, whether credit impairment has occurred, the selection and evaluation of the forward-looking factors, the probability of default (PD), the loss given default (LGD) parameters, etc., and involve a high degree of professional judgment. Therefore, we consider them to be "Key Audit Matters."

Our audit procedures include (but are not limited to) evaluating and testing internal controls related to the calculation of expected credit losses, examining whether the expected credit loss assessment model has been approved by the management, assessing the source of expected credit losses, and having internal experts review the reasonableness of the expected credit loss model, the appropriateness and rationality of the input parameters of the expected credit loss model in the sampling test, including the probability of default (PD) and the loss given default (LGD). In addition, we also examine whether the management complies with the requirements of the relevant authority's written order to confirm that the loan classification and allowance for bad debts are in compliance with the statutory requirements.

Please refer to Notes V, VI, and XIV of the financial statements for the disclosure of the allowance for bad debt of King's Town Bank Co., Ltd.

#### **Other Matters — Mentioning of the Audit Result of Other Certified Public Accountants (CPAs)**

We did not audit the financial statements of certain investees furnished to the individual financial statements. The financial statements of these investees were audited by other independent accountants. Therefore, our opinions regarding to the amounts listed in such investee financial reports from the individual financial statements mentioned above are based on the audit report from other CPAs. The investments in the aforementioned investees under equity method as of December 31, 2021 were NT\$1,029,354 thousand, accounting for 0.3% of the total assets. The Company's share of profit (loss) of associates under equity method for the fiscal year 2021 was (NT\$1,724) thousand accounting for (0.03%) of the net income before tax. The Company's share of other comprehensive income of associates under equity method was NT\$266 thousand accounting for (0.02%) of the net other comprehensive income.

## **Responsibilities of Management and Those in Charge with Governance of the Individual Financial Statements**

The Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks," "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and for such internal control as the management determines is necessary to enable the preparation of the individual financial statements to be free from significant misstatement whether due to fraud or error.

In preparing the individual financial statements, the management is responsible for assessing the ability of King's Town Bank Co., Ltd. as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate King's Town Bank Co., Ltd. or to cease operations, or has no realistic alternative but to do so.

The governance unit of King's Town Bank Co., Ltd. (including the Audit Committee or supervisors) is responsible for supervising the financial reporting process.

## **Independent Auditor's Responsibilities for the Audit of the Individual Financial Statements**

Our objectives are to obtain reasonable assurance about whether the individual 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 generally accepted auditing standards in the Republic of China will always detect a significant misstatement when it exists. Misstatements can arise from fraud or error. If fraud or errors are considered significant, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

1. Identify and assess the risks of material misstatement of the individual 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 significant 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 internal control effective in King's Town Bank Co., Ltd.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.

4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and based on the audit evidence obtained, whether a significant uncertainty exists related to events or conditions that may cast significant doubt on King's Town Bank Co., Ltd. and its ability to continue as a going concern. If we conclude that a significant uncertainty exists, we are required to draw attention in auditor's report to the related disclosures in the individual financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause King's Town Bank Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall expression, structure, and content of the individual financial statements (including related notes) and whether the individual financial statements include the relevant transactions and events expressed adequately.
6. Obtain sufficient and appropriate audit evidence for the individual financial information of the Group to express an opinion on the individual financial statements. We are responsible for guiding, supervising, and implementing the audit of the Group. We remain solely responsible for our opinion.

We communicate the following events with the governance unit, including the planned scope and audit time, as well as major audit findings (including significant deficiencies of internal control identified during the audit process).

We also provide a statement to the governance unit that the personnel of the CPA Firm who are subject to the regulation of independence are indeed complying with the independence requirements in accordance with the Code of Professional Ethics. Also, they communicate to the governance unit all relationships and matters (including related protective measures) that may be considered as affecting our independence.

We use the matters communicated with the governance unit to decide the Key Audit Matters for the audit of the 2021 individual financial statements of King's Town Bank Co., Ltd. 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.

Ernst & Young Global Limited

The Securities and Futures Bureau of the Financial Supervisory Commission approved the financial report of the public offering company

Auditing and Certification No.:

Jin-Guan-Cheng-6-Zi No. 0950104133

Jin-Guan-Cheng-Shen-Zi No. 1030025503

Shih-Chieh Huang

CPA

Cheng-Tao Chang

February 21, 2022



King's Town Bank Co., Ltd.  
Individual Balance Sheets  
December 31, 2021 and 2020

Unit: NTD thousand

Assets			December 31, 2021		December 31, 2020	
Code	Account Item	Note	Amount	%	Amount	%
10000	Assets					
11000	Cash and cash equivalents	IV/VI.1	\$4,637,425	1	\$3,819,429	1
11500	Due from the Central Bank and call loans to other banks	IV/VI.2	12,724,231	4	12,542,608	4
12000	Financial assets measured at FVTPL	IV/VI.3/VIII	39,422,088	12	44,721,848	14
12100	Financial assets measured at FVTOCI	IV/VI.4, 26/VIII	46,442,931	14	48,717,089	15
12200	Debt instrument investments measured at amortized cost	IV/VI.5, 26	18,199,019	5	18,897,382	6
12500	Bills and bonds purchased under resell agreements	IV/VI.6	-	-	200,248	-
13000	Receivables, net	IV/VI.7, 26	850,565	-	891,330	-
13500	Discounts and loans, net	IV/V/VI.8, 26	206,356,935	61	184,901,230	58
15000	Investments under the equity method, net	IV/VI.9	2,429,721	1	1,167,990	-
15500	Other financial assets, net	IV/VI.10	776	-	363	-
18500	Property, plant, and equipment, net	IV/VI.11, 26	3,639,520	1	3,373,133	1
18600	Right-of-use assets, net	III/IV/VI.27	329,537	-	217,504	-
19300	Deferred income tax assets	IV/VI.30	158,494	-	180,966	-
19500	Other assets, net	VI.12	1,579,941	1	1,204,398	1
	Total assets		<u>\$336,771,183</u>	<u>100</u>	<u>\$320,835,518</u>	<u>100</u>

(Please refer to the Notes to the Individual Financial Statements)

Chairman: Chen-Chih Tai

Manager: Jih-Cheng Chang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd.  
Individual Balance Sheets (continued)  
December 31, 2021 and 2020

Unit: NTD thousand

Liabilities and Equity			December 31, 2021		December 31, 2020	
Code	Account Item	Note	Amount	%	Amount	%
20000	Liabilities					
21000	Deposits from the Central Bank and other banks	IV/VI.13	\$18,451,547	5	\$21,117,468	7
21500	Funds borrowed from the Central Bank and other banks	VI.14	567,450	-	907,650	-
22000	Financial liabilities measured at FVTPL	IV/VI.15	14,692	-	13,062	-
22500	Securities sold under agreements to repurchase	IV/VI.16	12,129,935	4	21,990,934	7
23000	Payables	VI.17	2,290,680	1	1,432,333	-
23200	Current income tax liabilities	IV/VI.30	598,742	-	566,736	-
23500	Deposits and remittances	VI.18	252,815,445	75	227,147,197	71
25600	Provisions	IV/VI.19, 20, 26	357,754	-	394,957	-
26000	Lease liabilities	III/IV/VI.27	333,056	-	219,898	-
29300	Deferred income tax liabilities	IV/VI.30	188,861	-	299,314	-
29500	Other liabilities	VI.21	141,993	-	164,512	-
	Total liabilities		<u>287,890,155</u>	<u>85</u>	<u>274,254,061</u>	<u>85</u>
31000	Equity	VI.22				
31100	Share capital		11,212,343	3	11,212,343	3
31500	Capital surplus		77,735	-	55,622	-
32000	Retained earnings		-	-	-	-
32001	Legal reserve		13,076,248	4	11,438,543	4
32003	Special reserve		120,039	-	115,319	-
32011	Unappropriated retained earnings		19,795,409	6	17,605,151	6
32500	Other equity interest	IV	4,599,254	2	6,252,901	2
32600	Treasury stock	IV	-	-	(98,422)	-
	Total equity		<u>48,881,028</u>	<u>15</u>	<u>46,581,457</u>	<u>15</u>
	Total liabilities and equity		<u>\$336,771,183</u>	<u>100</u>	<u>\$320,835,518</u>	<u>100</u>

(Please refer to the Notes to the Individual Financial Statements)

Chairman: Chen-Chih Tai

Manager: Jih-Cheng Chang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd.  
Individual Statements of Comprehensive Income  
From January 1 to December 31, 2021 and 2020

Unit: NTD thousand

Code	Account Item	Note	2021		2020	
			Amount	%	Amount	%
41000	Interest income	IV	\$6,120,160	61	\$6,233,702	72
51000	Less: Interest expenses	IV	(821,747)	(8)	(1,217,287)	(14)
	Net interest income	VI.23	5,298,413	53	5,016,415	58
	Non-interest net income					
49100	Net service fee income	IV/VI.24	2,004,921	20	1,857,694	21
49200	Gain on financial assets and financial liabilities measured at FVTPL	IV/VI.25	962,281	10	2,009,215	23
49310	Realized gain on financial assets at FVTOCI	IV	1,144,390	11	306,334	4
49600	Net exchange (loss)	IV	(217,619)	(2)	(134,144)	(2)
47003	Profit in the subsidiary, affiliated company and joint ventures recognized under the equity method	IV	153,127	2	135,706	2
49700	Impairment (loss) reversal gain on assets	IV/VI.26	593,641	6	(512,890)	(6)
49800	Other non-interest net income	IV	26,011	-	30,515	-
	Net income		9,965,165	100	8,708,845	100
58200	Allowances for bad-debts, commitments and guarantees	IV/VI.7, 8, 19, 26	(1,594,999)	(16)	(636,327)	(7)
58400	Operating expenses					
58500	Employee benefits expenses	VI.20, 28	(1,048,693)	(11)	(1,008,083)	(12)
59000	Depreciation and amortization expenses	IV/VI.11, 27, 28	(125,388)	(1)	(130,886)	(2)
59500	Other business and administrative expenses	IV	(731,188)	(7)	(702,348)	(8)
61000	Net income before taxes from continuing operations		6,464,897	65	6,231,201	71
61003	Income tax expenses	IV/VI.30	(834,594)	(8)	(740,235)	(8)
64000	Net income after tax		5,630,303	57	5,490,966	63
65000	Other comprehensive income (loss)					
65200	Items that will not be reclassified to profit or loss	IV/VI.29, 30				
65201	Remeasurements of the defined benefit plan		(4,719)	-	(2,903)	-
65204	Gain on evaluation of equity instruments at FVTOCI		1,193,888	12	375,313	4
65207	The proportion of other comprehensive incomes from subsidiaries, associates, and equity joint ventures accounted for under the equity method – not reclassified as profit and loss		6,972	-	4,122	-
65220	Income tax expenses related to items that will not be reclassified subsequently to profit or loss		566	-	349	-
65300	Items that may be reclassified subsequently to profit or loss	IV/VI.29, 30				
65301	Exchange differences from the translation of financial statements of foreign operations		27,617	-	(3,825)	-
65308	Gain or (loss) from debt instrument investment measured at FVTOCI		(2,654,055)	(26)	1,739,742	20
65320	Income tax related to components of other comprehensive income that may be reclassified to profit or loss		(3,314)	-	459	-
	Other comprehensive income (after tax)		(1,433,045)	(14)	2,113,257	24
66000	Total comprehensive income (after tax)		\$4,197,258	43	\$7,604,223	87
	Earnings per share (NTD)	VI.31				
67500	Basic Earnings Per Share		\$5.02		\$4.90	
67700	Diluted earnings per share		\$5.02		\$4.90	

(Please refer to the Notes to the Individual Financial Statements)

Chairman: Chen-Chih Tai

Manager: Jih-Cheng Chang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd.  
Individual Statements of Changes in Equity  
From January 1 to December 31, 2021 and 2020

Unit: NTD thousand

Item	Share capital	Capital surplus	Retained earnings			Other equity items		Treasury stock	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences from the translation of financial statements of foreign operations	Unrealized (loss) profit of financial assets measured at FVTOCI		
Balance on January 1, 2020	\$11,312,343	\$56,095	\$10,418,637	\$538,481	\$14,596,680	\$(44,102)	\$4,151,797	\$(98,422)	\$40,931,509
The 2019 appropriation and distribution of earnings									
Appropriation of legal reserve			1,019,906		(1,019,906)				-
Reversal of special reserve				(423,162)	423,162				-
Common stock cash dividends					(1,677,351)				(1,677,351)
Net income for the year ended December 31, 2020	-	-	-	-	5,490,966	-	-	-	5,490,966
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(2,554)	(3,366)	2,119,177	-	2,113,257
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	5,488,412	(3,366)	2,119,177	-	7,604,223
Cost of treasury stock repurchase								(276,924)	(276,924)
Disposal of treasury stocks	(100,000)	(473)			(176,451)			276,924	-
Disposal of equity instruments measured at FVTOCI					(29,395)		29,395		-
Balance on December 31, 2020	11,212,343	55,622	11,438,543	115,319	17,605,151	(47,468)	6,300,369	(98,422)	46,581,457
The 2020 appropriation and distribution of earnings									
Appropriation of legal reserve			1,637,705		(1,637,705)				-
Appropriation of special reserve				4,720	(4,720)				-
Common stock cash dividends					(2,018,222)				(2,018,222)
Net income for the year ended December 31, 2021	-	-	-	-	5,630,303	-	-	-	5,630,303
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(4,153)	24,303	(1,453,195)	-	(1,433,045)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	5,626,150	24,303	(1,453,195)	-	4,197,258
Other capital surplus changes									
Share-based payment transaction		22,070						98,422	120,492
Disposal of equity instruments measured at FVTOCI					224,755		(224,755)		-
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition		43							43
Balance on December 31, 2021	\$11,212,343	\$77,735	\$13,076,248	\$120,039	\$19,795,409	\$(23,165)	\$4,622,419	\$ -	\$48,881,028

(Please refer to the Notes to the Individual Financial Statements)

Chairman: Chen-Chih Tai

Manager: Jih-Cheng Chang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd.  
Individual Statements of Cash Flows  
From January 1 to December 31, 2021 and 2020

Unit: NTD thousand

Item	2021	2020	Item	2021	2020
	Amount	Amount		Amount	Amount
Cash flows from operating activities:			Cash flows from investing activities:		
Profit before tax for the period	\$6,464,897	\$6,231,201	Acquisition of property and equipment	(232,682)	(720,753)
Adjustments:			Acquisition of investment under equity method	(1,101,589)	(320,611)
Non-cash income and expense items			Net cash flow (outflow) from investing activities	(1,334,271)	(1,041,364)
Expected credit impairment loss/bad debt expenses	1,594,999	636,327	Cash flows from financing activities:		
Impairment loss (reversal gain) on assets	(593,641)	512,890	Due to the Central Bank and other banks (decrease)	(340,200)	(748,180)
Depreciation and amortization expenses	125,388	130,886	Securities sold under agreements to repurchase (decrease)	(9,860,999)	(6,227,086)
Net interest income	(5,298,413)	(5,016,415)	Cash dividend paid	(2,018,222)	(1,677,351)
(Profit) in the subsidiary recognized under the equity method	(153,127)	(135,706)	Cost of treasury stocks repurchase	-	(276,924)
Compensation cost of share-based payments	22,070	-	Repayment of the principal amount of lease liabilities	(79,036)	(78,924)
Loss on disposal and retirement of property, plant and equipment	148	137	Treasury shares transferred to employees	98,422	-
Gains on disposal of other assets	-	(88)	Net cash flow (outflow) from financing activities	(12,200,035)	(9,008,465)
(Gain) on bargain purchase	-	(7,661)			
Changes in operating assets and liabilities			Effect of exchange rate changes on cash and cash equivalents	27,617	(3,825)
Due from the Central Bank and call loans to other banks (increase)	(893,925)	(655,248)	Current cash and cash equivalents (decrease) increase	(94,554)	1,089,266
Financial assets measured at FVTPL decrease (increase)	5,299,760	(9,988,252)	Cash and cash equivalents at beginning of the period	10,420,042	9,330,776
Receivables decrease (increase)	(2,361)	325,680	Cash and cash equivalents at end of the period	\$10,325,488	\$10,420,042
Discount and loan (increase)	(22,768,123)	(30,116,447)			
Financial assets measured at FVTOCI decrease	1,323,195	3,695,974	Composition of cash and cash equivalents		
Debt instrument investments measured at amortized cost decrease (increase)	700,000	(1,200,000)	Cash and cash equivalents recorded on the balance sheet	\$4,637,425	\$3,819,429
Other financial assets (increase) decrease	(318,640)	4,033	Cash and cash equivalents meeting the definition as stated in IAS No. 7 "Cash Flow Statements"	5,688,063	6,400,365
Other assets (increase)	(375,543)	(247,466)	Due from the Central Bank and call loans to banks meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"		
Deposits from the Central Bank and other banks (decrease) increase	(2,665,921)	6,583,619	Cash and cash equivalents meeting the definition as stated in IAS No. 7 "Cash Flow Statements"	-	200,248
Financial liabilities measured at FVTPL increase	1,630	7,060	Investments in bills and bonds purchased under resell agreements meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"		
Payables increase	867,141	257,744	Cash and cash equivalents at end of the period	\$10,325,488	\$10,420,042
Deposits and remittances increase	25,668,248	35,334,883			
Liability reserve decrease	(36,069)	(70,303)			
Other liabilities decrease	(22,519)	(52,101)			
Interest received	6,193,079	6,295,653			
Interest paid	(826,821)	(1,263,393)			
Income tax paid	(893,317)	(120,087)			
Net cash inflow from operating activities	13,412,135	11,142,920			

(Please refer to the Notes to the Individual Financial Statements)

Chairman: Chen-Chih Tai

Manager: Jih-Cheng Chang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd.

Notes to the Individual Financial Statements

From January 1 to December 31, 2021 and 2020

(Unless otherwise provided, Unit: NTD Thousand)

I. Company History

1. King's Town Bank Co., Ltd., (hereinafter referred to as the "Company") was restructured from Tainan District Joint Saving Co., Ltd, on January 1, 1978. The Company had applied for restructuring into a commercial bank according to the resolution reached in the extraordinary Shareholders' Meeting on November 29, 2005 and was renamed as "King's Town Bank Co., Ltd." The Company started trading on the Taiwan Stock Exchange Corporation since July 1983. The place of registration and the general management office are located at No. 506, Section 1, Ximen Road, West Central District, Tainan City, and branches are setup nationwide.
2. The Company's main business services are: (1) accepting check deposits, (2) accepting other deposits, (3) issuing financial bonds, (4) handling loans, (5) handling bill discounts, (6) handling various investment businesses, (7) handling domestic and foreign exchange, (8) handling draft acceptance, (9) issuing domestic and foreign letters of credit, (10) handling domestic and foreign guarantees, (11) handling collections and advances, (12) handling the depository and agency services related to the various businesses listed above, and (13) other business chartered by the government.
3. The Company had 971 employees and 960 employees as of December 31, 2021 and 2020, respectively.

II. Approval Date and Procedures of the Financial Statements

The individual financial statements of the Company for the periods of January 1 to December 31, 2021 and 2020 were approved for publication by the Board of Directors on February 21, 2022.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

III. Application of New, Revised, and Amended Standards and Interpretations

1. Changes in accounting policies resulting from the first-time application of International Financial Reporting Standards

The Company has adopted the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations or Notices that have been approved by the Financial Supervisory Commission (hereinafter referred to as the "FSC") for application after January 1, 2021. The first-time application has no significant impact on the Company.

2. The Company has not yet adopted the following new publication, revision, and amendments of standards or interpretations announced by International Accounting Standards Board and approved by the FSC.

No.	New/Amended/Revised Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37, and the Annual Improvements	January 1, 2022

- (1) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37, and the Annual Improvements

- A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

This amendment replaces the old version of the index on the Conceptual Framework for Financial Reporting and updates IFRS 3 with the latest version of the index published in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities. In addition, clarify existing guidelines for contingent assets that are not affected by the replacement structure index.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

B. Property, Plant and Equipment: Proceeds before Intended Use  
(Amendments to IAS 16)

The amendments prohibit an enterprise from deducting sales proceeds from the cost of property, plant, and equipment for the items produced while the asset is sold as it gets ready for its intended use. Instead, an enterprise will recognize such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Improvements to IFRSs 2018–2020 Cycle

*Amendment to IFRS 1*

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

*Amendment to IFRS 9 Financial Instruments*

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

*Amendment to Illustrative Examples Accompanying IFRS 16 Leases*

The amendment to Illustrative Example 13 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

*Amendment to IAS 41*

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The aforementioned new, amended and revised standards or interpretations have been issued by the IASB, approved by the FSC, and will be applicable after January 1, 2022. The new announcement or amendment of the standard or interpretation has no significant impact on the Company.



Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

3. As of the date of the issuance of the financial report, the Company has not yet adopted the following new publication, revision, and amendments of standards or interpretations announced by International Accounting Standards Board and approved by the FSC:

No.	New/Amended/Revised Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	Amendments to IFRS 10 - Consolidated Financial Statements, and IAS 28 - Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by International Accounting Standards Board
2	IFRS 17 "Insurance Contracts"	January 1, 2023
3	Liabilities classified as current or non-current (Amendment to IAS 1)	January 1, 2023
4	Disclosure Initiative - Accounting Policies (Amendment to IAS 1)	January 1, 2023
5	Definition of Accounting Estimates (Amendment to IAS 8)	January 1, 2023
6	Deferred income tax relating to assets and liabilities arising from a single transaction (Amendment to IAS 12)	January 1, 2023

- (1) Amendments to IFRS 10 - Consolidated Financial Statements, and IAS 28 - Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments addressed the inconsistency between the requirements in IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures," in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture shall be offset through downstream sale. IFRS 10 requires full profit or loss recognition other loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets as defined in IFRS 3 shall be recognized in full.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(2) IFRS 17 "Insurance Contracts"

This standard provides a comprehensive model to insurance contracts, including all accounting treatment (recognition, measurement, expression, and disclosure principle). The core of the standard is general, and under this model, initial recognition measures the insurance contract group by the combination of the cash flow from performance obligation and contract service margin; the book amount at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims.

In addition to the general model, a specific applicable method (Variable Fee Approach, VFA) for contracts with direct participation features as well as a simplified approach for short-term contracts (Premium Allocation Approach, PAA) are provided.

This standard was issued in May 2017 and was amended in June 2020. The amendments include deferral of the date of initial application of the standard by two years to the annual reporting periods beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying this standard and revise some requirements to make the results easier to explain. This standard replaces an interim standard (IFRS 4 "Insurance Contracts")

(3) Liabilities classified as current or non-current

This amendment targets sections 69-76 in IAS 1 - Presentation of Financial Statements concerning the classification of liability as either current or non-current.

(4) Disclosure Initiative - Accounting Policies (Amendment to IAS 1)

The objective of the amendment was to improve accounting policy disclosures and help stakeholders provide more relevant information for investors and primary users of financial statements.

(5) Definition of Accounting Estimates (Amendment to IAS 8)

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) to help entities distinguish changes in accounting estimates from changes in accounting policies.

(6) Deferred income tax relating to assets and liabilities arising from a single transaction (Amendment to IAS 12)

Such amendment limits the scope of the deferred income tax recognition exemption in paragraphs 15 and 24 of IAS 12 "Income Tax", so that the exemption does not apply to transactions that give rise to the same amount of taxable and deductible temporary differences on initial recognition.

The aforementioned standards or interpretations have been issued by the IASB but have yet to be approved by the FSC. The actual date of application is subject to the requirements of the FSC. The new announcement or amendment of the standard or interpretation has no significant impact on the Company.

#### IV. Summary of Significant Accounting Policies

##### 1. Compliance Statement

The Company's individual financial reports for the period of January 1 to December 31, 2021 and 2020 are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks" and "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

2. Basis of preparation

Besides the financial instruments measured at fair value, the Individual Financial Statements are prepared on the basis of historical costs. Unless otherwise specified, the Individual Financial Statements are denoted in thousands of New Taiwan Dollars (NTD 1,000).

3. Foreign currency transactions

The individual financial statements of the Company are expressed in the Company's functional currency (New Taiwan Dollars). Each entity of the Company determines its own functional currency and measures its financial statements in that functional currency.

Transactions in foreign the currencies from the entities of the Company are recorded by their respective functional currency rates at the date of the transaction. At the end of every reporting period, items denoted in foreign currencies will be translated at the closing exchange rate of the day. Non-monetary foreign currency items measured at fair value will be translated using the exchange rate on the date when the fair value is measured. Non-monetary foreign currency items measured at historical cost are translated at the exchange rate of the date of the transaction.

Except for the following items, exchange differences resulting from delivery or exchange of monetary items will be recognized as gain or loss as they occur:

- (1) For the foreign currency borrowings arising from acquiring assets that meet the requirements, the resulting exchange differences are treated as an adjustment to the interest cost and are capitalized as part of the borrowing cost.
- (2) Foreign currency projects subject to the provisions of IFRS 9 "Financial Instruments" are treated in accordance with the accounting policies of financial instruments.
- (3) For the monetary items of the reporting entity that are an integral part of the net investment in the foreign operating institution, the resulting exchange differences were originally recognized in other comprehensive income and are reclassified from equity to profit or loss when the net investment is disposed.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

When the profit or loss of a non-monetary item is recognized as other comprehensive income, any exchange profit or loss is recognized in other comprehensive income. When the profit or loss of a non-monetary item is recognized in profit or loss, any exchange profit or loss is recognized in profit or loss.

4. Translation of financial statements in foreign currency

When preparing the individual financial statements, the assets and liabilities of foreign operating institutions are translated into New Taiwan Dollars at the closing exchange rate on the balance sheet date. The income and loss items are translated at the average exchange rate for the current period. The exchange difference arising from the conversion is recognized as other comprehensive income. When the foreign operating institution is closed, the accumulated exchange difference previously recognized in other comprehensive income and included in the equity is reclassified from the equity to the profit or loss at the time of recognizing the disposal profit or loss.

5. Cash and cash equivalents

Cash and cash equivalents are cash on hand, demand deposits, and short-term and highly liquid time deposits or investments (including time deposits with a contract period within 12 months) that are readily convertible into fixed cash amount and have a very low risk of changes in value. For the Consolidated Statement of Cash Flows, it also includes the deposits at the Central Bank, interbank lending, and resell (RS) bill and bond investments in accordance with the cash and cash equivalent stipulated in IAS 7 that is approved by the FSC.

6. Bonds Purchased under Resell/Notes Issued under Repurchase Agreements

The accounting process of RP/RS and bond transactions is as follows: (1) For an RP bill transaction, credit the RP bill and bond liability. The trade difference is booked as an interest expense; (2) For an RS bill transaction, debit the RS bill and bond investment. The trade difference is booked as interest income.

7. Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the financial instrument contract.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Financial assets and financial liabilities subject to the provisions of IFRS 9 "Financial Instruments" at the time of original recognition, were measured at fair value. The acquisition or issuance transaction costs that are directly attributable to the financial assets and financial liabilities (except for financial assets and financial liabilities that are classified as measured at fair value through profit or loss) are added or subtracted from the fair value of the financial assets and financial liabilities.

(1) Recognition and measurement of financial assets

The recognition and de-recognition of all the financial assets of the Company are handled with the trade date accounting.

The Company uses the following two items to have financial assets classified as subsequently measured at amortized cost, measured at fair value through other comprehensive income, or measured at fair value through profit or loss:

- A. Operating model of financial assets management
- B. Contractual cash flow characteristics of financial assets

Financial assets measured at cost after amortization

Financial assets that meet the following two criteria are to be measured at amortized cost and booked in the balance sheet in terms of notes receivable, accounts receivable, financial assets measured at amortized cost, and other receivables.

- A. Operating model of financial assets management: financial asset is held to receive contractual cash flows
- B. Contractual cash flow characteristics from the financial assets: from the financial asset: cash flow is the interest paid solely on the principal and the outstanding principal

These financial assets (excluding those involved in hedging) are subsequently measured at the amortized cost [the amount measured at the time of original recognition, less the principal paid, plus or minus the cumulative amortization amount (with the effective interest method) between the original amount and the amount due), and adjusting the allowance for loss]. For de-recognition, the benefits or losses are recognized in profit or loss through amortization procedures or recognition of impairment profit or loss.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Interest that is calculated with the effective interest method (having the effective interest rate multiplied by the total book value of financial assets) or the following conditions is recognized in profit or loss:

- A. For a credit impairment financial asset purchased or originated, have the effective interest rate after credit adjustment multiplied by the amortized cost of financial assets.
- B. Other than those stated in the preceding paragraph, but which subsequently become credit impaired, have the effective interest rate multiplied by the amortized cost of the financial assets.

Financial assets measured at FVTOCI

Financial assets that meet the following two criteria are to be measured at fair value through other comprehensive income, and the financial assets measured at fair value through other comprehensive income are to be listed in the balance sheet:

- A. Operating model of financial assets management: Collect contractual cash flows and sell financial assets.
- B. Contractual cash flow characteristics from the financial assets: from the financial asset: cash flow is the interest paid solely on the principal and the outstanding principal

The recognition of the profit or loss related to such financial assets is as follows:

- A. Before de-recognition or reclassification, except for the impairment profit or loss and foreign currency exchange gains and losses recognized in profit or loss, the profit or loss is recognized in other comprehensive income.
- B. At the time of de-recognition, the cumulative profit or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment.
- C. Interest that is calculated with the effective interest method (having the effective interest rate multiplied by the total book value of financial assets) or the following conditions is recognized in profit or loss:
  - (a) For a credit impairment financial asset purchased or originated, have the effective interest rate after credit adjustment multiplied by the amortized cost of financial assets.
  - (b) Other than those stated in the preceding paragraph, but which subsequently become credit impaired, have the effective interest rate multiplied by the amortized cost of financial assets.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

In addition, for equity instruments applicable to IFRS 9 and are not held as available-for-sale or applicable as a contingent consideration by the acquirer in business consolidation in IFRS 3, during initial recognition, the Company will choose (this is not reversible) to state its subsequent fair value changes in the other comprehensive income (loss). Amounts stated in other comprehensive income cannot be converted to income or loss (during disposal of such equity instrument, the accumulated amount stated in other equity item will be directly transferred to retained earnings), and will be stated in the Balance Sheet as financial assets measured at fair value through other comprehensive income (loss). Investment dividends will be recognized in income or loss, unless such dividends clearly represent a portion of the investment cost.

Financial assets measured at FVTPL

In addition to the aforementioned measurement at cost after amortization for having met certain conditions or measurement at fair value through other comprehensive income (loss), financial assets are all measured at fair value through income or loss, and are stated in the balance sheet as financial assets at fair value through profit or loss.

These financial assets are measured at fair value, and any gain or loss from their revaluation will be recognized as profit or loss. The gain or loss recognized as profit or loss includes any dividend or interest received from the financial asset.

(2) Impairments of financial assets

For the debt instrument investments measured at fair value through other comprehensive income, debt instrument investments measured at amortized cost, and off-balance sheet debt instrument, the Company has them recognized as expected credit loss and with the allowance for loss measured. For the debt instrument investment measured at fair value through other comprehensive income, allowance for loss is recognized in the other comprehensive income (loss), and the book value of the investment will not be reduced. Loans and receivables and off-balance sheet credit assets are recognized and measured in accordance with the expected credit losses. Also, adequate allowances, reserve for guarantee liability, and financing commitment reserves are appropriated according to whichever is higher according to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans."



Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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The Company measures expected credit losses to reflect the following:

- A. An amount that is unbiased and weighted by probability through evaluating each possible outcome.
- B. Time value of money.
- C. Reasonable and corroborative information (that can be obtained on the balance sheet date without excessive costs or inputs) relating to past events, current conditions, and future economic forecasts

The methods used for measuring allowance for loss are as follows:

- A. It is measured by the 12-month expected credit loss amount: Including the credit risk that has not increased significantly since the original recognition of the financial assets, or it is determined as low credit risk on the balance sheet date. In addition, this also includes those with allowance loss measured by the expected credit loss during the previous reporting period, but no longer meets the condition in which the credit risk has significant increased since the original recognition on the balance sheet date.
- B. The expected credit loss amount for the duration: Including the significant increase in credit risk of the financial assets since the original recognition, or the financial assets with credit impairment purchased or originated.
- C. For accounts receivable or contractual assets arising from transactions within the scope of IFRS 15, the Company measured the allowance for loss with the expected credit loss amount of the duration.
- D. For the rent receivables arising from the transactions as stipulated in IFRS 16, the Company uses the expected credit losses for the duration of the period to measure the allowance for losses.

In addition to the aforementioned assessments, the Group also has the credit assets assessed and classified according to the following classification methods by referring to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans." Regarding the classification methods, except for the normal credit assets classified in Tier 1, non-performing credit assets are evaluated according to the status of the loan collateral and the length of time overdue, which are classified as Tier 2 "Special Mention," Tier 3 "Expected to be Recovered," Tier 4 "Doubtful" and Tier 5 "Losses."

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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The allowance for bad debt is appropriated for a minimum amount equivalent to the total of 1% of net Tier 1 credit assets of the obligation to Taiwanese government agencies, 2% of Tier 2 credit assets, 10% of Tier 3 credit assets, 50% of Tier 4 credit assets, and 100% of Tier 5 credit assets.

On each balance sheet date, the Company assesses whether the credit risk of financial instruments after the original recognition has increased significantly by comparing the changes in the default risk of the financial instruments on the balance sheet date and the original recognition date. In addition, please refer to Note XIV for information related to credit risk.

(3) Derecognizing financial assets

The Company's financial assets will be derecognized when one of the following conditions occurs:

- A. The contractual right from the cash flow of the financial asset is terminated.
- B. When nearly all risk and compensations associated with ownership of a financial asset has been transferred.
- C. Nearly all risk and compensations associated with ownership of an asset has neither been transferred nor retained, but the control of the asset has been transferred.

When a financial asset is derecognized in its entirety, the difference between its carrying amount and any cumulative gain or loss that has been received or is receivable and recognized in other comprehensive income (loss), will be recognized in profit or loss.

(4) Financial liabilities and equity instruments

Classification of liability or equity

The Company classifies the liabilities and equities instrument issued as financial liability or equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

### Equity instruments

Equity instruments refer to any contract with residual interest after subtracting all liabilities from assets. Equity instruments issued by the Company are recognized by the acquisition cost minus direct distribution costs.

### Hybrid instruments

The Company recognizes the financial liabilities and equity components of the convertible corporate bonds issued in accordance with contractual terms. In addition, the conversion of corporate bonds issued is based on the assessment of whether the economic characteristics and risks of the embedded purchase and sale rights are closely related to the primary debt commodity before classifying the equity elements.

For liabilities that do not involve derivatives, the fair value is measured using the market interest rate of a bond of comparable nature and without conversion characteristics. This amount is classified as a financial liability measured by amortized cost before conversion or redemption settlement. For other embedded derivatives that are not closely related to the risk characteristics of the principal contract (for instance, the embedded buy-back and redemption rights are confirmed to be substantially inconsistent with the amortized cost of the debt commodity on each execution date), they will be classified as components of liability and is measured at fair value through profit or loss in subsequent periods except for equity components. The amount of the equity component is determined by the conversion of fair value of the corporate bonds subtract the component of the liability, and the carrying amount will not be remeasured in subsequent accounting periods. If the issued conversion corporate bonds from the Group do include an equity element, they are handled in accordance with IFRS 9 Hybrid Instruments.

The transaction costs are allocated to the liability and equity components in proportion to the ratio of the convertible corporate bonds' allocations to liability and equity components during initial recognition.

When the holder of the convertible corporate bonds should request to exercise conversion rights before the maturity of the convertible bond, the person should adjust the carrying amount of the liability component element to the carrying amount at the time of exercise as the basis of entry for issuance of ordinary shares.

Financial liabilities

Financial liabilities subject to the provisions of IFRS 9 are classified, at the original recognition, as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost.

Financial liabilities measured at FVTPL

Financial liabilities at fair value through profit or loss include available-for-sale financial liabilities and designated financial liabilities at fair value through profit and loss.

A financial asset will be classified as available-for-sale when it meets one of the following conditions:

- A. The primary purpose for acquisition of the asset is short-term sales;
- B. It is part of an identifiable financial instrument combination of the consolidated management at the time of initial recognition, and there is evidence that the combination is a short-term profit operating model in the near future; or
- C. It is a derivative (except for financial guarantee contract or a designated and effective hedging instrument).

For contracts that include one or multiple embedded derivative instruments, the entire hybrid (integrated) contract could be designated as a financial instrument at fair value through profit or loss. In addition, when it meets one the following conditions and can provide more relevant information, it could be designated as at fair value through profit or loss during initial recognition:

- A. The designation can eliminate or significantly reduce the inconsistency of measurement or recognition; or
- B. The performance of a group of financial liabilities or a group of financial assets and financial liabilities is managed and assessed on a fair value basis according to the written risk management or investment strategies; also, the portfolio information provided to the management within the consolidated company is also based on the fair value.

The benefits or losses arising from the re-measurement of such financial liabilities are recognized in profit or loss. The gain or loss recognized in profit or loss includes any interest paid on the financial liability.

Financial liabilities measured at the amortized cost

Financial liabilities measured at amortized cost include accounts payables and loans, and will continue to be measured through effective interest method after initial recognition. When financial liabilities are derecognized and amortized using effective interest method, related gain or loss and amortization will be recognized in profit or loss.

Calculation of the amortized cost will take discount or premium during acquisition and transaction cost into consideration.

De-recognition of financial liabilities

When the obligation of a financial liability is terminated, canceled or no longer effective, the financial liability will be derecognized.

When the Company and the creditors exchange debt instruments with significant differences, or make major changes to all or part of the existing financial liabilities (whether due to financial difficulties or otherwise), treatment will include derecognition of the original liabilities and the recognition of new liabilities. During derecognition of financial liabilities, the difference between the carrying amount and the total amount of the consideration paid or payable, including the transferred non-cash assets or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities can only be offset and presented in net terms on the balance sheet only when the recognized amounts currently contain exercise of legal rights for offset and are intended to be settled on a net basis or can be realized simultaneously and the debt can be settled.

8. Derivatives

Derivatives held or issued by the Company are used to hedge exchange rate risk and interest rate risk, of which, the designated and effective hedging items are reported as hedging assets or liabilities on the balance sheet. For those not designated but effective hedging, they are presented on the balance sheet as financial assets or financial liabilities measured at fair value through profit or loss.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in fair value of derivatives are recognized directly in profit or loss. In the case of effective cash flow hedging and foreign operating institutions net investment hedging, it is recognized in profit or loss or equity based on the type of hedging.

For the main contract that is a non-financial asset or non-financial liability, when it is embedded in the derivative of the main contract, its economic characteristics and risks are not closely related to the main contract; also, when the main contract is not measured at fair value through profit or loss, the embedded derivative should be treated as an independent derivative.

9. Fair value measurement

Fair value refers to the price required or transferred to an asset in an orderly transaction between market participants on a measurement date. Fair value measurement assumes that the transaction for the asset being sold or liability being transferred takes place in one of the following markets:

- (1) Principal market of the asset or liability, or
- (2) If no principal market exists, the most favorable market for the asset or liability

The Group needs to be able to enter the principal or most favorable market in order to carry out the transaction.

Fair value measurement of the asset or liability uses the assumption that market participants would adopt while pricing the asset or liability, where the assumption is that the market participants would take the most favorable economic conditions into consideration.

The fair value measurement of a non-financial asset takes into consideration the market participant's use of the asset for its highest price and best use or by selling the asset to another market participant who will use the asset for its highest price and best use to generate economic benefits.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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The Company uses valuation techniques that are appropriate and relevant in the relevant circumstances to measure fair value and maximize the use of observable inputs and to minimize the use of unobservable inputs.

10. Impairment of non-financial assets

At the end of every reporting period, the Company will evaluate all assets for indicators of impairment pursuant to IAS 36 - Impairment of Assets. If signs of impairment exist or if regular annual impairment test is required for a certain asset, the Company will test it on the basis of individual assets or the cash generating unit to which the asset belongs. If result of the impairment test indicates that the carrying amount of the asset or the cash generating unit to which the asset belongs is greater than its recoverable amount, impairment loss will be recognized. The recoverable amount is the higher of fair value net of the disposal cost or the value in use.

At the end of every reporting period, the Company will evaluate all assets except for goodwill for indicators of whether previously recognized impairment loss no longer exists or has been reduced. If such signs exist, the Company will estimate the recoverable amount of the asset or the cash generating unit. If the estimated service potential of the asset changes, resulting in an increase in the recoverable amount, the impairment will be reversed to profit or loss. However, the carrying amount after reversal shall not exceed the amount of the depreciation or amortization of the asset after deducting the depreciation or amortization.

Impairment loss and reversal of continuing operations will be recognized in profit or loss.

11. Collateral accepted

The accepted collateral is booked at the cost of acceptance. Also, it is valued at the end of the period at the lower of cost or fair value net of selling cost (net realizable value).

12. Investment under the equity method

The Company's investment in subsidiaries is presented, valued and adjusted in accordance with the "Investment Accounted for using the equity method" as defined in Article 21 of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" in order to have had the current profit and loss and other comprehensive profit and loss in the financial statements equivalent to the amortization amount of the current profit and loss and other comprehensive profit and loss in the individual financial statements that is attributable to the shareholders of the parent company; also, the shareholder's equity amount in the financial statements is same as the equity attributable to the shareholders of the parent company in the individual financial statements. Such adjustments are mainly based on the difference between having the "investment in subsidiaries" processed in accordance with IAS 27 "individual Financial Statements" and IFRSs that is for different reporting entities; also, the said difference is debited or credited to the account of "Investment Accounted for using the equity method," "Profit and loss of the subsidiaries under the equity method, associates, and Joint Ventures" or "Other comprehensive profit and loss of the subsidiaries under the equity method, associates and Joint Ventures."

The Company's investment in associates, except for those classified as assets for sale, is processed in accordance with the equity method. Affiliates are business entities that are significantly influenced by the Company.

Under the equity method, the investment in associates is booked in the balance sheet for an amount equivalent to the cost plus the amount of the change in the associate's net assets recognized proportionally to the shareholding ratio. When the book value of the investment in associates and other related long-term equity under the equity method is with a zero balance, additional loss and liability is recognized within the scope of the statutory obligations, constructive obligations, or payments on behalf of associates incurred. Unrealized gains and losses arising from the transactions conducted between the Company and associates are written off proportionally to the equity ratio in associates.

When the change in the equity of an associate does not occur as a result of profit or loss and other comprehensive profit and loss; also, such change does not affect the Company's shareholding ratio, the Company recognizes the relevant changes in equity ownership proportionally to the shareholding ratio. Therefore, the recognized additional paid-in capital will be transferred to profit or loss proportionally to the disposal amount when the associate is subsequently disposed.



Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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When the associate issued new shares, the Company did not subscribe it proportionally to the shareholding ratio, causing the Company's investment ratio and net asset ratio in the associate changed, so, such change is adjusted to the "additional paid-in capital" and "Investment accounted for using the equity method." When the change in the investment ratio is reduced, the relevant items previously recognized in other comprehensive profit or loss should be reclassified to "profit or loss" or other appropriate accounts proportionally to the reduction ratio. The previously recognized additional paid-in capital is transferred to the profit or loss proportionally to the disposal ratio when the associate is disposed.

The financial statements of associates are prepared for the same reporting period as the Company and adjusted to have its accounting policies in line with the Company's accounting policies.

The Company confirms whether or not there is objective evidence indicating impairment of the investment in associates in accordance with the requirements of International Accounting Standards (IAS) No. 28 "Investment in Associates and Joint Ventures" at the end of each reporting period. If there is objective evidence of impairment, the Company shall calculate the impairment amount based on the difference between the recoverable amount and the book value of the associate in accordance with the requirements of IAS 36 "Impairment of Assets" and recognize such amount in the profit or loss from the associate. If the aforementioned recoverable amount is the investment value, the Company will determine the investment value according to the following estimates:

- (1) The present value of the estimated future cash flow of the associate attributable to the Company includes the cash flow generated by the associate in business operations and the proceeds from the investment disposed; or
- (2) The present value of the expected dividends and future cash flows generated from the investment disposed ultimately.

As the items that constitute the book value of the associate's goodwill are not separately recognized, it is not subject to the requirements of IAS 36 "Impairment of Assets" goodwill impairment test.

Upon the loss of significant impact on associates, the Company has the retained investment amount measured and recognized at fair value. Upon the loss of significant impact, the difference between the book value of the investment in associate and the fair value of the retained investment plus the proceeds from the disposal is recognized as profit or loss.

13. Property, plant, and equipment

Property, plant, and equipment are recognized at the acquisition net cost of accumulated depreciation and accumulated impairment. The aforementioned cost includes the cost of dismantling, removing, and restoring the location of the property, plant, and equipment and the necessary interest expense arising from the construction in progress. Depreciation is provided separately for the significant parts of the property, plant, and equipment. When major parts of property, plant, and equipment are subject to periodic replacement, the Company treats the parts as an individual asset and recognizes it separately with specific periods of durability and depreciation method. The book value of these replaced parts is derecognized in accordance with the provision of IAS 16 "Property, Plant, and Equipment." If the major repair and maintenance costs are in compliance with the recognition conditions, they are recognized as replacement costs and are recognized as part of the plant and equipment book value. Other repair and maintenance expenses are recognized in profit or loss.

Depreciation is calculated and appropriated in accordance with the declining balance method and the estimated useful life of the following assets:

Buildings and structures	3 to 60 years
Transport equipment	3 to 5 years
Other equipment	3 to 10 years

After the original recognition of the property, plant, and equipment or any significant parts, if it is disposed or no economic effect arising from the use or disposal is expected, it will be derecognized and recognized in profit or loss.

The residual value, years of useful life, and depreciation method of the property, plant, and equipment are assessed at the end of each financial year. If the expected value is different from the previous estimate, the change is considered as a change in accounting estimates.

#### 14. Leases

The Company assesses whether the contract is (or includes) a lease on the date the contract is made. If a contract is signed to have the control over the use of identified assets transferred for a period of time in exchange for a consideration, it is (or includes) a lease. In order to assess whether a contract is signed to have the control over the use of identified assets transferred for a period of time, the Company assesses whether there are the following two factors throughout the period of use:

- (1) Obtaining almost all economic benefits from the use of identified assets; and
- (2) Control the right-of-use of the identified assets.

For contracts that are (or include) leases, the Company will treat each lease component in the contract individually, and to separately treat them from the non-lease components in the contracts. For leases that include one lease component and one or more additional lease or non-lease components, the Company will use the single comparison price of each lease component and the aggregated single prices of non-lease components as the basis, and distribute the consideration in the contract to the lease component. The comparison single unit price of the lease and non-lease components will be decided upon the prices separately received by the lessor (or supplier) for such components. If observable single unit prices are not readily available, the Company will maximize the use of observable information to estimate their respective single unit prices.

#### The Company is the lessee

Except for leases that meet and select short-term leases or low-value asset leases, when the Company is the lessee of the lease contract, the right-of-use assets and lease liabilities are recognized for all leases.

On the commencement date, the Company measures the lease liability according to the present value of the lease payments that have yet to be paid on that date. If the lease implied interest rate is easy to determine, the lease payment is discounted according to the said implied interest rate. If the lease implied interest rate is not easy to determine, the incremental loan rate of the lessee shall prevail. On the commencement date, the lease payments included in the lease liability include the following payments relating to the use-of-rights underlying asset in the lease term that is yet to be paid on that date:

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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- (1) Fixed payments (including real fixed payments) net of any collectable lease incentives;
- (2) Lease payments depending on the change in an index or expense rate (measured at the index or expense rate on the commencement date);
- (3) The lessee's expected payment amount with the residual value guaranteed;
- (4) The exercise price of the purchase option, if the Company can reasonably assure that the option will be exercised; and
- (5) The penalty for the termination of the lease, if the lessee intends to exercise the option of having the lease terminated in the lease period.

After the commencement date, the Company measures the lease liability at amortized cost, increases the book value of the lease liability by the effective interest method, and reflects the interest on the lease liability. The book value of the lease liability is reduced when the lease payment is made.

On the commencement date, the Company measures the right-of-use assets at cost. The cost of the right-of-use assets includes:

- (1) The originally measured amount of the lease liability;
- (2) Any lease payments paid on or before the commencement date, minus any lease incentives received;
- (3) Any original direct costs incurred to the lessee; and
- (4) The estimated cost for the lessee to have the underlying asset dismantled or removed and restore its location, or have the underlying asset restored to the form as stipulated in the clause and condition.

Subsequent measurement of the right-of-use asset is presented at cost net of the accumulated depreciation and accumulated impairment losses, that is, the right-of-use asset should be measured at cost.

If the ownership of the underlying assets is transferred to the Company at the end of the lease term, or if the cost of the right-of-use asset reflects that the Company will exercise the purchase option, the depreciation of the right-of-use asset is appropriated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company has the depreciation of the right-of-use asset appropriated from the commencement date to the end of the useful life of the right-of-use asset or the expiration of the lease term whichever is sooner.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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The Company applies IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is with impairment; also, handle the identified impairment losses.

Except for leases that meet and select short-term leases or low-value asset leases, the Company presents the right-of-use assets and lease liabilities on the balance sheet, and presents the depreciation expense and interest expense related to the lease separately in the comprehensive income statement.

For short-term leases and low-value asset leases, the Company chooses to have the related lease payments recognized as expenses over the lease period in accordance with the straight-line basis or a systematic basis.

15. Employee benefits

(1) Retirement benefits plan

The retirement method for employees of the Company is applicable to all full-time employees. The employee retirement fund is fully appropriated to the Supervisory Committee of Business Entities' Labor Retirement Reserve and deposited in the pension fund account. The aforementioned pension is deposited in the name of the Supervisory Committee of Business Entities' Labor Retirement Reserve, which is completely separated from the Company, so it is not included in the individual financial statements in the preceding paragraph.

For the defined contribution pension plan, the monthly pension payable rate of the Company shall not be less than 6% of the employee's monthly salary, and the amount of the provision shall be recognized in the profit or loss of the current period.

For the defined contribution pension plan, an appropriation is made according to the project unit credit method and the actuarial report at the end of the annual reporting period. The re-measurement of net defined benefit liabilities (assets) includes the return on the plan asset and changes in the ceiling of the assets, deducting the net interest amount of the net defined benefit liabilities (assets) and the actuarial gains and losses. The net defined benefit liability (asset) re-measurement is included in other comprehensive income when incurred and immediately recognized in the retained earnings.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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The prior-period service cost is the change in the present value of the defined benefit obligation arising from the revision or reduction of the pension plan and is recognized as an expense on the earlier of the following two dates:

- A. When the plan revision or reduction occurs; and
- B. When the Company recognizes the relevant restructuring costs or resignation benefits.

The net interest of the net defined benefit liability (asset) is determined by having the net defined benefit liability (assets) multiplied by the discount rate, both of which are determined at the beginning of the annual reporting period, and then consider the changes which have occurred in the net defined benefit liabilities (assets) for the period arising from the appropriation amount and benefit payment.

(2) Employees preferential deposit benefit

The Company provides preferential deposits, which include the payment of fixed preferential deposits for current employees and for retired employees (before January 1, 2010). The difference between the interest rate of these preferential deposits and the market interest rate is within the scope of employee benefits.

According to Article 28 of the "Regulations Governing the Preparation of Financial Reports by Public Banks," the excess interest arising from the retirement preferential deposit rate agreed upon with the employees over the general market interest rate shall be actuarially calculated according to the defined benefit plan as stipulated in IAS 19 that was approved by the Financial Supervisory Commission. However, the parameters of actuarial assumptions shall be handled in accordance with the provisions of the competent authority if it is available.

16. Treasury stock

When the Company obtains the shares (treasury stocks) of the Company, it is recognized at the acquisition cost and is debited to the equity. The spread of treasury stock transactions is recognized in the equity.

17. Recognition of revenue

- (1) Interest income from loans is estimated on an accrual basis. The overdue payment transferred to the collection account will cease to bear interest from the date of transfer and will be recognized as income upon collection. The interest income agreed to be posted as receivable due to the bail-out and the extension agreement is recognized as income upon collection.
- (2) Service charge income is a fee charged for the various services provided to customers. The accounting treatment is as follows:

The service charge income of the Company is derived from the services provided at a specific point of time or for a certain period of time, or through the transaction services and it is recognized as income. When there is a transfer of services to the customer but without unconditional rights for collecting considerations, it is recognized as a contract asset. However, for some contracts, partial considerations are collected from the customers at the time of signing the contract, the Company must assume the obligation of providing services subsequently. Therefore, it is recognized as a contract liability.

The aforementioned contractual liabilities of the Company did not result in significant financial fluctuations.

18. Share-based payment transaction

The "share-based payment" transaction cost for the equity clearing between the Company and its employees is measured at the fair value on the equity instruments vested date. Fair value is measured by the appropriate pricing model.

The "share-based payment" transaction cost for the equity clearing is recognized on a period-by-period basis during the period in which the service conditions and performance conditions are fulfilled, and the increase in equity is recognized. The cumulative fees recognized for equity clearing transactions at the end of each reporting period prior to the vesting date reflect the process of the vested period and the best estimate of the ultimate vested equity instruments by the Company. The cumulative cost changes recognized for the share-based payment transactions at the beginning and end of each reporting period are recognized in profit or loss for the period.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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If the share-based payment is not in compliance with the vested conditions, no expense will be recognized. However, if the vested conditions of the equity clearing transaction are related to the market price condition or the non-vested conditions, when all the service or performance conditions have been fulfilled, the relevant expenses will be recognized regardless of whether the market price condition or the non-vested condition is fulfilled.

19. Income tax

Income tax expense (profit) refers to the aggregated amount of current income tax and deferred income tax that is included in the current profit or loss.

Current income tax

The current income tax liabilities (assets) related to the current and prior periods are measured at the legislated or substantially legislated tax rates and tax laws at the end of the reporting period. The current income tax related to the items recognized in other comprehensive income or directly recognized in the equity is recognized in other comprehensive income or equity instead of being recognized in the profit or loss.

The additional business income tax levied on the undistributed earnings is recognized as income tax expense on the date when the distribution of earnings is resolved in the Shareholders' Meeting.

Deferred tax

The deferred income tax is calculated according to the temporary difference between the taxable amount of assets and liabilities and the book value on the balance sheet at the end of the reporting period.

All taxable temporary differences are recognized as deferred income tax liabilities except for the following two items:

- (1) The original recognition of goodwill, or the original recognition of an asset or liability that does not arise from a business consolidation transaction and does not affect accounting profits and taxable income (loss) at the time of the transaction conducted;



Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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- (2) The taxable temporary difference arising from the investment in subsidiaries, associates, and joint equity. Also, the timing of reversal is controllable, and it is not likely to be reversed in the foreseeable future.

Except for the following two items, deductible temporary difference and deferred income tax assets arising from the taxable losses and income tax credit are recognized within the range of probable future taxable income:

- (1) The original recognition of, or and of an asset or liability that does not arise from a business consolidation transaction and does not affect accounting profits and taxable income (loss) at the time of the transaction conducted;
- (2) It is related to the deductible temporary differences arising from the investment in subsidiaries, associates, and the joint equity. It is recognized within the range of probable reversal in the foreseeable future and there is sufficient taxable income at the time the temporary difference occurred.

Deferred income tax assets and liabilities are measured at the tax rate of the expected asset realization or in the period in which the liability is settled. The tax rate is based on the legislated or substantially legislated tax rates and tax laws at the end of the reporting period. The measurement of deferred income tax assets and liabilities reflects the tax consequences arising from the manner in which the asset is expected to be recovered or the book value of the liability is settled at the end of the reporting period. If the deferred income tax is related to items that are not included in the profit or loss, it will not be recognized in profit or loss, but recognized in other comprehensive income according to the relevant transactions or directly recognized in equity. Deferred income tax assets are re-examined and recognized at the end of each reporting period.

Deferred income tax assets and liabilities can be offset against each other legally only in the current period, and the deferred income tax is related to the same taxation entity and is related to the income tax levied by the same taxation authority.

## 20. Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The transfer consideration, identifiable assets acquired and liabilities assumed in a business combination are measured at acquisition-date fair value. For each business combination, the acquirer measures the non-controlling interests either at fair value or as a proportion of the identifiable net assets of the acquiree. Acquisition-related costs incurred are recognized as expenses in the current period and included in administrative expenses.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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When the Company acquires a business, it conducts an assessment of the appropriateness of the classification and designation of assets and liabilities based on the contractual terms, economic conditions and other relevant circumstances that exist at the acquisition date, including segregation considerations for embedded derivative financial instruments in master deeds held by the acquiree.

In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in current profit or loss.

The acquirer expects that the contingent consideration transferred will be recognized at acquisition-date fair value. If there is a subsequent change to the fair value of contingent consideration considered as assets or liabilities, it will be recognized as changes in current profit or loss or other comprehensive profit or loss in accordance with IFRS 9. If the contingent consideration is classified as equity, it is not subsequently remeasured until it is finally settled under equity.

The initial measurement of goodwill is the excess of the sum of the consideration transferred plus the amount of non-controlling interests over the fair value of the identifiable assets and liabilities acquired by the Group; if the consideration is lower than the fair value of the net assets obtained, the difference is recognized as current profit and loss.

Following initial recognition, goodwill should be carried at cost less any accumulated impairment. Goodwill arising from a business combination is allocated from the date of acquisition to each cash generating unit in the Group that is expected to benefit from the combination, regardless of whether the acquiree's other assets or liabilities are attributable to such cash-generating unit. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

When disposing of an operation within the cash generating unit that includes goodwill, the carrying amount of the operation includes the goodwill attributable to the operation disposed of. The goodwill disposed of is measured based on the relative recoverable amount of the disposed operation and the retained portion.

V. Main Source of Significant Accounting Judgment, Estimation, and Assumption Uncertainties

When the individual financial statements are prepared by the Company, the management must make judgments, estimates, and assumptions at the end of the reporting period, which will affect the disclosure of income, expenses, assets and liabilities, and contingent liabilities. However, the uncertainty of these significant assumptions and estimates may result in a significant adjustment to the book value of an asset or liability in the future period.

Estimation and assumption

The main source of information on the estimation and assumption uncertainties at the end of the reporting period has significant risks that result in significant adjustments to the book value of assets and liabilities in the next financial year. The explanations are given as follows:

(1) Loan impairment loss

The estimation of the Company's loan impairment loss is based on whether or not the credit risk has increased significantly since the original recognition to determine if it is necessary to have the allowance for loss assessed according to the 12-month expected credit loss amount or the expected credit loss amount throughout the duration. In order to measure the expected credit loss, the Company considers the default probability with the default loss rate included and then multiplied by the default risk exposure amount, and it also considers the impact of the time value of money to estimate the expected credit loss for 12 months as well as the duration. The Company considers historical experiences, current market conditions and forward-looking estimates on each reporting date to determine the assumptions and inputs to be used for calculating the impairments. Please refer to Note XIV for details.

(2) The fair value of financial instruments

When the fair value of financial assets and financial liabilities recognized in the balance sheet cannot be obtained from the active market, the fair value will be determined using evaluation techniques, including the income approach (such as, cash flow discount model) or market approach. The changes in the assumptions of the said approaches will affect the fair value of the financial instruments reported. Please refer to Note XIII.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

(3) Retirement benefits plan

The present value of the defined benefit cost and the defined benefit obligations depends on the actuarial valuation. Actuarial valuation involves various assumptions, including: discount rate and changes in expected salary.

(4) Income tax

The uncertainty of income tax exists in the interpretation of complex tax regulations and the amount and timing of future taxable income. Due to a wide range of international business relationships and the long-term and complexity of contracts, the differences between actual results and assumptions made, or changes in such assumptions in the future, may cause the booked income tax benefits and expenses to be adjusted in the future. The appropriation of income tax is a reasonable estimation made according to the possible audit results of the local tax authorities of the countries in which the Company operates. The amount appropriated is based on different factors, such as: previous tax audit experience and the difference in tax law interpretation between the tax entity and the tax authority. The difference in interpretation may result in a variety of issues due to the local situation of the country where an individual enterprise of the Company operates.

The carryforwards of the taxable loss and income tax credit and deductible temporary differences are recognized as deferred income tax assets within the range of probable future taxable income or taxable temporary differences. The amount of the deferred income tax assets to be recognized is estimated according to the possible timing and level of the future taxable income and taxable temporary difference, and also, the future tax planning strategy.

VI. Descriptions of Material Accounting Items

1. Cash and cash equivalents

	2021.12.31	2020.12.31
Cash on Hand	\$1,367,730	\$1,380,247
Foreign currency on hand	155,213	201,570
Notes and checks for clearing	1,356,730	362,649
Due from Central Bank and other banks	1,757,752	1,874,963
Total	<u>\$4,637,425</u>	<u>\$3,819,429</u>

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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For the purpose of preparing the cash flow statement, cash and cash equivalents are the sum of the following items.

	<u>2021.12.31</u>	<u>2020.12.31</u>
Cash and cash equivalents recorded on the balance sheet	\$4,637,425	\$3,819,429
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7 "Cash Flow Statements"	5,688,063	6,400,365
Investments in bills and bonds purchased under resell agreements meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	-	200,248
Cash and cash equivalents on the Statement of Cash Flows	<u>\$10,325,488</u>	<u>\$10,420,042</u>

2. Due from the Central Bank and call loans to other banks

	<u>2021.12.31</u>	<u>2020.12.31</u>
Reserve for deposits - Type A	\$4,456,236	\$4,143,721
Reserve for deposits - Type B	7,036,168	6,142,243
Reserve for deposits - Foreign currency	36,827	31,644
Call loans to other banks	1,195,000	2,225,000
Total	<u>\$12,724,231</u>	<u>\$12,542,608</u>

The deposit reserve is calculated according to the monthly legal reserve appropriated for each type of deposit by law, the average daily amount and legal reserve ratio for the current period. Also, it is deposited with the Central Bank. Type A deposit reserve accounts and foreign currency depositor accounts do not bear interest and can be accessed at any time. Type B accounts bear interest, but they cannot be used except in compliance with the regulations.

Please refer to Note VIII for details of the Company's collateral due from the Central Bank and call loans to banks.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

3. Financial assets measured at FVTPL

	2021.12.31	2020.12.31
Mandatorily measured at fair value through profit or loss:		
Stock	\$5,321,636	\$5,303,263
Equity securities	-	2,615,089
Domestic and foreign bonds	33,554,028	36,342,634
Derivatives	33,039	7,369
Convertible corporate bonds	73,950	-
Real estate investment trust fund	439,435	453,493
Total	<u>\$39,422,088</u>	<u>\$44,721,848</u>

Please refer to Note VIII for details of the financial assets provided as collateral that the Company has them measured at fair value through profit or loss.

4. Financial assets measured at FVTOCI

	2021.12.31	2020.12.31
Debt instrument investments measured at FVTOCI:		
Government bonds	\$7,946,643	\$8,127,640
Corporate bonds	30,013,912	31,425,497
Financial bonds	1,498,087	924,475
Subtotal (total book value)	<u>39,458,642</u>	<u>40,477,612</u>
Valuation adjustment	2,276,808	4,413,672
Subtotal	<u>41,735,450</u>	<u>44,891,284</u>
Equity instrument investments measured at FVTOCI:		
Listed stocks	1,115,811	1,132,511
Non-TWSE/TPEX-listed stocks	3,591,670	2,693,294
Subtotal	<u>4,707,481</u>	<u>3,825,805</u>
Total	<u>\$46,442,931</u>	<u>\$48,717,089</u>

Please refer to Note VIII for details of the financial assets provided as collateral that the Company has them measured at fair value through other comprehensive income.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Please refer to Note VI for information on allowance for loss for the debt instrument investments measured at fair value through other comprehensive income. Also, please refer to Note XIV for information related to credit risk.

The recognized dividend income of the Company from equity instrument investments measured at fair value through other comprehensive income for the nine-month period ended December 31, 2021 and 2020 were NTD 140,290 thousand and NTD 98,770 thousand, respectively, and all were related to investments held on the balance sheet date.

The Company's investment in financial assets and equity measured at fair value through other comprehensive income was disposed in the period from January 1 to December 31, 2021 and 2020, the fair values at the time of disposition were NTD 1,296,391 thousand and NTD 20,861 thousand, respectively. Also, the accumulated unrealized gain (loss) in valuation at the time of disposal for the amounts of NTD 224,755 thousand and NTD (29,395) thousand were transferred from other equity to retained earnings.

5. Financial assets measured at cost after amortization

	<u>2021.12.31</u>	<u>2020.12.31</u>
Convertible certificate of deposit (total book value)	\$18,200,000	\$18,900,000
Less: Allowance for losses	(981)	(2,618)
Total	<u>\$18,199,019</u>	<u>\$18,897,382</u>

The Company classifies certain financial assets into financial assets measured at amortized cost. Please refer to Note VI for the information provided on allowances for loss. Also, refer to Note XIV for information related to credit risk and it is not provided as collateral.

6. Bills and bonds purchased under resell agreements

	<u>2021.12.31</u>	<u>2020.12.31</u>
Government bonds	<u>\$-</u>	<u>\$200,248</u>

The Company's bonds and securities sold under repurchase agreements were processed at the agreed price for an amount of NTD 0 thousand and NTD 200,261 thousand on December 31, 2021 and 2020, respectively.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

7. Receivables, net

	2021.12.31	2020.12.31
Accounts receivable and notes	\$28,991	\$19,410
Interests receivable	783,341	856,260
Clearing amount receivable	4,263	7,500
Other receivables	38,604	36,476
Subtotal (total book value)	855,199	919,646
Less: loss allowance	(4,634)	(28,316)
Net	<u>\$850,565</u>	<u>\$891,330</u>

The Company assesses impairments in accordance with IFRS 9. Please refer to Note VI for the allowance for loss related information in detail; also, refer to Note XIV for the credit risk related information in detail.

8. Discounts and loans, net

	2021.12.31	2020.12.31
Export Negotiations	\$2,460	\$1,024
Overdrafts	69,756	93,953
Loans	209,422,415	187,729,057
Collections of overdue loans	32,093	18,495
Total amount	209,526,724	187,842,529
Less: allowance for bad debt	(3,169,789)	(2,941,299)
Net	<u>\$206,356,935</u>	<u>\$184,901,230</u>

The Company assesses impairments in accordance with IFRS 9. Please refer to Note VI for the allowance for loss related information in detail; also, refer to Note XIV for the credit risk related information in detail.



Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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9. Investment under the equity method

	2021.12.31		2020.12.31	
	Book value	Shareholding (%)	Book value	Shareholding (%)
Invested companies:				
Kings Town Bank International Lease Corporation	\$1,400,367	100.00	\$838,767	100.00
King's Town Securities Co, Ltd.	1,029,354 (Note 2, 3)	100.00	329,223 (Note 1, 3)	99.51
Total	<u>\$2,429,721</u>		<u>\$1,167,990</u>	

The gains and losses of the investment in subsidiaries under the equity method from January 1 to December 31, 2021 and 2020 were recognized for an amount of NTD 153,127 thousand and NTD 135,706 thousand, respectively.

Note 1. In order to provide clients with a comprehensive and diverse finance service, it is resolved at the board meeting on October 12, 2020 that the Company acquires WanTai Securities Corporation by cash. The investment was approved by the competent authority on October 27, 2020. The Company obtained the control on November 3, 2020.

Note 2. On January 5, 2021, the Company acquired the remaining outstanding shares of WanTai Securities Corporation, and it became a 100%-owned subsidiary of the Company.

Note 3. WanTai Securities Corporation was changed to “King's Town Securities Co., Ltd.” as approved by the Financial Supervisory Commission and the Ministry of Economic Affairs on September 7, 2021.

10. Other financial assets, net

	2021.12.31	2020.12.31
Others	\$776	\$363
Subtotal (total book value)	776	363
Less: loss allowance	-	-
Total	<u>\$776</u>	<u>\$363</u>

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

11. Property, plant, and equipment

The Company's booked property and equipment are owned and used by the Company.

	Land	Buildings and structures	Transport equipment	Other equipment	Construction in progress and prepayments	Total
Cost:						
2021.01.01	\$2,878,552	\$1,189,905	\$15,362	\$222,535	\$108,650	\$4,415,004
Acquisition	-	-	-	10,490	222,192	232,682
Disposal	-	-	(280)	(3,401)	-	(3,681)
Other Changes	290,818	1,830	-	-	(292,648)	-
2021.12.31	<u>\$3,169,370</u>	<u>\$1,191,735</u>	<u>\$15,082</u>	<u>\$229,624</u>	<u>\$38,194</u>	<u>\$4,644,005</u>
2020.01.01	\$2,316,149	\$1,172,105	\$15,418	\$188,685	\$8,610	\$3,700,967
Acquisition	245,792	3,207	-	40,510	431,244	720,753
Disposal	-	-	(56)	(6,660)	-	(6,716)
Other Changes	316,611	14,593	-	-	(331,204)	-
2020.12.31	<u>\$2,878,552</u>	<u>\$1,189,905</u>	<u>\$15,362</u>	<u>\$222,535</u>	<u>\$108,650</u>	<u>\$4,415,004</u>
Depreciation and impairment:						
2021.01.01	\$-	\$862,515	\$13,749	\$165,607	\$-	\$1,041,871
Depreciation	-	19,780	595	28,572	-	48,947
Disposal	-	-	(280)	(3,253)	-	(3,533)
Gain on reversal on impairment	-	(82,800)	-	-	-	(82,800)
2021.12.31	<u>\$-</u>	<u>\$799,495</u>	<u>\$14,064</u>	<u>\$190,926</u>	<u>\$-</u>	<u>\$1,004,485</u>
2020.01.01	\$-	\$842,531	\$12,861	\$138,744	\$-	\$994,136
Depreciation	-	19,984	944	33,386	-	54,314
Disposal	-	-	(56)	(6,523)	-	(6,579)
2020.12.31	<u>\$-</u>	<u>\$862,515</u>	<u>\$13,749</u>	<u>\$165,607</u>	<u>\$-</u>	<u>\$1,041,871</u>
Net book value:						
2021.12.31	<u>\$3,169,370</u>	<u>\$392,240</u>	<u>\$1,018</u>	<u>\$38,698</u>	<u>\$38,194</u>	<u>\$3,639,520</u>
2020.12.31	<u>\$2,878,552</u>	<u>\$327,390</u>	<u>\$1,613</u>	<u>\$56,928</u>	<u>\$108,650</u>	<u>\$3,373,133</u>

The Company did not provide property, plant, and equipment as collateral.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
 (Unless otherwise provided, Unit: NTD Thousand)

12. Other assets, net

	2021.12.31	2020.12.31
Prepayments	\$20,991	\$23,750
Inter-bank clearing fund	1,404,201	1,050,689
Refundable deposits	131,189	106,284
Others	23,560	23,675
Net	<u>\$1,579,941</u>	<u>\$1,204,398</u>

As of December 31, 2021 and 2020, the other asset – other accumulated impairment of each period both amounted to NTD 20,280 thousand.

13. Deposits from the Central Bank and other banks

	2021.12.31	2020.12.31
Deposits of other banks	\$1,207	\$1,836
Call loans to other banks	18,450,340	21,115,632
Total	<u>\$18,451,547</u>	<u>\$21,117,468</u>

14. Funds borrowed from Central Bank and other banks

	2021.12.31	2020.12.31
Other funds borrowed from Central Bank	<u>\$567,450</u>	<u>\$907,650</u>

15. Financial liabilities measured at FVTPL

	2021.12.31	2020.12.31
Available-for-sale financial liabilities: Derivatives	<u>\$14,692</u>	<u>\$13,062</u>

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

16. Securities sold under agreements to repurchase

	2021.12.31	2020.12.31
Government bonds	\$3,404,497	\$9,443,465
Corporate bonds	8,386,492	12,179,630
Financial bonds	338,946	367,839
Total	<u>\$12,129,935</u>	<u>\$21,990,934</u>

The Company's liabilities of bonds and securities sold under repurchase agreements were processed at the agreed price for an amount of NTD 12,134,511 thousand and NTD 22,002,911 thousand on December 31, 2021 and 2020, respectively.

17. Payables

	2021.12.31	2020.12.31
Accrued expenses	\$373,866	\$387,170
Interest payable	83,215	92,009
Notes and checks in clearing	1,356,730	362,649
Clearing amount payable	42,562	215,069
Other payables - taxation	9,262	6,900
Others	425,045	368,536
Total	<u>\$2,290,680</u>	<u>\$1,432,333</u>

18. Deposits and remittances

	2021.12.31	2020.12.31
Check deposits	\$2,971,892	\$2,268,174
Demand deposits	52,948,947	45,992,941
Time deposits	49,108,037	40,970,737
Savings deposit	147,785,323	137,912,535
Remittances	1,246	2,810
Total	<u>\$252,815,445</u>	<u>\$227,147,197</u>

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

19. Provisions

	2021.12.31	2020.12.31
Retirement benefits plan	\$149,655	\$180,997
Reserve for guarantee liability	186,281	183,642
Provision for commitment of financing	21,818	30,318
Total	<u>\$357,754</u>	<u>\$394,957</u>

The changes in the provisions for guarantee liability are as follows:

	2021	2020
Beginning balance	\$183,642	\$115,711
Amount appropriated (reversed) for the period	2,647	67,943
Foreign exchange impact amount	(8)	(12)
Ending balance	<u>\$186,281</u>	<u>\$183,642</u>

The changes in the financing commitment reserve are as follows:

	2021	2020
Beginning balance (according to IFRS 9)	\$30,318	\$19,318
Amount (reversed) for the period	(8,500)	11,000
Foreign exchange impact amount	-	-
Ending balance	<u>\$21,818</u>	<u>\$30,318</u>

20. Retirement benefits plan

Defined contribution pension plan

The Company's regulations governing retirement of employees in accordance with the "Labor Pension Act" is a definite contribution pension plan. Per the Act, the monthly labor pension payable rate of the Company shall not be less than 6% of the employee's monthly salary. In accordance with the regulations governing retirement of employees stipulated in the Act, the Company has allocated 6% of the employee's salary to the individual pension account of the Bureau of Labor Insurance each month.

The total expense of the defined contribution pension plan of the Company from January 1 to December 31, 2021 and 2020 were NTD 32,865 thousand and NTD 31,659 thousand, respectively.

Defined benefit plan

The company's regulations governing pension of employees in accordance with the "Labor Standards Act" is a defined benefit plan. The payment of employee pension is calculated based on the base of service years and the average one-month salary at the time of retirement. Two bases will be given for each full year within 15 years (inclusive) of service, and one base will be given for each full year in excess of 15 years of service, but the accumulation of bases is limited to a maximum of 45 bases. In accordance with the Labor Standards Act, the Company contributes the pension funds on a monthly basis to the total salary. From March 2012, it was changed from 8% to 15%, and it was deposited in the special account of the Bank of Taiwan in the name of the Labor Retirement Reserve Supervision Committee. In addition, the Company estimates the balance of the above-mentioned special account for labor retirement reserves by the end of each fiscal year. If the balance is not enough to pay the pension amount calculated according to the above-mentioned calculation for the labors who are estimated to meet the retirement conditions in the next year, the difference will be withdrawn in one lump sum by the end of March of the next year.

Assets are allocated by the Ministry of Labor in accordance with the 'Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund'. The investment of the fund is carried out in the mode of self-management and entrusted management, and adopts both active and passive management of medium and long-term investment strategies. Considering market, credit, liquidity and other risks, the Ministry of Labor sets the fund risk limit and control plan, so that there is sufficient flexibility to achieve the target return without excessive risk taken. Regarding the use of this fund, the minimum income distributed in the annual final settlement shall not be lower than the income calculated on the basis of the local bank's two-year time deposit. If there is any shortage, it will be supplemented by the national treasury with the approval of the competent authority. The company has no right to participate in the operation and management of the fund, so it is unable to disclose the classification of the fair value of plan assets in accordance with paragraph 142 of IAS 19. As of December 31, 2021, the Company's defined benefit plan is expected to distribute NTD 36,165 thousand in the next year.

As of December 31, 2021 and 2020, the Company's defined benefit plans are expected to expire in 2029 and 2028, respectively.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

The following table summarizes the costs recognized in profit or loss for defined benefit plan.

	2021	2020
Current service costs	\$574	\$828
Net interests of net defined benefit liability	3,805	5,240
Expected return on plan assets	(2,574)	(2,937)
Total	<u>\$1,805</u>	<u>\$3,131</u>

The reconciliation between the present value of the defined benefit obligation and the fair value of the plan asset is as follows.

	2021.12.31	2020.12.31
Defined benefit obligation	\$502,604	\$527,801
Fair value of the plan asset	(352,949)	(346,804)
Amount of provisions - net defined benefit liabilities	<u>\$149,655</u>	<u>\$180,997</u>

Reconciliation of net defined benefit liabilities (assets):

	Present value of the defined benefit obligation	Fair value of the plan asset	Net defined benefit liabilities (assets)
2020.1.1	\$535,820	\$(287,435)	\$248,385
Current service costs	828	-	828
Interest expense (income)	5,240	(2,937)	2,303
Subtotal	541,888	(290,372)	251,516
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	11,736	-	11,736
Adjustment by experience	-	-	-
Remeasurements of the defined benefit assets	-	(8,833)	(8,833)
Subtotal	11,736	(8,833)	2,903
Benefits paid	(25,823)	20,504	(5,319)
Distribution by employer	-	(68,103)	(68,103)
2020.12.31	\$527,801	\$(346,804)	\$180,997
Current service costs	574	-	574
Interest expense (income)	3,805	(2,574)	1,231
Subtotal	532,180	(349,378)	182,802
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	6,525	-	6,525
Adjustment by experience	-	-	-
Remeasurements of the defined benefit assets	-	(1,806)	(1,806)
Subtotal	6,525	(1,806)	4,719
Benefits paid	(36,101)	36,101	-
Distribution by employer	-	(37,866)	(37,866)
2021.12.31	<u>\$502,604</u>	<u>\$(352,949)</u>	<u>\$149,655</u>

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

The following key assumptions are used to determine the Company's defined benefit plan.

	2021.12.31	2020.12.31
Discount Rate	0.50%	0.75%
Expected salary increase rate	2.00%	2.00%

Sensitivity analysis on each significant actuarial assumption:

	2021		2020	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
0.25% increase in discount rate	\$-	\$(4,940)	\$-	\$(5,596)
0.25% decrease in discount rate	5,089	-	5,769	-
0.5% increase in expected salary	10,367	-	11,759	-
0.5% decrease in expected salary	-	(9,880)	-	(11,183)

The aforementioned sensitivity analysis is performed under the assumption that other assumptions remain unchanged. When a single actuarial assumption (such as discount rate or expected salary) changes reasonably possible, it analyzes the possible impact on the determination of benefit obligations. Due to part of actuarial assumptions are related to each other, in practice rarely does a single actuarial assumption change, so the analysis has its limitations.

The methods and assumptions used in the current sensitivity analysis are the same as those of the previous period.

## 21. Other liabilities

	2021.12.31	2020.12.31
Deposits received	\$4,831	\$5,136
Advance income	110,943	141,254
Others	26,219	18,122
Total	<u>\$141,993</u>	<u>\$164,512</u>



Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

22. Equity

(1) Common stock

As of December 31, 2021 and 2020, the authorized capital stock of the Company all amounted to NTD 30,000,000 thousand, and the issued capital stock all amounted to NTD 11,212,343 thousand for 1,121,234 thousand shares issued at par value of NTD 10. Each share is entitled to one voting right and the right to receive dividends.

(2) Capital surplus

	2021.12.31	2020.12.31
Common stock premium	\$53,036	\$53,036
Treasury stock transactions	22,070	-
Others	2,629	2,586
Total	<u>\$77,735</u>	<u>\$55,622</u>

The various capital reserve balances from January 1 to December 31, 2021 and 2020 are adjusted as follows:

	Common stock premium	Treasury stock transactions	Others	Total
Balance as of January 1, 2021	\$53,036	\$-	\$2,586	\$55,622
Share-based payment transaction	-	22,070	-	22,070
Transfer of treasury stock	-	-	-	-
Adjustment based on percentage of ownership	-	-	43	43
Balance as of December 31, 2021	<u>\$53,036</u>	<u>\$22,070</u>	<u>\$2,629</u>	<u>\$77,735</u>
Balance as of January 1, 2020	\$53,509	\$-	\$2,586	\$56,095
Share-based payment transaction	-	-	-	-
Transfer of treasury stock	-	-	-	-
Retirement of treasury stock	(473)	-	-	(473)
Balance as of December 31, 2020	<u>\$53,036</u>	<u>\$-</u>	<u>\$2,586</u>	<u>\$55,622</u>

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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According to the law, additional paid-in capital shall not be used for any purpose except for making up for the loss of the Company. When the Company has no loss, a certain percentage of the additional paid-in capital from the stock premium and the gift can be applied to replenish capital every year. The aforementioned additional paid-in capital can be allocated in cash to shareholders proportionally to their original shareholding ratio.

(3) Treasury stock

a. Changes in Treasury Stocks are as follows:

From January 1 to December 31, 2021:

Cause	Number of shares- beginning of year	Increase in the period	Decrease in the period	Number of shares-end of year
Transfer to employees	3,000 thousand shares	-	3,000 thousand shares	-
Protect the company's credit and shareholder's equity	-	-	-	-
Total	3,000 thousand shares	-	3,000 thousand shares	-

January 1, 2020 to December 31, 2020:

Cause	Number of shares- beginning of year	Increase in the period	Decrease in the period	Number of shares-end of year
Transfer to employees	3,000 thousand shares	-	-	3,000 thousand shares
Protect the company's credit and shareholder's equity	-	10,000 thousand shares	10,000 thousand shares	-
Total	3,000 thousand shares	10,000 thousand shares	10,000 thousand shares	3,000 thousand shares

b. As of December 31, 2021 and 2020, the amounts of treasury stocks that are yet to have retired or distributed to employees were NTD 0 thousand and NTD 98,422 thousand, respectively, or 0 shares and 3,000 thousand shares, respectively.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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- c. The Company transferred treasury shares of 3,000 thousand shares to the employees on February 26, 2021.
- d. Based on the resolution of the Board of Directors, the Company had scheduled April 30, 2020 as the base date of de-capitalization. 10,000 thousand shares of treasury stock were bought back and canceled with a total of NTD 100,000 thousand.
- e. The treasury stocks held by the Company shall not be pledged, nor shall they be entitled to the distribution of dividends and voting rights according to the Securities and Exchange Act.

(4) Earnings allocation and dividend policy

According to the Articles of Incorporation of the Company, if there are earnings at the annual final accounts, it should be distributed in the following order:

- A. Payment of all taxes and dues.
- B. Offset operation losses.
- C. Appropriate 30% as the legal reserve.
- D. Other special surplus reserve recognized or reversed in accordance with laws and regulations or supervisory authorities.
- E. The remaining earnings shall be distributed by the Board of Directors according to the dividend policy, and reported to the shareholders' meeting.

The principle of dividend distribution of the Company is based on the business operation needs of the Company and the revision of major laws and regulations. The Board of Directors presents the proposal in the Shareholders' Meeting for resolutions with the ratio of the cash dividend moderately adjusted, which shall not be less than 1% of the total dividends. If the cash dividend per share is less than NTD 0.1, it will not be distributed.

Pursuant to the Banking Act, legal capital reserve shall be appropriated until the total sum of which has reached the total capital. Unless and until the accumulated legal capital reserve equals the paid-in capital, the maximum cash surplus which may be distributed shall not exceed 15% of the total paid-in capital. The legal reserve can be used to set off deficits. When the Company has no loss, the portion of the legal reserve exceeds 25% of the paid-in capital should be distributed as new shares or cash to shareholders proportional to their original shareholding ratio.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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According to the provisions of the Securities and Exchange Act, when the competent authorities consider it necessary, it may request the listed companies to have a certain percentage of special reserve appropriated in addition to appropriating the legal reserve lawfully at the time of distributing earnings.

When the Company distributes earnings that are distributable, an additional special reserve is appropriated for an amount equivalent to the difference between the balance of the special reserve appropriated at the first-time adoption of IFRSs and the net debit of other equity. If other stockholders' equity deductions are reversed afterward, the reversal part of net amount of the deduction of other equity and special reserve reversed may be applicable for the appropriation of earnings.

The Company complies with FSC Explanation Order No. 1090150022 issued on March 31, 2021, upon the first-time adoption of IFRS, on the transition date, for the booked unrealized revaluation increase and aggregated adjustment interest, since the exemption of IFRS 1 "First-time Adoption of IFRS" is transferred into retained earnings, the special reserve shall be recognized. Where relevant assets are subsequently used, disposed of or reclassified, the original proportion of special reserve may be reversed for the distribution of earnings.

As of January 1, 2021 and 2020, the special reserve at the first-time adoption amounted to NTD 45,549 thousand. In addition, the Company did not use, dispose of, or reclassify the relevant assets in the period from January 1 to December 31, 2021 and 2020 that caused the reversal of special reserve to the undistributed earnings. As of December 31, 2021 and 2020, the special reserve for the first time was NTD 45,549 thousand.

The 2021 and 2020 earnings appropriation and distribution and the dividend per share were proposed and resolved in the Board of Directors on February 21, 2022 and Shareholders' Meeting on May 18, 2021 as follows:

	Distribution of retained earnings		Dividends per share (NTD)	
	2021	2020	2021	2020
Legal reserve	\$1,755,271	\$1,637,705		
Special reserve	-	4,720		
Common stock cash dividends	2,354,592	2,018,222	\$2.1	\$1.8
Total	<u>\$4,109,863</u>	<u>\$3,660,647</u>		

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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Please refer to Note VI. 28 for the relevant information on the estimation basis and recognition amount of the employee compensation and the remuneration to directors and supervisors.

23. Net interest income

	2021	2020
<u>Interest revenue</u>		
Discount and loan interest income	\$4,361,497	\$4,000,178
Due from bank and interbank offered interest income	20,854	33,298
Security investment interest income	1,697,042	2,166,777
Other interest incomes	40,767	33,449
Subtotal	<u>6,120,160</u>	<u>6,233,702</u>
<u>Interest expenses</u>		
Deposits Interest expenses	(724,965)	(876,837)
Interest expense of funds borrowed from Central Bank and other banks	(37,060)	(112,169)
Interest expense of the RP bonds	(56,002)	(224,250)
Others	(3,720)	(4,031)
Subtotal	<u>(821,747)</u>	<u>(1,217,287)</u>
Total	<u>\$5,298,413</u>	<u>\$5,016,415</u>

24. Net service fee income

	2021	2020
Service fee income	\$2,051,193	\$1,903,514
Service fee expenses	(46,272)	(45,820)
Total	<u>\$2,004,921</u>	<u>\$1,857,694</u>

25. Gain (loss) on financial assets and liabilities at fair value through profit and loss

	2021	2020
Stock investment	\$1,128,937	\$1,022,488
Bond investment	(351,429)	865,277
Derivatives	191,913	79,382
Others	(7,140)	42,068
Total	<u>\$962,281</u>	<u>\$2,009,215</u>

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

26. Gain (impairment loss) on reversal of assets impairment and bad debts, commitments, and reserve reversal (appropriation) of for guarantee liability

	2021	2020
Financial assets measured at FVTOCI	\$509,204	\$(512,137)
Financial assets measured at cost after amortization	1,637	(753)
Fixed assets	82,800	-
Subtotal	593,641	(512,890)
Loan and receivables bad debt (appropriation)	(1,600,852)	(557,384)
Reserve for guarantee liability (appropriation)	(2,647)	(67,943)
Reversal (provision) of allowances for financing commitments	8,500	(11,000)
Subtotal	(1,594,999)	(636,327)
Total	\$(1,001,358)	\$(1,149,217)

Please refer to Note XIV for credit risk related information.

27. Leases

(1) The Company is a lessee

The Company leases several assets, including real estate (buildings and structures) and other equipment. The lease period for each contract is for 2-10 years.

The impacts of the lease on the Company's financial position, financial performance, and cash flow are as follows:

A. Amount recognized on the balance sheet

(a) Right-of-use assets

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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The book value of the right-of-use assets

	2021.12.31	2020.12.31
Buildings and structures	\$328,427	\$214,730
Other equipment	1,110	2,774
Total	<u>\$329,537</u>	<u>\$217,504</u>

The Company had added right-of-use assets for the amounts from January 1 to December 31, 2021 and 2020 were NTD 188,474 thousand and NTD 88,048 thousand, respectively.

(b) Lease liabilities

	2021.12.31	2020.12.31
Lease liabilities	<u>\$(333,056)</u>	<u>\$(219,898)</u>
Current	<u>\$(333,056)</u>	<u>\$(219,898)</u>

The interest expenses of the Company's lease liabilities of the Company in the year ended December 31, 2021 and 2020 were NTD 3,720 thousand and NTD 4,031 thousand, respectively. For the maturity analysis of the lease liabilities on December 31, 2021 and 2020, please refer to Note XIV. 4 "Liquidity Risk Management."

B. Amount recognized in the statements of comprehensive income

Depreciation of the right-of-use assets

	2021	2020
Buildings and structures	\$74,777	\$74,908
Other equipment	1,664	1,664
Total	<u>\$76,441</u>	<u>\$76,572</u>

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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C. The lessee and the lease activity related income, expense, and loss

	2021	2020
Short-term lease expense	\$1,844	\$1,797
Low-value asset lease expense (excluding the low-value assets lease expense of the short-term leases)	2,444	2,305

D. The lessee and the lease activity related cash outflow

The total cash outflow for the lease of the Company from January 1 to December 31, 2021 and 2020 were NTD 79,036 thousand and NTD 78,924 thousand, respectively.

28. Operating expenses

The employee benefits, depreciation, and amortization expenses are summarized by function as follows:

	2021	2020
Employee benefits expenses		
Salaries and wages	\$886,502	\$853,600
Labor insurance and national health insurance	73,204	66,082
Pension expenses	34,670	34,790
Director remuneration	17,868	16,763
Other employee benefits expenses	36,449	36,848
Depreciation	125,388	130,886
Total	\$1,174,081	\$1,138,969

The number of employees of the Company for the current year and the previous year was 971 and 960, respectively, of which 7 were directors who were not concurrently serving as employees for both years.



Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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According to the Articles of Incorporation, if the Company has earnings for the year, no less than 0.01% of the earnings should be appropriated to pay employees' remuneration and no more than 2% of the earnings should be appropriated as remuneration to directors and supervisors. However, when there are accumulated losses, an equivalent amount should be appropriated to make up for losses. The aforementioned remuneration to employees is to be paid in the form of shares or cash. Approval for such benefits should be passed by at least half of the Directors in attendance in a Board meeting attended by no less than two-thirds of all Board members. The results should be reported during Shareholders' Meeting. Please refer to the "Market Observation Post System" of the Taiwan Stock Exchange Corporation for information on employee remuneration and remuneration to directors and supervisors resolved by the Board of Directors.

Based on the Company's profit from January 1 to December 31, 2021 and 2020, the Company appropriates 0.01% of the earnings to be remuneration to employees, which were NTD 650 thousand and NTD 630 thousand, respectively, and were listed in the "salary expense" account.

The Company's Board of Directors had resolved on February 21, 2022 to distribute the 2021 remuneration to employees and the remuneration to directors and supervisors at the amount of NTD 650 thousand and NTD 0, respectively, which was not significantly different from the expenses booked in the 2021 financial report.

The Company's Board of Directors had resolved on February 22, 2021 to distribute the 2020 remuneration to employees and the remuneration to directors and supervisors at the amount of NTD 630 thousand and NTD 0 respectively, which was not significantly different from the expenses booked in the 2020 financial report.

There is no significant difference between the actual employees' remuneration and remuneration to directors and supervisors distributed in 2021 and the expenses booked in the 2020 financial report.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

29. Other comprehensive income

Other comprehensive income from January 1 to December 31, 2021 is as follows.

	Accrued in current year	Current reclassification adjustment	Other comprehensive income (loss)	Income tax gains (expenses)	After-tax amount
Items not reclassified to income:					
Gain or loss on evaluation of equity instruments at FVTOCI	\$1,193,888	\$-	\$1,193,888	\$-	\$1,193,888
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	6,972		6,972		6,972
Remeasurements of the defined benefit plan	(4,719)	-	(4,719)	566	(4,153)
Items may be re-classified subsequently to income:					
Exchange differences from the translation of financial statements of foreign operations	27,617	-	27,617	(3,314)	24,303
Gains or loss from debt instrument investment measured at FVTOCI	(1,649,955)	(1,004,100)	(2,654,055)	-	(2,654,055)
Total	<u>\$ (426,197)</u>	<u>\$ (1,004,100)</u>	<u>\$ (1,430,297)</u>	<u>\$ (2,748)</u>	<u>\$ (1,433,045)</u>

Other comprehensive income from January 1 to December 31, 2020 is as follows.

	Accrued in current year	Current reclassification adjustment	Other comprehensive income (loss)	Income tax gains (expenses)	After-tax amount
Items not reclassified to income:					
Gain or loss on evaluation of equity instruments at FVTOCI	\$375,313	\$-	\$375,313	\$-	\$375,313
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	4,122	-	4,122	-	4,122
Remeasurements of the defined benefit plan	(2,903)	-	(2,903)	349	(2,554)
Items may be re-classified subsequently to income:					
Exchange differences from the translation of financial statements of foreign operations	(3,825)	-	(3,825)	459	(3,366)
Gains or loss from debt instrument investment measured at FVTOCI	1,947,306	(207,564)	1,739,742	-	1,739,742
Total	<u>\$2,320,013</u>	<u>\$ (207,564)</u>	<u>\$2,112,449</u>	<u>\$808</u>	<u>\$2,113,257</u>

The Company's debt instrument investment measured at fair value through other comprehensive income for the year ended December 31, 2021 and 2020 are reclassified to profit or loss from the cumulative other comprehensive income at the time of de-recognition for an amount of NTD 1,004,100 thousand and NTD 207,564 thousand, respectively.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
 (Unless otherwise provided, Unit: NTD Thousand)

30. Income tax

The main composition of income tax expenses (benefit) is as follows:

Income tax recognized in the profit or loss

	<u>2021</u>	<u>2020</u>
Current income tax expenses (benefit):		
Income tax liabilities of the period	\$925,343	\$616,574
The income tax of the previous years adjusted in the current period	(20)	(1,704)
Deferred income tax expense (benefit):		
Deferred income tax expense (benefit) related to the original generation of the temporary difference and its reversal	<u>(90,729)</u>	<u>125,365</u>
Income tax expenses	<u>\$834,594</u>	<u>\$740,235</u>

Income tax recognized in the other comprehensive income

	<u>2021</u>	<u>2020</u>
Deferred income tax expense (benefit):		
Exchange differences from the translation of financial statements of foreign operations	\$3,314	\$(459)
Actuarial gain (loss) from defined benefit plan	<u>(566)</u>	<u>(349)</u>
The other comprehensive income related income tax	<u>\$2,748</u>	<u>\$(808)</u>

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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The amount of income tax expense and accounting profit multiplied by the applicable income tax rate is adjusted

	<u>2021</u>	<u>2020</u>
Net income before tax of the continuing business units	<u>\$6,464,897</u>	<u>\$6,231,201</u>
Tax amount calculated according to the domestic tax rate applicable to the income of the country concerned	\$1,292,979	\$1,246,240
Income tax effects of tax-exempt income	(1,019,255)	(432,751)
Income tax effects of non-deductible expenses on tax returns	1,882	348
Income tax effect of deferred income tax assets/liabilities	87,981	(124,557)
Basic tax adjustment	382,796	4,252
Surtax on undistributed earnings	88,231	48,407
The income tax of the previous years adjusted in the current period	<u>(20)</u>	<u>(1,704)</u>
Total income tax expense recognized in profit or loss	<u>\$834,594</u>	<u>\$740,235</u>

Deferred income tax assets (liabilities) balances related to the following items

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

2021

	Beginning balance	Recognized in the profit or loss	Recognized in the other comprehensive income (loss)	Ending balance
Temporary differences:				
Financial assets valuation measured at FVTPL	\$(248,260)	\$110,453	\$-	\$(137,807)
Allowance for bad debt	124,363	(4,916)	-	119,447
Impairment of Assets	12,370	(9,936)	-	2,434
Employees' leave benefits liabilities	3,677	138	-	3,815
Compensation payable	1,149	-	-	1,149
Reserve for guarantee liability	11,026	(682)	-	10,344
Net determined benefit liability - non-current	21,908	(4,328)	566	18,146
Conversion difference of the financial statements of foreign institutions	6,473	-	(3,314)	3,159
Gain on bargain purchase	(919)	-	-	(919)
Deferred income tax benefit		<u>\$90,729</u>	<u>\$(2,748)</u>	
Net deferred income tax assets	<u>\$(68,213)</u>			<u>\$19,768</u>
The information expressed on the balance sheet is as follows:				
Deferred tax assets	<u>\$180,966</u>			<u>\$158,494</u>
Deferred tax liabilities	<u>\$249,179</u>			<u>\$138,726</u>
Deferred income tax liabilities - land value incremental tax reserve	<u>50,135</u>			<u>50,135</u>
Total	<u>\$299,314</u>			<u>\$188,861</u>

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

2020

	Beginning balance	Recognized in the profit or loss	Recognized in the other comprehensive income (loss)	Ending balance
Temporary differences:				
Financial assets valuation measured at FVTPL	\$(85,697)	\$(162,563)	\$-	\$(248,260)
Allowance for bad debt	80,309	44,054	-	124,363
Impairment of Assets	13,941	(1,571)	-	12,370
Employees' leave benefits liabilities	3,562	115	-	3,677
Compensation payable	1,162	(13)	-	1,149
Reserve for guarantee liability	7,059	3,967	-	11,026
Net determined benefit liability - non-current	29,994	(8,435)	349	21,908
Conversion difference of the financial statements of foreign institutions	6,014	-	459	6,473
Gain on bargain purchase	-	(919)	-	(919)
Deferred income tax benefit	-	\$(125,365)	\$808	-
Net deferred income tax assets	<u>\$56,344</u>			<u>\$(68,213)</u>
The information expressed on the balance sheet is as follows:				
Deferred tax assets	<u>\$142,041</u>			<u>\$180,966</u>
Deferred tax liabilities	\$85,697			\$249,179
Deferred income tax liabilities - land value incremental tax reserve	<u>50,135</u>			<u>50,135</u>
Total	<u>\$135,832</u>			<u>\$299,314</u>

Income tax declaration and audit

The Company's income tax returns before 2019 (inclusive) had already been assessed and approved by the tax authority.

31. Earnings per share

The basic earnings per share is calculated by having the net profit attributable to the holder of the common stock shares of the parent company divided by the weighted average number of common stock shares outstanding in the current period.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

The diluted earnings per share is calculated by dividing the net profit of parent company ordinary shares by weighted average number of ordinary shares outstanding during the period, plus the weighted average number of common stock shares to be issued when all dilutive potential common stock shares were converted into common stock shares.

	2021	2020
(1) Basic earnings per share		
Net income (NTD thousands)	<u>\$ 5,630,303</u>	<u>\$ 5,490,966</u>
Weighted average number of common stock shares (thousand shares) of the earnings per share	<u>1,120,774</u>	<u>1,120,378</u>
Base earnings per share (NTD)	<u>\$5.02</u>	<u>\$4.90</u>
(2) Diluted earnings per share		
Net income (NTD thousands)	<u>\$ 5,630,303</u>	<u>\$ 5,490,966</u>
Weighted average number of common stock shares (thousand shares) of the earnings per share	1,120,774	1,120,378
Dilutive effect	<u>-</u>	<u>-</u>
Weighted average number of common stock shares (thousand shares) after adjusting the dilutive effect	<u>1,120,774</u>	<u>1,120,378</u>
Diluted earnings per share (NTD)	<u>\$5.02</u>	<u>\$4.90</u>

There was no other transaction performed to cause significant changes to the outstanding common stock shares or the potential common stock shares after the reporting period and before the release of the financial statements.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

VII. Related Party Transactions

1. Names of related parties and their relationship with the Group

<u>Name</u>	<u>Relationship with the Company</u>
Kings Town Bank International Lease Corporation	Subsidiaries of the Company
Kings Town Intl. Construction Management Corporation	Sub-subsidiary of the Company
King's Town Securities Co, Ltd.	Subsidiaries of the Company (acquired on November 3, 2020)
Chen-Chih Tai	Chairman of the Company
Chiung-Ting Tsai	Vice Chairman of the Company
Jih-Cheng Chang	President of the Company
Tiangang Investment Co., Ltd	Director of the Company
Fu Chiang Investment Co., Ltd.	Director of the Company (assumed office on May 12, 2020)
Chuan-Fu Hou	Independent Director of the Company (assumed office on May 12, 2020)
Ming-Tai Chen	Independent Director of the Company (term expired on May 12, 2020)
Chao-Long Chen	Independent Director of the Company
Hung-Liang Chiang	Independent Director of the Company
Others	Representatives of the Company's managers, incorporated directors and supervisors, and second degree of kinship and substantive stakeholders

2. Significant transactions with related parties

(1) Deposits

<u>Account Item</u>	<u>Amount</u>	<u>% of the account balance</u>
<u>2021.12.31</u>		
Deposits	\$2,077,616	0.82%
<u>2020.12.31</u>		
Deposits	\$494,315	0.22%



Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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For the deposit interest rate between the Company and its related parties, except for when the bank clerk's savings deposit amount within the prescribed limit with interest calculated according to a preferential deposit interest rate, the amount exceeding the threshold and the deposit interest rate of the other related party are same as the interest rate of the general customers.

(2) Loans

Account Item	Amount	% of the account balance
<u>2021.12.31</u>		
Loans	\$64,023	0.03%
<u>2020.12.31</u>		
Loans	\$61,691	0.03%

December 31, 2021

Type	Number of accounts or name of stakeholder	Current period maximum balance	Ending balance	Performance		Collateral contents	Difference in trading conditions and terms with non-stakeholders
				Normal loans	Non-performing loans		
Consumer loan	13	\$7,602	\$7,128	\$7,128	-	None	None
Residential mortgage Loan	7	15,845	15,610	15,610	-	Real estate	None
Other loans	Chou, OO	3,000	3,000	3,000	-	Real estate	None
Other loans	Huang, OO	700	700	700	-	Real estate	None
Other loans	You, OO	1,175	1,175	1,175	-	Certificate of Deposit	None
Other loans	Chen, OO	15,800	15,800	15,800	-	Real estate	None
Other loans	Ou, OO	9,000	9,000	9,000	-	Real estate	None
Other loans	Chen, OO	1,500	1,500	1,500	-	Certificate of Deposit	None
Other loans	Chang, OO	10,110	10,110	10,110	-	Real estate	None

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

December 31, 2020

Type	Number of accounts or name of stakeholder	Current period maximum balance	Ending balance	Performance		Collateral contents	Difference in trading conditions and terms with non-stakeholders
				Normal loans	Non-performing loans		
Consumer loan	10	\$6,281	\$6,037	\$6,037	-	None	None
Residential mortgage Loan	6	16,575	16,374	16,374	-	Real estate	None
Other loans	Chou, OO	3,000	3,000	3,000	-	Real estate	None
Other loans	Huang, OO	500	500	500	-	Real estate	None
Other loans	You, OO	1,175	1,175	1,175	-	Certificate of Deposit	None
Other loans	Chen, OO	15,800	15,800	15,800	-	Real estate	None
Other loans	Ou, OO	9,000	9,000	9,000	-	Real estate	None
Other loans	Chen, OO	2,230	2,230	2,230	-	Certificate of Deposit	None
Other loans	Hsu, OO	950	950	950	-	Certificate of Deposit	None
Other loans	Wang, OO	470	470	470	-	Certificate of Deposit	None
Other loans	Chang, OO	6,155	6,155	6,155	-	Real estate	None

(3) Leases

- 1) The rent revenue received by the Company for offices leased to the related parties for the periods from January 1 to December 31, 2021 and 2020 were NTD 1,806 thousand and NTD 888 thousand, respectively.
- 2) The rental expenses paid to the related party for the lease of the office for the periods from January 1 to December 31, 2021 and 2020 were both NTD 3,840 thousand.

- (4) The rebates paid to related parties by the Company for the periods from January 1 to December 31, 2021 and 2020 (recorded in the "statements of comprehensive income - other business and administrative expenses") are as follows.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

	2021	2020
King's Town Securities Co, Ltd.	<u>\$2,071</u>	<u>\$600</u>

(5) Guarantees: None.

(6) Derivative financial instrument transactions: None.

(7) Sale of non-performing loan: None.

(8) Remuneration of directors and key management personnel of the Company

	2021	2020
Short-term employee benefits	<u>\$48,434</u>	<u>\$34,962</u>
Retirement benefits	<u>2,100</u>	<u>1,981</u>
Total	<u>\$50,534</u>	<u>\$36,943</u>

### VIII. Pledged Assets

The Company has the following assets provided as collateral:

Item	Book value		Guaranteed debt
	2021.12.31	2020.12.31	
Financial assets measured at FVTPL	\$3,354,619	\$5,828,699	RP transaction
Financial assets measured at FVTPL			Various business reserves and collaterals
	722,109	720,194	
Financial assets measured at FVTOCI	9,797,258	18,583,715	RP transaction
Financial assets measured at FVTOCI			Funds borrowed from other banks
	1,636,713	3,906,144	
Due from the Central Bank and call loans to other banks			Funds borrowed from Central Bank and other banks
	2,000,000	2,000,000	
Total	<u>\$17,510,699</u>	<u>\$31,038,752</u>	

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) The Company has the following or various trust agents and guarantees:

	2021.12.31	2020.12.31
Receivable and collection	\$13,430,429	\$12,340,695
Receivable guarantees	10,015,515	9,057,037
Receivables from L/C	6,728	49,727
Trust and custody	39,182,570	32,554,784
Agreed financing amount	36,238,690	26,358,085

(2)

<u>Major contents</u>	<u>Contract amount</u>	<u>Amount paid</u>	<u>Amount yet to be paid</u>
Land in Guang Pu Phase II	\$423,500-\$653,400	\$21,175	\$402,325-\$632,225

X. Contents and Amount of Trust Business Handled in Accordance with the Provisions of the Trust Enterprise Act

The Company provides the trust balance sheet, income statement, and property list to the Trust Department in accordance with Article 17 of the Enforcement Rules of the Trust Enterprise Act as follows:

Balance Sheet of Trust Accounts

<u>Trust assets</u>	2021.12.31	2020.12.31	<u>Trust liabilities</u>	2021.12.31	2020.12.31
Bank deposits	\$2,860,836	\$2,442,840	Mid-term borrowings	\$4,671,230	\$4,721,230
Stock	2,651,747	2,284,733	Long-term borrowings	614,806	614,806
Funds	9,456,028	8,791,795	Payables	33,813	23,320
Real estate	23,657,805	18,613,156	Other liabilities	90,060	38,447
Other assets	407,221	276,593	Trust capital	33,754,173	27,055,583
			Reserves		
			Cumulative earnings	(130,445)	(44,269)
Total trust assets	<u>\$39,033,637</u>	<u>\$32,409,117</u>	Total trust liabilities	<u>\$39,033,637</u>	<u>\$32,409,117</u>

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Income Statement of Trust Accounts

Item	2021	2020
Trust revenue		
Interest revenue	\$861	\$977
Rent revenue	446,534	499,446
Dividend income	109,180	115,703
Unrealized capital gains	158,457	97,169
Other profits	1,164	1,807
Subtotal	<u>716,196</u>	<u>715,102</u>
Trust expenses		
Administrative expenses	(51,650)	(41,132)
Tax expenses	(32,100)	(30,412)
Interest expenses	(66,829)	(69,293)
Unrealized capital loss	(244,326)	(255,828)
Unrealized exchange losses	(251,104)	(143,472)
Appraisal fee	(3,772)	(1,620)
Remuneration fee	(2,700)	(1,200)
Other Expenses	(18,064)	(11,847)
Subtotal	<u>(670,545)</u>	<u>(554,804)</u>
Net profit before tax (loss), net	45,651	160,298
Income tax expenses	-	-
Net profit after tax (loss), net	<u>\$45,651</u>	<u>\$160,298</u>

Property Catalog of Trust Accounts

Investment	2021.12.31	2020.12.31
Bank deposits	\$2,860,836	\$2,442,840
Stock	2,651,747	2,284,733
Funds	9,456,028	8,791,795
Real estate		
Land	16,274,305	13,372,181
Buildings and structures	7,249,538	5,192,597
Construction in progress	133,962	48,378
Others	407,221	276,593
Total	<u>\$39,033,637</u>	<u>\$32,409,117</u>

The above funds accounted under the business of "handling of specific money in foreign currency trust's investment in foreign securities" of the international financial business branch on December 31, 2021 and 2020 amounted to NTD 17,722 thousand and NTD 12,544 thousand, respectively.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

XI. Significant Disaster Loss

No such event.

XII. Significant Subsequent Events

No such event.

XIII. Fair Value and Grade Information of Financial Instruments

1. Information on the fair value of financial instruments

Financial assets:

	2021.12.31		2020.12.31	
	Book value	Fair value	Book value	Fair value
Financial assets measured at FVTPL:				
Mandatorily measured at fair value through profit or loss	\$39,422,088	\$39,422,088	\$44,721,848	\$44,721,848
Financial assets measured at FVTOCI	46,442,931	46,442,931	48,717,089	48,717,089
Financial assets measured at cost after amortization:				
Debt instrument investments measured at amortized cost	18,199,019	18,199,019	18,897,382	18,897,382
Cash and cash equivalents (excluding cash on hand)	3,114,482	3,114,482	2,237,612	2,237,612
Due from the Central Bank and call loans to other banks	12,724,231	12,724,231	12,542,608	12,542,608
Bills and bonds purchased under resell agreements	-	-	200,248	200,248
Receivables	850,565	850,565	891,330	891,330
Discounts and loans	206,356,935	206,356,935	184,901,230	184,901,230
Other financial assets	776	776	363	363

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Financial liabilities:

	2021.12.31		2020.12.31	
	Book value	Fair value	Book value	Fair value
Financial liabilities measured at cost after amortization:				
Deposits from the Central Bank and other banks	\$18,451,547	\$18,451,547	\$21,117,468	\$21,117,468
Funds borrowed from Central Bank and other banks	567,450	567,450	907,650	907,650
Securities sold under agreements to repurchase	12,129,935	12,129,935	21,990,934	21,990,934
Payables	2,290,680	2,290,680	1,432,333	1,432,333
Deposits and remittances	252,815,445	252,815,445	227,147,197	227,147,197
Lease liabilities	333,056	333,056	219,898	219,898
Financial liabilities measured at fair value through profit or loss:				
Held for transaction purposes	14,692	14,692	13,062	13,062

The derivative financial instrument transactions are detailed as follows:

Item	Contract amount	Fair value
2021.12.31		
Foreign exchange contracts	\$5,937,077	\$18,347
2020.12.31		
Foreign exchange contracts	\$636,677	\$(5,693)

2. Methods and assumptions used in the fair value of financial instruments

Fair value refers to the price required or transferred to an asset in an orderly transaction between market participants on a measurement date. The methods and assumptions used by the Company to measure or disclose the fair value of financial assets and financial liabilities are as follows:

- (1) The fair value of short-term financial products is estimated based on the book value on the balance sheet. As the maturity date of such products is very close or the current collection price is equivalent to the book value, the book value is a reasonable basis for estimating the fair value. This method is applied to cash and cash equivalents, deposits at the Central Bank and inter-bank loans, RS bills and bond investments, receivables, deposits of the Central Bank and other banks, funds borrowed from Central Bank and other banks, RP bills and bond liabilities, payables, deposits and remittances, and other financial liabilities.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

- (2) For financial assets and liabilities measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, available-for-sale financial assets, and held-to-maturity financial assets, if there is a public market price available, such market price is the fair value, which refers to the closing price on the balance sheet date for the listed (OTC) equity security with a market price available, the net asset value on the balance sheet date for the fund, the closing price or reference price on the balance sheet date for the bond, and the settlement price or the counterparty's quote for the derivative financial products. If no market price is available for reference, the evaluation method is used for estimation. When the Company adopts the market price including the purchase price and the selling price, the Company will evaluate the selling (purchasing) position at the market buying (selling) price. If there is no market price available at the time of evaluation but there is the most recent market transaction price available, then the said transaction price is the fair value of such financial asset.
- (3) Discounts, loans, and deposits are all interest-bearing financial assets and liabilities, so their book value is similar to the current fair value. The book value of the collection is the estimated recovery amount net of the allowance for bad debt. Therefore, the book value is the fair value.
- (4) For debt-based instruments that are without an active market price, the fair value is determined by the counterparty's quotation or valuation method. The valuation method is based on the discounted cash flow analysis. The assumptions of interest rate and discount rate are mainly based on information related to similar instruments (for example, Taipei Exchange reference yield curve, the Reuters commercial promissory interest rate average quotation, and credit risk information).
- (5) The fair value of derivatives (including forward foreign exchange and foreign exchange transactions) is the amount that the Company is expected to obtain or pay if it wishes to terminate the contract at the agreed reporting date. The Company calculates the fair value of the position held based on the parameters or quotation information disclosed by the Reuters Information System.
- (6) The fair value of the equity instruments (e.g., private company's stock shares) that do not have a market price available is estimated with the market approach, which is with the fair value estimated with the price generated in market transactions of the same or comparable company's equity instruments and other relevant information (e.g., lack of liquidity discount factor, the profit ratio of the similar company's stock, and the input value of the similar company's stock price book ratio).

Please refer to Note XIII. 3 for the information on the fair value bracket of the Company's financial instruments.



Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

3. Fair value hierarchy

(1) The definition of the Company's three-level fair value

(a) Level I

It refers to the public offer (unadjusted) of the same financial instrument available on the active market on the measurement date. The fair value of the listed (OTC) stocks, beneficiary certificates, corporate bonds, financial bonds, convertible corporate bonds, and derivatives with a market price available invested in by the Company is classified as Level I.

(b) Level II

It refers to the observable prices other than the quote in an active market, including the observable input parameters directly (as prices) or indirectly (e.g., derived from prices) acquired from an active market. This includes the convertible corporate bonds, Taiwan Central Government bonds, and general derivatives invested by the Company.

(c) Level III

It means that the input parameters for measuring fair value are not based on information available from the market or by the quotations provided by the counterparty. This includes the unlisted stocks in which the Company invests.

For assets and liabilities that are recognized in the financial statements on a repetitive basis, the classification is re-evaluated at the end of each reporting period to determine whether there is a transfer between the fair value levels.

(2) Information on the fair value measurement levels:

The Company does not have non-repetitive assets measured at fair value. The information on the fair value level of repetitive assets and liabilities is shown below.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

2021.12.31

	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
<u>Assets measured at fair value</u>				
Financial assets measured at FVTPL				
Stock investment	\$5,321,636	\$5,321,636	\$-	\$-
Bond investment	33,627,978	163,628	33,464,350	-
Derivatives	33,039	-	33,039	-
Others	439,435	439,435	-	-
Financial assets measured at FVTOCI				
Stock investment	4,707,481	883,565	232,246	3,591,670
Bond investment	41,735,450	33,706,837	8,028,613	-
<u>Liabilities measured at fair value</u>				
Financial liabilities measured at FVTPL				
Derivatives	14,692	-	14,692	-

2020.12.31

	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
<u>Assets measured at fair value</u>				
Financial assets measured at FVTPL				
Stock investment	\$5,303,263	\$5,303,263	\$-	\$-
Bond investment	36,342,634	2,593,994	33,748,640	-
Derivatives	7,369	-	7,369	-
Others	3,068,582	3,068,582	-	-
Financial assets measured at FVTOCI				
Stock investment	3,825,805	1,076,369	56,142	2,693,294
Bond investment	44,891,284	36,573,280	8,318,004	-
<u>Liabilities measured at fair value</u>				
Financial liabilities measured at FVTPL				
Derivatives	13,062	-	13,062	-

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
 (Unless otherwise provided, Unit: NTD Thousand)

(3) Transfer between Level I and Level II fair value

From January 1 to December 31, 2021 and 2020, the Company's assets and liabilities measured at repetitive fair value did not experience any transfer between fair value Level I and II.

(4) Changes in Repetitive Fair Value Level III Statement

For the Company's liabilities measured at repetitive fair value that are categorized as Level III, adjustments from beginning to ending balance is as follows:

	Financial assets measured at FVTOCI - Stock
2021.1.1	<u>\$2,693,294</u>
Total benefits recognized in 2021:	
Recognized in other comprehensive income (reported in "Unrealized gain (loss) on investments in equity instruments measured at fair value through other comprehensive income")	889,178
Acquired in the period	9,198
2021.12.31	<u><u>\$3,591,670</u></u>

	Financial assets measured at FVTOCI - Stock
2020.1.1	<u>\$2,452,977</u>
Total benefits recognized in 2020:	
Recognized in other comprehensive income (reported in "Unrealized gain(loss) on valuation of equity instrument investments measured at fair value through other comprehensive income")	225,325
Acquired in the period	14,992
2020.12.31	<u><u>\$2,693,294</u></u>

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Significant unobservable input value information of Level III fair value

For the Company's assets measured at repetitive fair value and categorized in fair value Level III, the material unobservable input used toward fair value measurement is as follows:

Financial assets measured at FVTOCI:	Valuation technique	Significant unobservable input value	Range	Relationship between input value and fair value
Stock	Market approach	Lack of liquidity discount rate	20%~30%	The higher the lack of liquidity, the lower the estimated fair value

Evaluation process for Level III fair value

The financial instrument evaluation team of the Company's Risk Management Department is responsible for independent fair value verification. The data from an independent source is used to bring the evaluation results close to the market, to confirm that the data sources are independent, reliable, consistent with other resources, and representing executable prices, and regularly calibrate and evaluate the valuation model, performing backtracking tests, updating the input values and information required for the evaluation model, and any other necessary fair value adjustments to ensure that the valuation results are reasonable.

(5) Not measured at fair value but must disclose fair value level information

Assets in which only fair value is disclosed:	Level I	Level II	Level III	Total
<u>2021.12.31</u>				
Debt instrument investments measured at amortized cost				
Convertible certificate of deposit	\$18,199,019	\$-	\$-	\$18,199,019
<u>2020.12.31</u>				
Debt instrument investments measured at amortized cost				
Convertible certificate of deposit	\$18,897,382	\$-	\$-	\$18,897,382

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

4. Transfer of financial assets

Transferred financial assets that are not fully derecognized

In the daily trading activities of the Company, for the transferred financial assets that did not meet the overall de-recognizing conditions, most of them are RP debt securities as collateral held by the counterparty of the transaction. Such transactions are essentially secured borrowings and reflect the Company's liabilities from repurchasing the obligation of the transferred financial assets at a fixed price in the future. For such transactions, the Company is unable to use, sell, or pledge the transferred financial assets during the effective period of the transaction, but the Company still bears the interest rate risk and credit risk. Therefore, it has not been derecognized entirely.

The table below shows the financial assets not qualified under all conditions and related financial liabilities:

December 31, 2021					
Category of financial assets	Book value of transferred financial assets	Book value of related financial liabilities	Fair value of transferred financial assets	Fair value of related financial liabilities	Net fair value position
Financial assets measured at FVTPL with R/P agreement	\$3,354,619	\$3,404,498	\$3,354,619	\$3,404,498	\$(49,879)
Financial assets measured at FVTOCI with R/P agreement	9,797,258	8,725,438	9,797,258	8,725,438	1,071,820

XIV. Financial Risk Management

1. Overview

The Company uses the business growth scale to establish a capital adequacy assessment process that meets the risk profile in order to maintain adequate capital. Also, based on the overall risk exposure, the Company implements appropriate overall capital allocation, and establishes management mechanisms for various business risks in order to strengthen business performance. The risks in the businesses on and off the balance sheet, such as, credit risk, market risk, operational risk, liquidity risk, country risk, interest rate risk in the banking book, etc., are included in the Company' scope of risk management. Policies and methods are stipulated according to different risks, such as, "Credit Policy," "Rules Governing Credit Review and Authorization," "Rules Governing Risks," etc. Besides, according to the needs of the policies and methods, management guidelines were formulated, such as formulating "Regulations Governing Credit Risk," "Regulations Governing Market Risk," and "Regulations Governing Operational Risk" in accordance with the "Rules Governing Risks," which were reviewed and

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

approved by the Board of Directors in order to effectively identify, measure, communicate, and monitor various risks.

2. Risk management organizational structure

The risk management of the Company is carried out by the Risk Management Department in accordance with the risk management policy approved by the Board of Directors. The Risk Management Department works closely with business units to identify, assess, and prevent risks. The Board of Directors has a written policy for risk management that covers specific risk exposure, such as, interest rate risk, credit risk, etc. In addition, the Audit Office regularly (at least once a year) and occasionally reviews the risk management and operating procedures of the Company to ensure that the Company's risk management mechanism can be operated effectively. Also, the audit records related to various risks, such as transaction records, statements, and valuations are kept for the review of the Audit Office.

(1) Risk Management Committee

For the purpose of upgrading the risk management mechanism, improving various risks management, avoiding all possible adverse effects on the Company, and seeking maximized profits with limited risks, the Risk Management Committee is established with the President acting as the Chief Commissioner, and the department head of the Finance Department, Digital Service and Business Department, Risk Management Department, Credit Review Department, Administration Office, International Sales Department, Compliance Department, and the Business Management Department and other personnel designated by the President act as the Members of the Committee. The chief auditor may attend the Committee meeting, but is not entitled with voting rights. The Committee has a meeting held once a month with the following missions to fulfill:

- 1) Add and amend the Company's risk management policy.
- 2) Coordinate the risk management issues of the Company, such as, credit risk, market risk, and operational risk.
- 3) Review the ratio of the Company's regulatory capital to risk assets (referred to as "capital adequacy ratio").
- 4) Handle and review the major risk exposure and unauthorized events which occur.
- 5) Major issues or discussions related to risk management proposed by each unit.

- 6) Matters assigned by the Board of Directors, Chairman, and Vice Chairman.

The "Risk Management Department" is the execution unit of the Risk Management Committee and the risk management planning and management unit of the Bank. It independently monitors and manages the risks of the Bank. The department head of the Risk Management Department acts as the Executive Secretary who is appointed by the Board of Directors. The Risk Management Department is responsible for calculating and monitoring the capital adequacy, and comprehensively handles the risk management and reports to the competent authorities in accordance with various risks management guidelines. Submits a risk control report to the Committee on a quarterly basis and forwards it to the Board of Directors. Also, the Committee sets rules to control various investment positions and transaction quotas, and handles transaction clearing and settlement, such as, bank-wide fund scheduling and securities trading.

- (2) Asset and Liability Management Committee

The President of the Company is the Chief Commissioner of the Company's Asset and Liability Management Committee. The members are composed of the personnel designated by the President and the department head of the Digital Service and Business Department, the Risk Management Department, the Finance Department, and the Administration Office. In response to the domestic and foreign financial situation, the committee is responsible for adjusting the business strategy in a timely manner, maintaining liquidity, safety, and profitability, and holding regular meetings at least once a month. The main tasks are as follows:

- 1) Assess the impact of changes in domestic and foreign political and economic situations and the trend of government policies on financial business operations.
- 2) Predict the impact of domestic and foreign funds, exchange rates, interest rate trends, and other relevant financial indicators on the Company's business operations.
- 3) Assess the Company's operating performance, capital position, asset and liability risk position, and interest rate sensitivity, as well as study and adjust the best ratio of various assets and liabilities.
- 4) Assess the Company's pricing strategy for deposit and loan interest rates.
- 5) Estimate the Company's future operating performance and moderately adjust the Company's business strategy.
- 6) Matters assigned by the Board of Directors, Chairman, and Vice Chairman.

(3) Credit Review Committee

The Credit Review Committee is chaired by the President and consists of the head of the Credit Review Department, the Risk Management Department, and the Digital Service and Business Department, and the personnel designated by the President to strengthen the review and risk control of credit extensions and to ensure the Company's credits. In principle, a meeting will be held once a week to review the credit cases to be granted by the Board of Directors, and the results of the review will be presented to the Board of Directors for approval. The process and transfer of the proposals will be handled by the Credit Review Department.

(4) Investment Management Committee

In order to respond to changes in domestic and foreign financial situations, timely adjust investment strategies and control investment risks to maintain the safety and profitability of the Company's investment positions. The "Investment Management Committee" is established as the highest management unit responsible for the Company's investment business. The Investment Management Committee is chaired by the President, and the members include the head of the Finance Department and other personnel appointed by the President. The Committee has a meeting held once a month with the following missions to fulfill:

- 1) Set the Bank's investment strategies and principles according to the changes in domestic and foreign political and economic situations and the trend of government policies.
- 2) Assess whether the performance of the investment portfolio meets the expected objectives, predict the impact of changes in domestic and foreign capital situation, exchange rate, interest rate, and other relevant financial indicators on the investment position of the Company, and study whether the investment strategy should be adjusted.
- 3) Review the proportion, allocation, and reinvestment-orientation of various financial investment projects.
- 4) Review the source of funds and cost structure of the investment.

(5) Information Security Management Committee

The "Information Security Management Committee" is formed to improve the information security management system, respond to all information security-related laws and regulations, and comply with the relevant government regulations in order to reduce the risk impact and influence on the Company due to information security. The Committee has one convener appointed who is the President or an individual appointed by the President. The members are the head of the Risk Management Department, the Information Office, the Digital Service Department, the Compliance Department, and the department



head or the designated individual of the department designated by the convener. The Audit Department may attend the Committee meeting, but is not entitled with voting rights. The Committee will hold meetings from time to time as needed. The main tasks are as follows:

- 1) Propose the information security policy of the Company.
- 2) Promote the information security management system.
- 3) Assess the infrastructure of the information security management system.
- 4) Handle and review major information security incidents.
- 5) Major issues or discussions related to information security proposed by each unit.
- 6) Discussion of other information security issues.

### 3. Credit Risk

#### (1) Source and definition of credit risk

Credit risk refers to the risk of default loss caused by the borrower or counterparty due to the poor business condition or other factors (such as, disputes between the company and its counterparty), resulting in the borrower or counterparty not fulfilling its contractual obligations. The sources of credit risk included on- and off-balance sheet items. For the Company's credit risk exposure, the items on the balance sheet mainly come from discounts and loans, deposits and interbank lending, debt instrument investments and derivatives, and etc. The off-balance sheet items are mainly guarantees, letters of credit, loan commitments, etc.

#### (2) Credit risk management policies

The Company's written credit risk management strategy is prepared as a guideline for the credit operating procedure. Also, the relevant policies and operational guidelines are set up to ensure that the strategy can be implemented continuously and effectively in order to maintain rigorous loan granting standards, monitor credit risk, assess possible business opportunities, and identify and manage non-performing loans. The scope of management includes: ① Various credit risks (including individual credit cases, overall credit check, credit extension, non-performing loans, etc.) and credit risk offset instruments, such as, collateral and guarantee, of the businesses on and off the balance sheet. ② A credit risk related product or position of the banking book or transaction book.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

In order to maintain a safe and sound credit extension business and control credit risk, the "Regulations Governing Credit Risk" was formulated to establish a credit risk control mechanism when planning various businesses in order to implement the procedures of identification, measurement, communication, and monitoring. Under the hierarchical organization structure of credit management, each level shall, in accordance with the "Rules Governing Credit Review and Authorization," strictly execute case review within the authority to ensure the quality of credit assets. The Group also formulated the "Directions for Credit Review and Implementation," and the Credit Review Department is authorized by the Head Office in handling related matter to strengthen post-loan management, in aim to effectively control credit risk.

The credit risk management procedures and measurement methods for each major business of the Company are described below:

1) Credit extension (including loan commitments and guarantees)

The classification of credit assets and credit quality rating are described as follows:

A. Credit asset classification

The Company's credit assets are classified into five categories. Except that the normal credit assets are classified as Tier 1, the non-performing credit assets are evaluated according to the loan guarantee status and the length of time overdue, which are classified as Tier 2 "Special Mention," Tier 3 "Expected to be Recovered," Tier 4 "Doubtful," and Tier 5 "Losses." The Company has formulated the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" to establish the internal processing systems and procedures for asset quality assessment, appropriation of loss reserve, collection of overdue loans, and liquidation of bad debts. Also, it is handled in accordance with the requirements of the competent authorities and the Company. In order to speed up the liquidation of non-performing loans and reduce overdue loans, the Company has the "Rules Governing Non-Performing Loans" formulated to realize a sound financial structure and to enhance asset and liability management.

B. Credit quality rating

The Company has formulated the "Corporate Finance and Consumer Finance Business Classification" according to the business characteristics and scales. The directions for credit rating are formulated for corporate account holders and individual account holders. The credit rating scores of the debtors are classified into 10 grades (C1~C10), which is an internal credit rating and it is used for risk management. The credit rating is used as reference for credit approval and as reference in determining credit conditions. Those with a poor credit rating are subject to higher credit review frequency.

2) Deposit and inter-bank lending

The Company evaluates the credit status of the counterparty before the transaction is initiated. Before the end of each year, the Company determines the NTD and foreign currency loan limits according to domestic and foreign financial interbank credit ratings. And such matters are submitted to the Credit Review Committee for review and reported to the Board of Directors for approval.

3) Debt instrument investment and derivative financial instruments

The Company's credit risk management of debt instrument is to identify credit risk through the credit rating of debt instrument by domestic and international credit rating agencies, bond guarantee institutions, country risks, and counterparty risk. For the financial institutions that initiate investments in the Company's derivative financial product transactions, set the ceiling of the financial transaction amount by the nature of the counterparty and the credit rating in accordance with the "Regulations Governing Derivatives Transactions Quota."

(3) Credit risk hedge or mitigation policy

1) Collateral

The Company adopts the methods of stipulation of credit limit restrictions, collection of collateral, and the guarantor or the transfer of the credit guarantee fund to reduce the credit risk for credit business in order to strengthen the credit claim of the Company. The Group has formulated The Rules Governing Collateral Appraisal and related procedural guidelines and regulations for regulating acceptable types of collateral and the valuation, management, and disposal of collateral, in order to ensure the Group's credit claim. The Company has formulated the creditor's right security clauses, collateral clauses, and offset clauses, which clearly define that in an event of credit, the credit limit may be reduced, repayment period may be reduced or deemed to be fully due, or the debt may be offset by debtor's deposit at the Company to reduce the credit risk.

The Group carries out on-site appraisal of the collateral on a regular basis or at any time. The Group carries out credit check or revaluation of collaterals according to the status of credit granting accounts. The Group also evaluates the degree of guarantee provided by debtor and the legal effectiveness of the guarantor in order to ensure the security of credit.

2) Credit risk limit and credit risk concentration control

The Company has the "Credit Policy" formulated to properly plan and control the credits of the same natural person, the same legal person, the same public enterprise, the same related party, the same associate, and the same group. Set the ceiling (the same public enterprise shall not exceed the net value of the Company, and the ceiling of the same group enterprise shall be adjusted and approved according to its credit rating and prospect) of the ratio to the net value of the Company for each entity in order to control the single credit risk and improve the efficiency of fund utilization. For the ratio of total credit balance of the same industry to the total credit balance of the Company, the ceiling will be approved according to the industry and the overall economy and by referring to the non-performing loan ratio of the industry and future economy. In order to strengthen the credit risk control of each industry overseas and in Mainland China, the respective limit is stipulated accordingly. For the ratio of the total credit balance secured by residential real estate to the total credit balance of the Company, it is divided into the categories of housing repair and working capital limit control by the intended use of funds. Also, the credit-orientation is dynamically adjusted to hedge the overall risk and to avoid excessive credit risk concentrations.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

3) Master netting arrangement

The Company's transactions are usually cleared on a gross amount and the Company agrees with the counterparties upon the clearing method, or all transactions with the counterparty are terminated with a net amount clearing arranged in the event of default in order to further reduce the credit risk.

(4) Maximum credit risk exposure

The maximum credit risk exposure of the assets stated in the balance sheet without the consideration of collaterals or other reinforced credit instruments approximate their book value. The maximum credit risk exposure amount (excluding collateral or other credit enhancement instruments, and irrevocable maximum risk exposure amount) associated with off-balance sheet items is as follows:

Off-balance sheet items	Maximum credit risk exposure amount	
	2021.12.31	2020.12.31
Customer's developed and irrevocable loan commitments	\$36,238,690	\$26,358,085
Customer's outstanding letters of credit amount	16,154	18,287
Guarantee payments	10,015,515	9,057,037
Total	\$46,270,359	\$35,433,409

(5) The financial information related to asset on balance sheet, off-balance sheet collateral held as guarantees, master netting arrangement and other credit enhancements, that have impact on maximum credit risk exposure amount are shown below:

December 31, 2021	Collateral	Master netting arrangement	Total
<u>On-balance sheet items</u>			
Discounts and loans	\$144,511,449	\$ -	\$144,511,449
<u>Off-balance sheet items</u>			
Customer's developed and irrevocable loan commitments	15,222,090	-	15,222,090
Customer's outstanding letters of credit amount	-	-	-
Guarantee payments	4,689,067	-	4,689,067
Total	\$164,422,606	\$ -	\$164,422,606

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

December 31, 2020	Collateral	Master netting arrangement	Total
<u>On-balance sheet items</u>			
Discounts and loans	\$135,382,209	\$ -	\$135,382,209
<u>Off-balance sheet items</u>			
Customer's developed and irrevocable loan commitments	9,624,965	-	9,624,965
Customer's outstanding letters of credit amount	3,000	-	3,000
Guarantee payments	4,435,540	-	4,435,540
Total	<u>\$149,445,714</u>	<u>\$ -</u>	<u>\$149,445,714</u>

The Company's management assesses and believes that the credit risk exposure amount of the off-balance sheet items could be controlled and minimized continuously because the Company has adopted a more stringent selection process during the credit approval and subsequent periodic review.

(6) Status of credit risk concentration

When a financial instrument counterparty is significantly concentrated on one person, or a financial instrument has several counterparties who are mostly engaging in similar business activities and have similar economic characteristics, so that their ability to perform contracts is affected by economic or other conditions in a similar manner, there is a significant concentration of credit risk.

The Company's credit risk concentration is derived from assets, liabilities, or off-balance sheet items, which are generated through transactions (regardless of products or services) performance or implementation, or a combination of cross-category risk exposure, including credit, deposit and inter-bank lending, marketable securities investments, receivables, and derivatives. There are no significant signs showing that the Company has trading concentrated on a single customer or single transaction counterparties. The total amounts of transaction with single customers or single transaction counterparties does not account for a significant part in the Company's discounts and loans and collection amount. The Company has the credit risk of the discount, loans, and collections illustrated by the industry, region, and collateral as follows:

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

1) Industry

Industry	2021.12.31		2020.12.31	
	Amount	%	Amount	%
I. Private enterprises	\$158,300,965	76	\$143,012,218	76
II. Government agencies	-	-	-	-
III. Non-profit groups	232,055	-	155,410	-
IV. Private	50,993,704	24	44,674,901	24
V. Financial institutions	-	-	-	-
Total	\$209,526,724	100	\$187,842,529	100

2) By region

The Company's main business is conducted in Taiwan and there is no significant concentration of credit risk by region.

3) Collateral categories

Collateral categories	2021.12.31		2020.12.31	
	Amount	%	Amount	%
Unsecured	\$65,015,275	31	\$52,460,320	28
Secured				
- Financial collateral	27,679,616	13	19,490,849	10
- Accounts Receivable	-	-	-	-
- Real estate	105,152,750	50	102,855,828	55
- Guarantee	5,714,758	3	5,849,882	3
- - Other collaterals	5,964,325	3	7,185,650	4
Total	\$209,526,724	100	\$187,842,529	100

(7) Analysis of the Company's financial assets that is overdue but without impairment

The Company had no financial assets that were overdue without impairment as of December 31, 2021 and 2020.

(8) Judgment of the Company's credit risk that has increased significantly since the original recognition

Credit extension

The Company assesses the change in the risk of default in the expected duration of each type of credit asset on each reporting date to determine whether the credit risk has increased significantly since the original recognition. For the purpose of this assessment, the Company considers the information that evidences the significant and reasonable increase of credit risk (including forward-looking information) since the original recognition. The main considerations include:

1) Quantitative indicators:

If the contract is overdue for more than 30 days on the reporting date, it is concluded that the credit risk has increased significantly since the original recognition.

2) Qualitative indicators:

The Group evaluates based on the following criteria on the reporting date. If any of the following criteria are met, it is determined that the credit risk has increased significantly since the original recognition.

- a. The records of bounced checks of the debtors reported by the Group.
- b. The dishonored accounts announced by Taiwan Clearing House.
- c. People whose collateral at the Bank is held by compulsory enforcement by other banks.
- d. Informed of the incident that the debtors have applied for reorganization of their debts at other financial institutions when handling post-loan management procedures such as review or follow-up assessment.
- e. Listed as a receivable on demand or written-off of bad debts.
- f. Informed of the incident that the public certified accountants had issued an opinion on the financial statements of the debtors with a concern over the continuing operation of the audited debtors when implementing the post-loan management procedures of review, tracking, and assessment.
- g. Informed of other non-performing loans of the debtors.

This assumption that "if the credit risk is determined to be low, the credit risk can be deemed to have no significant increase since the original recognition" is not applicable to various credit assets of the Company.



#### Debt instruments

The Company assesses the change in the risk of default in the expected duration of each type of debt instrument on each reporting date to determine whether the credit risk has increased significantly since the original recognition. For the purpose of this assessment, the Company considers the changes in credit rating that indicates the main evaluation indicator is a quantitative indicator since the original recognition. When the credit rating on each reporting date is lower to an extent than the credit rating on the original recognition date, it is determined that the credit risk has increased significantly since the original recognition.

This assumption that "if the credit risk is determined to be low, the credit risk can be deemed to have no significant increase since the original recognition" is not applicable to various debt instrument the Company.

#### (9) Definition of the Company's default and credit impairment financial assets

##### Credit extension

The Company's definition of default on various types of credit assets is the same as the default and credit impairment of each type of credit assets. If one or more of the following conditions are met, the Company determines that the various types of credit assets have been defaulted with credit impairment resulted:

##### 1) Quantitative indicators

If the contract is overdue for more than 90 days on the reporting date, it is concluded that default and credit impairment have occurred.

##### 2) Qualitative indicators

The Group evaluates based on the following criteria on the reporting date. If the matter shows objective evidence of impairment (i.e., agreement, bail-out, rehabilitated, etc.), it is determined that default and credit impairment have occurred.

##### Debt instruments

The Company's definition of default on a debt instrument is the same as the credit impairment of a debt instrument. If one or more of the following conditions are met, the Company determines that the debt instrument has defaulted with credit impairment:

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

1) Quantitative indicators

If the credit rating on each reporting date reaches the default level, it is determined as defaulted with credit impairment.

2) Qualitative indicators

The Group evaluates based on the following criteria on the reporting date. If any of the following criteria are met, it is determined that default and credit impairment have occurred.

- a. An event of default occurred.
- b. The issuer's significant financial difficulties.
- c. The issuer is likely to apply for bankruptcy or other financial.

The aforementioned definition of default and credit impairment is applicable to all financial assets held by the Company and is consistent with the definitions used for the internal credit risk management purposes of the financial assets and are applied to the relevant impairment assessment model.

If the financial assets on the reporting date no longer meet the definition of default and credit impairment, they are concluded to be in the status of performance and are no longer regarded as financial assets that have defaulted with credit impairment.

(10) Write-off policy

When the Company cannot reasonably expect the financial assets to be recovered entirely or partially, it will write off the whole or part of the financial assets in a timely manner in accordance with the requirements of the competent authorities and in line with the Company's asset quality policy.

(11) Measurement of expected credit loss

For the purpose of assessing expected credit losses, the Company classifies financial assets into the following combinations according to the credit asset/debt instrument categories, credit ratings, and subject matter claim order:

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Credit asset/debt instrument category	Definition
Corporate banking loan	Grouped by risk characteristics, company size, and credit category
Consumer banking loan	Grouped by product category, loan type, etc.
Corporate bonds and financial bonds	Classified by long-term issuer rating (mainly Moody's) and subject matter claim order
Government bonds and Central Bank's convertible certificate of deposit	Classified by sovereign rating (mainly Moody's) and subject matter claim order

For the financial instruments that have not significantly increased in credit risk (Stage 1) after the original recognition, the Company measures the allowance for loss of the financial instrument according to the expected credit loss amount within 12 months. For the financial instruments with significant increase in credit risk after the original recognition (Stage 2) or with credit impairment (Stage 3), it is measured by the expected credit loss amount of the duration.

In order to measure the expected credit losses, the Company while considering the probability of default (PD) of the borrower/issuer in the next 12 months and the duration includes the loss given default (LGD) and has it multiplied by the exposure at default (EAD), taking into account the impact of the time value of money to calculate the expected credit losses for 12 months and the duration. However, for the off-balance sheet credit assets, it must be multiplied by the credit conversation factor (CCF) that is regulated with the "standardized approach" of Basel II.

The probability of default (PD) and loss given default (LGD) used in the impairment assessment of the Company's credit business/investment business are adjusted and calculated according to the internal and external information of each combination and based on current observable information and forward-looking macro-economic information (e.g. global economic growth rate, inflation rate, etc.).

The Company assesses the amount of financial asset default risk on the reporting date. In addition, based on internal and external information, the Company considers the financial assets to be used within 12 months after the reporting date and the amount expected to be used in order to determine the default risk exposure amount for the calculation of the expected credit loss.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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There was no significant change in the estimation techniques or material assumptions that were used in 2021 to assess the expected credit loss.

(12) Consideration of prospective information

The Company uses archive data to analyze and identify the economic factors that affect the credit risk and expected credit losses of each asset portfolio, and estimates the impairment parameters after prospective adjustment based on the regression model or imputation adjustment method. The relevant economic factors and their impact on PD and LGD vary according to the type of financial instruments.

The relevant economic factor of credit assets identified by the Company in 2021 was the economic growth rate. The relevant economic factors of debt instrument identified by the Company in 2021 were the global economic growth rate and inflation rate.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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(13) Allowance for loss

Changes in allowances for bad debts related to discount and loan

Changes in the allowances for bad debts related to discounts and loans for the period from January 1 to December 31, 2021 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Expected credit losses of the duration (financial assets with non- purchased or originated credit impairment)	Expected credit losses of the duration (financial assets with purchased or originated credit impairment)	Impairment appropriated according to IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non- accrual Loans"	Total
Beginning balance	\$142,428	\$2,352	\$-	\$111,216	\$-	\$255,996	\$2,685,303	\$2,941,299
Changes in financial instruments recognized at the beginning of the period:								
- Converted to expected credit losses of the duration	(1,022)	4,815	-	-	-	3,793	-	3,793
- Converted to financial assets with credit impairment	(19)	(20)	-	9,300	-	9,261	-	9,261
- Converted to 12-month expected credit loss	1	(3)	-	-	-	(2)	-	(2)
- Financial assets derecognized in the current period	(72,082)	(457)	-	(95,083)	-	(167,622)	-	(167,622)
Purchased or originated new financial assets	169,763	2,986	-	2,188,534	-	2,361,283	-	2,361,283
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/Non-accrual Loans"	-	-	-	-	-	-	212,641	212,641
Write-off bad debts	-	-	-	(2,184,623)	-	(2,184,623)	-	(2,184,623)
Recovered amount after write-off bad debts	-	-	-	1,106,936	-	1,106,936	-	1,106,936
Other Changes (Note)	-	-	-	(1,106,936)	-	(1,106,936)	-	(1,106,936)
Changes in exchange rate	-	-	-	-	-	-	(6,241)	(6,241)
Ending balance	<u>\$239,069</u>	<u>\$9,673</u>	<u>\$-</u>	<u>\$29,344</u>	<u>\$-</u>	<u>\$278,086</u>	<u>\$2,891,703</u>	<u>\$3,169,789</u>

Note: Due to the changes in allowance for bad debt are not affected by the recovered amount after write-off bad debts, which is fairly represented, the same amount is deducted from other changes.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Changes in the allowances for bad debts related to discounts and loans for the period from January 1 to December 31, 2020 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Expected credit losses of the duration (financial assets with non-purchased or originated credit impairment)	Expected credit losses of the duration (financial assets with purchased or originated credit impairment)	Impairment appropriated according to IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Total
Beginning balance	\$341,497	\$2,232	\$-	\$121,436	\$-	\$465,165	\$1,802,583	\$2,267,748
Changes in financial instruments recognized at the beginning of the period:								
- Converted to expected credit losses of the duration	(1,042)	402	-	-	-	(640)	-	(640)
- Converted to financial assets with credit impairment	-	(34)	-	3,205	-	3,171	-	3,171
- Converted to 12-month expected credit loss	-	(16)	-	-	-	(16)	-	(16)
- Financial assets derecognized in the current period	(279,891)	(478)	-	(76,963)	-	(357,332)	-	(357,332)
Purchased or originated new financial assets	81,864	246	-	341,174	-	423,284	-	423,284
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	-	-	890,589	890,589
Write-off bad debts	-	-	-	(277,636)	-	(277,636)	-	(277,636)
Recovered amount after write-off bad debts	-	-	-	393,161	-	393,161	-	393,161
Other Changes (Note)	-	-	-	(393,161)	-	(393,161)	-	(393,161)
Changes in exchange rate	-	-	-	-	-	-	(7,869)	(7,869)
Ending balance	\$142,428	\$2,352	\$-	\$111,216	\$-	\$255,996	\$2,685,303	\$2,941,299

Note: Due to the changes in allowance for bad debt are not affected by the recovered amount after write-off bad debts, which is fairly represented, the same amount is deducted from other changes.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Changes in the total book value of discount and loan

Changes in the total book value for the period from January 1 to December 31, 2021 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Expected credit losses of the duration (financial assets with non- purchased or originated credit impairment)	Expected credit losses of the duration (financial assets with purchased or originated credit impairment)	Total
Beginning balance	\$186,504,097	\$1,084,368	\$-	\$254,064	\$-	\$187,842,529
Converted to expected credit losses of the duration	(1,907,139)	1,879,149	-	-	-	(27,990)
Converted to financial assets with credit impairment	(38,902)	(8,727)	-	35,338	-	(12,291)
Transferred out from the financial assets with credit impairment	6,463	(8,051)	-	-	-	(1,588)
Discount and loan assessed collectively	-	-	-	-	-	-
Originated or purchased discounts and loans	124,419,175	662,782	-	14,536	-	125,096,493
Write-off bad debts	-	-	-	(2,184,623)	-	(2,184,623)
Derecognition	(102,557,676)	(606,183)	-	1,978,053	-	(101,185,806)
Changes resulting from modifications that do not result in derecognition	-	-	-	-	-	-
Other Changes	-	-	-	-	-	-
Ending balance	<u>\$206,426,018</u>	<u>\$3,003,338</u>	<u>\$-</u>	<u>\$97,368</u>	<u>\$-</u>	<u>\$209,526,724</u>

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Changes in the total book value for the period from January 1 to December 31, 2020 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Expected credit losses of the duration (financial assets with non- purchased or originated credit impairment)	Expected credit losses of the duration (financial assets with purchased or originated credit impairment)	Total
Beginning balance	\$156,744,815	\$595,799	\$-	\$277,812	\$-	\$157,618,426
Converted to expected credit losses of the duration	(438,692)	356,533	-	-	-	(82,159)
Converted to financial assets with credit impairment	-	(11,854)	-	11,315	-	(539)
Transferred out from the financial assets with credit impairment	6,245	(7,658)	-	-	-	(1,413)
Discount and loan assessed collectively	-	-	-	-	-	-
Originated or purchased discounts and loans	110,317,437	377,865	-	96,953	-	110,792,255
Write-off bad debts	-	-	-	(277,636)	-	(277,636)
Derecognition	(80,125,708)	(226,317)	-	145,620	-	(80,206,405)
Changes resulting from modifications that do not result in derecognition	-	-	-	-	-	-
Other Changes	-	-	-	-	-	-
Ending balance	<u>\$186,504,097</u>	<u>\$1,084,368</u>	<u>\$-</u>	<u>\$254,064</u>	<u>\$-</u>	<u>\$187,842,529</u>



Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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Changes in expected credit losses of the financial assets - debt instrument measured at fair value through other comprehensive income by the Company are as follows:

Financial assets at fair value through other comprehensive income - allowance for losses	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Expected credit losses on January 1, 2021	\$37,007	\$573,734	\$-	\$-	\$610,741
Changes arising from the recognition of financial instruments on January 1, 2021					
Converted to expected credit losses of the duration	-	-	-	-	-
Converted to financial assets with credit impairment	-	-	-	-	-
Converted to 12-month expected credit loss	-	-	-	-	-
Financial assets derecognized in the current period	(4,932)	(358,875)	-	-	(363,807)
Purchased or originated new financial assets	3,150	14,124	-	-	17,274
Changes in model/risk parameters	(19,794)	(143,809)	-	-	(163,603)
Other changes and exchange rate changes	(889)	(6,165)	-	-	(7,054)
Expected credit losses on December 31, 2021	<u>\$14,542</u>	<u>\$79,009</u>	<u>\$-</u>	<u>\$-</u>	<u>\$93,551</u>

Financial assets at fair value through other comprehensive income - allowance for losses	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Expected credit losses on January 1, 2020	\$32,546	\$104,030	\$-	\$-	\$136,576
Changes arising from the recognition of financial instruments on January 1, 2020					
Converted to expected credit losses of the duration	(7,302)	547,419	-	-	540,117
Converted to financial assets with credit impairment	-	-	-	-	-
Converted to 12-month expected credit loss	-	-	-	-	-
Financial assets derecognized in the current period	(4,341)	(79,581)	-	-	(83,922)
Purchased or originated new financial assets	9,578	-	-	-	9,578
Changes in model/risk parameters	7,594	3,164	-	-	10,758
Other changes and exchange rate changes	(1,068)	(1,298)	-	-	(2,366)
Expected credit losses on December 31, 2020	<u>\$37,007</u>	<u>\$573,734</u>	<u>\$-</u>	<u>\$-</u>	<u>\$610,741</u>

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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Changes in the total book value of the Company's financial assets - debt instrument measured at fair value through other comprehensive income are further explained as follows:

Financial assets measured at FVTOCI - total book value	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Total book value on January 1, 2021 (Note)	\$35,309,521	\$5,168,091	\$-	\$-	\$40,477,612
Converted to expected credit losses of the duration	-	-	-	-	-
Converted to financial assets with credit impairment	-	-	-	-	-
Transferred out from the financial assets with credit impairment	-	-	-	-	-
Financial assets assessed collectively	-	-	-	-	-
Purchased or originated new financial assets	7,792,463	345,239	-	-	8,137,702
Financial assets derecognized in period	(4,799,702)	(3,605,133)	-	-	(8,404,835)
Changes resulting from modifications that do not result in derecognition	-	-	-	-	-
Other changes and exchange rate changes	(701,749)	(50,088)	-	-	(751,837)
Total book value on December 31, 2021 (Note)	<u>\$37,600,533</u>	<u>\$1,858,109</u>	<u>\$-</u>	<u>\$-</u>	<u>\$39,458,642</u>

Note: The total book value does not include evaluation adjustments.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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Financial assets measured at FVTOCI - total book value	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Total book value on January 1, 2020 (Note)	\$43,244,481	\$1,929,367	\$-	\$-	\$45,173,848
Converted to expected credit losses of the duration	(5,012,696)	4,740,147	-	-	(272,549)
Converted to financial assets with credit impairment	-	-	-	-	-
Transferred out from the financial assets with credit impairment	-	-	-	-	-
Financial assets assessed collectively	-	-	-	-	-
Purchased or originated new financial assets	7,823,112	-	-	-	7,823,112
Financial assets derecognized in period	(9,605,812)	(1,477,358)	-	-	(11,083,170)
Changes resulting from modifications that do not result in derecognition	-	-	-	-	-
Other changes and exchange rate changes	(1,139,564)	(24,065)	-	-	(1,163,629)
Total book value on December 31, 2020 (Note)	<u>\$35,309,521</u>	<u>\$5,168,091</u>	<u>\$-</u>	<u>\$-</u>	<u>\$40,477,612</u>

Note: The total book value does not include evaluation adjustments.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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The allowance for loss of the Company's receivables is measured with the expected credit loss amount of the duration. The assessment of the allowance for loss on December 31, 2021 and 2020 is described as follows:

The Company's receivables are not overdue. Counterparties are companies with the considerations of their credit rating, regional, and industrial factors. Also, measure the allowance for loss with the provision matrix. For the total book value were NTD 855,199 thousand and NTD 919,646 thousand, respectively, the allowance for loss is measured with an expected credit loss rate of 0%~5%, so it is for an amount of NTD 4,634 thousand and NTD 28,316 thousand, respectively.

Changes in allowances or loss of notes and accounts receivables of the Company in 2021 and 2020 are as follows:

	<u>Receivables</u>
2021.1.1	\$28,316
Amount appropriated (reversed) in current period	(29,793)
Write-off amount	(682)
Recovery of write-off amount	6,793
2021.12.31	<u>\$4,634</u>
2020.1.1	\$30,018
Amount appropriated (reversed) in current period	(8,511)
Write-off amount	(1,702)
Recovery of write-off amount	8,511
2020.12.31	<u>\$28,316</u>

- (14) The Company's financial assets with the maximum credit risk exposures as of December 31, 2021 and 2020 amounted to NTD 247,998,834 thousand and NTD 229,181,773 thousand, respectively. These include financial assets measured at fair value through other comprehensive income and discounts and loans.
- (15) The maximum credit risk exposure amount of the financial instruments that are not subject to impairment requirements is as follows:

	<u>2021.12.31</u>	<u>2020.12.31</u>
Financial assets measured at FVTPL		
Debt instruments	\$33,627,978	\$36,342,634
Derivatives	33,039	7,369

(16) Collateral and other credit enhancements

The Company adopts a series of policies and measures for the credit business to reduce credit risk, one of the commonly used methods is to request the borrower to provide collateral. For the collateral assessment management and loan collateral value calculation, the Company has procedures for the range of collateral collected, the valuation, management, and disposal of collateral formulated to ensure loans. The main types of collateral for the Company's financial assets are as follows:

- Real estate mortgage: The loan amount is set separately according to the location of the real estate. For larger amount or special products, the public appraisers are entrusted to perform price evaluation.
- Stocks: The reasonable loan amount and evaluation criteria are formulated by the conditions of listing, OTC, emerging market, and unlisted stocks.
- Property: An appropriate loan amount is determined according to the nature of disposition and cost.
- Certificate of Deposit: Mainly refers to the Bank's certificate of deposit in foreign currency.
- Credit insurance: It is handled with credit insurance for small and medium-sized enterprises.
- Rights pledge: Special rights, such as, land rights and creditor's rights are judged separately on a case-by-case basis.

The credit contract states the creditor's right security clauses and collateral clauses, which clearly define that in an event of credit, the credit limit may be reduced, repayment period may be reduced or deemed to be fully due, and others to reduce the credit risk.

The collateral of other non-credit business is subject to the nature of the respective financial instrument. Only asset-based securities and other similar financial instruments are secured by a group of asset-based financial instruments.

The Company's collateral policy has no significant change occurring on the balance sheet date and there has been no significant change in the quality of the overall collateral.

The Company closely observes the value of collateral for financial instruments and considers the impairment to be appropriated for the financial assets with credit impairment occurred. The financial assets with credit impairment are as follows:

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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	Total book value	Provision for impairment	Total exposure (cost after amortization)
Impaired financial assets:			
Discounts and loans	\$86,605	\$22,777	\$63,828
Total financial assets with impairment	<u>\$86,605</u>	<u>\$22,777</u>	<u>\$63,828</u>

#### 4. Liquidity Risk

##### (1) Sources and definitions of liquidity risk

The definition of the Company's liquidity risk refers to the possible financial losses due to the inability of having assets cashed or obtaining loans to have the funds needed to liquidate the financial liabilities, for example, depositors' terminating deposits before the maturity date, financing channels and conditions for inter- bank lending become worse or difficult due to specific market influences. Also, the debtor's credit default situation has deteriorated, which makes the recovery of funds abnormal and the realization of financial instruments difficult. The aforementioned circumstances may weaken the Company's source of cash for financial activities, such as, loans, trading, and investment. In some extreme situation, the lack of liquidity may result in a decline in the position of the balance sheet, the sale of the asset, or the failure in meeting the borrowing commitment. Liquidity risk exists in the inherent risks of all banking operations and may be affected by various industry-specific or market-wide events, including but not limited to: credit events, mergers or acquisitions, systemic impact, and natural disasters.

##### (2) Liquidity risk management policy

The liquidity management procedures of the Company are executed separately in the Finance Department and the Risk Management Department. However, the branches are required to notify the Finance Department of the funding gap for the unified control of the Finance Department and are monitored by the independent Risk Management Department. The procedures include:

- 1) Schedule daily finds, monitor future cash flows to ensure the fulfillment of various needs.
- 2) Maintain an appropriate amount of high liquidity assets that can be easily realized to buffer unforeseen and unexpected events that may interrupt cash flow.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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Monitor the liquidity ratio of the consolidated balance sheet in accordance with the internal management purposes and external regulatory requirements.

The monitoring process is based on the measurement and speculation of the flow of funds one day and one month in the future (such period is used by the Company for the management of liquidity risk). The estimation of future cash flows begins with an analysis of the contractual maturity date of financial liabilities and the expected cash realization date of financial assets. The Risk Management Department of the Company also monitors the extent and pattern of contingent liabilities, such as mid-term and long-term borrowing commitments, discount quotas, and guarantee letters.

Relevant information is regularly reported to the Company's Risk Management Committee and the Board of Directors.

- (3) Regarding the financial liabilities held for the purpose of managing the liquidity risk, the due date of the Company's financial liability contracts is summarized in the table below. The amounts disclosed in the table are based on the contractual cash flows, so the amount disclosed in some of the projects does not correspond to the related items on the individual balance sheet.

2021.12.31

	Not more than 1 month	1~3 months	3 months ~ 1 year	More than 1 year	Total
<u>Non-derivative financial liabilities</u>					
Deposits from the Central Bank and other banks	\$18,451,547	\$-	\$-	\$-	\$18,451,547
Funds borrowed from Central Bank and other banks	-	-	567,450	-	567,450
Securities sold under agreements to repurchase	10,756,935	1,373,000	-	-	12,129,935
Deposits and remittances	24,754,900	32,893,201	87,413,803	107,753,541	252,815,445
Lease liabilities (Note)	6,668	13,387	59,571	270,391	350,017
<u>Derivative financial liabilities</u>					
Derivative financial liabilities measured at FVTPL					
Foreign exchange derivatives					
Cash outflow	\$5,437,804	\$554,660	\$-	\$-	\$5,992,464
Cash inflow	5,424,052	553,720	-	-	5,977,772
Net cash flow	<u>\$(13,752)</u>	<u>\$(940)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(14,692)</u>

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2020.12.31

	Not more than 1 month	1~3 months	3 months ~ 1 year	More than 1 year	Total
<u>Non-derivative financial liabilities</u>					
Deposits from the Central Bank and other banks	\$21,117,468	\$-	\$-	\$-	\$21,117,468
Funds borrowed from Central Bank and other banks	-	895,450	12,200	-	907,650
Securities sold under agreements to repurchase	15,960,934	4,030,000	2,000,000	-	21,990,934
Deposits and remittances	18,926,629	26,012,870	84,603,398	97,604,300	227,147,197
Lease liabilities (Note)	6,554	13,094	53,479	239,561	312,688
<u>Derivative financial liabilities</u>					
Derivative financial liabilities measured at FVTPL					
Foreign exchange derivatives					
Cash outflow	\$649,739	\$-	\$-	\$-	\$649,739
Cash inflow	636,677	-	-	-	636,677
Net cash flow	<u>\$(13,062)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(13,062)</u>

Note 1. Further information on the maturity analysis of the lease liabilities is provided in the following table:

Lease liabilities	Period to expiry				Total
	Less than 1 year	1~5 years	6~10 years	10~15 years	
2021.12.31	\$79,626	\$217,296	\$53,095	\$-	\$350,017
2020.12.31	\$73,127	\$173,681	\$65,880	\$-	\$312,688

## 5. Market Risk

### (1) Source and definition of market risk

Market risk refers to the loss of the positions that may occur on and off the balance sheet due to the changes in market prices. The so-called market price refers to interest rate, exchange rate, stock price, and product price.

The Company shall classify the holding position into a trading book and a banking book according to its purpose. The market risks faced by each



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position can be divided into four risk categories: interest rate, equity securities, foreign exchange, and product.

- 1) The "trading book" includes the position of the financial products (including goods and derivative financial products) and physical products held for the purpose of trading or for the risk hedging of the trading book position. The term "trading purpose" stated in the preceding paragraph refers to the intention of a short-term gain or to generate or secure the arbitrage from actual or expected short-term price fluctuations.
  - 2) Financial products and physical products that are not held for the aforementioned purpose are within the scope of the "banking book."
  - 3) Market risk management scope:
    - i. For interest rates and equity securities, it is only necessary to compute the capital needed for market risk of the trading book.
    - ii. For foreign exchange and products, it is necessary to compute the capital needed for all market risks.
- (2) Market risk management strategy
- 1) Market risk management strategies should be documented to explain market risk management objectives and to ensure consistency in market risk management of the Bank.
  - 2) The market risk management strategies shall be appropriately adjusted in response to the Company's operating environment and changes in risk. They shall also be in line with the Company's business strategies and objectives, and cover all key market risks associated with the business.
  - 3) The market risk management strategies shall include at least the following:
    - i. Market risk measurement methods: including qualitative and quantitative methods.
    - ii. Market risk monitoring methods: such as limits management, stop-loss mechanism, etc.
    - iii. The Company shall establish an approval hierarchy and regulate the standard operating procedure for overrun.

(3) Market risk management process

The market risk management process includes risk identification, measurement, communication, and monitoring. The Company shall effectively identify, measure, communicate, and monitor market risks associated with all major trading products, trading activities, processes, and systems.

1) Risk identification

- i. The so-called market risk factor refers to the market ratio and price that influence the price of the position. The Company's risk measurement system should have sufficient risk factors to measure the risks in the on- and off-balance sheet trading position.
- ii. For any structured financial product, the market risk factors of each part should be identified in order to provide the basis for a correct measurement of the market risk exposure of the structured product.
- iii. The selection of risk factors includes interest rates, exchange rates, equity securities prices, and product prices.
- iv. Each unit of the Company shall identify the market risk in business activities or financial products.

2) Risk measurement

- i. The risk management personnel of the Company's business trading units shall establish reasonable verification and control procedures for the sources of market data, such as, product market price, interest rate, and exchange rate.
- ii. When risk management personnel of the business transaction units measure market risk, they should consider the market liquidity risk caused by insufficient market depth, low market transparency, or market disorder.
- iii. The risk management personnel of the financial transaction unit shall evaluate the trading position base on the market price at least once a day. All model parameters should be evaluated daily if the model is used for evaluation.
- iv. The Company should develop a procedure for measuring the overall position risk exposure according to the scale and complexity of the portfolio held to avoid excessive concentration of the investment portfolio on a certain risk factor. When performing risk measurement, the individual risk of the subject matter of the transaction and the possible risk dispersion effect should be taken into account upon evaluating the volatility and correlation of the subject matter of the transaction. And a position with poor liquidity

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
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or insufficient market price transparency should be evaluated conservatively in order to fully assess the market risks faced by the Company.

3) Risk communication

i. Internal report

(i) Market risk reports shall regularly provide accurate, consistent, and timely information to senior executives as a reference for their decisions.

(ii) The Company should establish various operating procedures to ensure that overruns and exceptions (e.g. violations of policies and procedures) can be immediately reported to the governing management.

ii. External disclosure

(i) The market risks faced by the Company should be fully disclosed.

(ii) The computed capital of the following risks should be disclosed:

Interest rate risk, equity securities risk, foreign exchange risk, and product risk.

(iii) The extent of information disclosure should be in line with the scale, risk profile, and complexity of the Company's sales operations.

4) Risk monitoring

i. Each business unit of the Company shall establish a transaction limit system, which shall be controlled by the risk management personnel on a daily basis. If there is a lack of risk management, such as, overrun or other special circumstances, it shall be reported in due course to facilitate the adoption of the response measures.

ii. The status of the transaction shall be monitored immediately and comprehensively, such as whether the changes in position, changes in profit or loss, trading patterns, and subject matter of the transaction are within the scope of business authorization.

iii. Information needed for the review of financial products valuation should be obtained by the Company externally or through a channel other than the trading unit in order to avoid manipulation of price data due to conflicts of interest.

iv. The Company shall stipulate the limits management, stop-loss mechanism, and overrun process to effectively monitor market risks.

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(i) Limits management

The responsible business department shall set the limits for financial product transactions according to the product characteristics and authorization hierarchy, such as, traders, risk category, counterparty's trading position limits, stop-loss limits, etc.

(ii) Stop-loss mechanism

The responsible business department shall establish a clear stop-loss mechanism and implement it to effectively control the loss within the expected range.

(iii) Overrun processing

The responsible business department shall clearly establish a defined limit and overrun mechanism and implement it to effectively handle the extraordinary cases.

(4) Trading book risk management policy

Financial transactions should be divided into trading books and banking books according to the intention of holding, which are defined as follows:

1) The scope and definition of the trading book: The trading book includes the position held for the purpose of trading or risk hedging of the trading book. The position must be free from any contractual restrictions in trade, or the risk can be completely hedged. The positions included in the trading book are summarized as follows:

- i. The positions held for earning a profit from the actual or expected spread.
- ii. The positions held for earning a profit from other price changes.
- iii. The position held due to engaging in the brokerage and trade business.
- iv. The position held to offset all or most of the risks of another asset position or portfolio on the trading book.
- v. All positions that can be traded within the predetermined investment amount.

2) Trading Book Authorization Projects:

- i. Monetary market transactions: short-term bill (bond) within one year.

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- ii. Capital market transactions: More than one year government bonds, corporate bonds, financial bonds, beneficiary securities, asset securitization bonds, stocks, various types of fund beneficiary certificates, and convertible corporate bonds.
- iii. Derivative financial product transactions: including exchange rates, interest rates and stocks, etc.
- iv. Foreign exchange market transactions: foreign exchange spot, swap, forward foreign exchange, and forward rate agreement.

3) Evaluation mechanism of the transaction book:

The evaluation mechanism of the Company's trading book position shall be handled by the risk management personnel who are independent of the trading desk. The trading book position shall be valued on a daily or weekly basis in accordance with the "Market to Market Method" with information from an independent source and readily available, such as, exchange prices, electronic screen quotes, or quotes from independent brokers, which should be presented to the Board of Directors for approval and future reference.

4) Management specifications and procedures for the position limits, monitoring, early warning, stop-loss, and reporting: It should be handled in accordance with the Group's "Regulations Governing Market Risk," "Regulations Governing Security Investment," "Regulations Governing Derivatives Transactions," "Regulations Governing Foreign Exchange Business," "Regulations Governing Loans Business," "Interest Rate Risk Management Policy," "Liquidity Risk Management Policy," and other relevant regulations.

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(5) Management of interest rate risk in banking book

1) Management strategy and process

Make adequate adjustment to respond to the changes in the Company's operating environment and the changes in risks. Maintain the Company's operational strategies and deepen the Company's operations. Enhance the performance of the Bank's asset portfolio. Assess the impact of changes in interest rate on economic value or earnings. Establish the interest rate risk in banking book control mechanism in accordance with the "Regulations Governing Interest Rate Risks in Banking Book," which is implemented in accordance with the procedures of identification, measurement, communication, and monitoring, so that the interest rate risk is maintained at an appropriate level. Consistency of objectives and coverage of all-important interest rate risks in banking book associated with the business.

2) Management organization and structure

- A. The Board of Directors is the highest decision-making authority of the Company's interest rate risk in banking book management and bears ultimate responsibility for the Company's interest rate risk in banking book.
- B. The Asset and Liability Management Committee is responsible for assessing the Company's operating performance, capital position, asset and liability risk position and interest rate sensitivity, as well as researching and adjusting the best ratio of various assets and liabilities, and evaluating the Company's deposit and loan interest rate pricing strategy.
- C. The Risk Management Committee is responsible for implementing the interest rate risk in banking book management decisions approved by the Board of Directors, coordinating the interest rate risk in banking book management matters, and continuously monitoring the performance of risk management.

- D. The Risk Management Department is the exclusive unit for the Company's interest rate risk in banking book management. It is responsible for planning, establishing, and integrating the Company's interest rate risk in banking book management operations, and implementing the Bank's overall interest rate risk in banking book management and monitoring work in order to assess the impact of changes in interest rate on the economic value or earnings. Also, regularly aggregating the Bank's interest rate risk in banking book management information and then report it to the Risk Management Committee and the Board of Directors, and disclose risk management information according to the regulations of the competent authorities.
- E. The business units in the head office are responsible for setting and managing the respective regulations and operating procedures for the interest rate risks in banking book, and assisting the Risk Management Department to manage the interest rate risk position related to their business.
- F. All units (including business units) of the Company are responsible for identifying the interest rate risks in the banking book, cooperating with the implementation of the interest rate risk in banking book management decisions, and adopting the risk offset treatment method or response measures approved by the President to operate and adjust the interest rate risk exposure position on and off the balance sheet.

3) Risk reporting/measurement system scope, characteristics, and frequency

The Company makes the "The Ratio of Change in Economic Value of Equity ( $\Delta$  EVE) Accounting for Net Tier 1 Capital When Banking Book Position Is under the Scenarios of Interest Rate Volatility of Six Management and Supervision Recommendations" the supervision and management index to control the Company's interest rate risk in the banking book within the tolerance, and reports it to the Risk Management Committee on a monthly basis. The Company analyzes the changes and compares them to the conditions of the last month. The Company also provides the management with correct, consistent, and prompt

information as a reference for their decision-making and have it disclosed in the risk control report to the Board of Directors on a quarterly basis. The content and scope of the risk control report are as follows: (I) Measurement indicators: 1. Earnings perspective (interest rate risk warning and reporting) and 2. Economic value (The Ratio of Change in Economic Value of Equity ( $\Delta$ EVE) Accounting for Net Tier 1 Capital When Banking Book Position Is under the Scenarios of Interest Rate Volatility of Six Management and Supervision Recommendations); (II) Stress test: (1) the impact of changes in interest rate on the "earnings" of the next year and (2) the impact of interest rate volatility on economic value. The Information Department and the business units are to provide the information of relevant electronic files or written materials to the Risk Management Department in order to effectively grasp the overall risk position and to provide appropriate risk measurement results in order to assist with the interest rate risk in banking book management.

- 4) Risk hedging/risk-reducing policies and strategies and processes for keeping the monitoring and hedging/reducing risk tools effective continuously.

When handling banking book interest rate risk related businesses and transactions, assess the probability of occurrence of the event or transaction loss and the severity of the loss. Also, adopt countermeasures, such as, risk hedging, risk reduction or transfer, risk control, and risk endurance.

In case of special circumstances that may seriously affect the Company's earnings or economic value, the Risk Management Department or the business units in the head office shall report it to the President and adopt appropriate risk offset methods or response measures to reduce the banking book interest rate sensitivity net impacted position or increase the Company's capital.



(6) Market risk assessment

1) Stress test

The stress test is used to assess the Company's risk tolerance ability under a stress scenario so that the Company is able to develop specific and feasible hedging strategies and response plans in order to monitor possible changes in risk conditions under various scenarios. Also, the Board of Directors and the executives are authorized to determine whether the Company's risk exposure is suitable for its risk appetite. This serves as one of the important tools for identifying, measuring, and controlling capital adequacy and liquidity planning decisions.

※ The Company has investments classified according to the investment classification principle:

A. Domestic and foreign bonds and bills and equity investments in banking books

- a. Domestic bond investment: The book value on the base date is treated as the exposure at default (EAD) and included for calculation. The default rate (PD) is calculated according to the risk linked indicator and referring to the default rate table, and the loss given default (LGD) is divided into with and without guarantee, which are estimated separately by referring to the experience of recovery.
- b. Domestic equity investment: The book value on the base date is treated as the exposure at default (EAD). The probability of default (PD) is estimated by referring to the stress test of the credit risk of the credit position, and the loss given default (LGD) is estimated at 100% since the probability of recovery is very small.
- c. Foreign bills and bonds and equity investments: The assets related to foreign bill and bond investments and equity investments has a fixed loss rate (PD\*LGD) given to calculate the expected losses under stress scenario. Among them, sovereign state-based risk is mainly based on its external rating results to give a default rate, and stress tests are only conducted for more serious scenarios. Otherwise, counterparties are given a different probability of default (PD) depending on whether the

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

counterparties belong to the financial industry. For the calculation of the exposure at default, the investment position is calculated on the basis of the book value.

- B. Securities and derivative products transactions in the trading book  
Based on the current calculation of the market risk stress test of the second pillar, the Company uses market risk factor sensitivity analysis to calculate the impact on profit or loss arising from asset impairment due to the changes in risk factors, including equity security, interest rates, gold and exchange rates, products, and credit-derived products. The changes in each risk factor lead to different benefits and losses in depending on the severity of scenarios. Among all risk factors and domestic and foreign scenarios, there may be loss in certain parts of the position while gains in other parts under the same scenario. The greatest loss resulted from the fluctuation of scenario is deemed as the estimated loss in the stress scenario.

2) Sensitivity Analysis

Test items: For the main trading book positions in different markets, the listed scenario test is carried out if the computed market risk capital of the position accounts for more than 5% of the total market risk capital.

A. Interest rate risk

Assume that all other factors are unchanged, if the yield curves of all markets in the world shifted downward/upward by 100 base points on December 31, 2021, the Company's net profit or loss would increase/decrease by NTD 1,682,160 thousand.

B. Exchange rate risk

Assume that all other factors are unchanged, if the major currency exchange rates on December 31, 2021 were relatively appreciated/depreciated by 3%, the Company's net profit or loss before tax would increase/decrease by NTD 22,222 thousand. The main currencies are the USD, EUR, and JPY.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

C. Equity securities price risk

Other things being equal, if the price of equity securities on December 31, 2021 were relatively increased/decreased by 15%, the Company's net profit or loss before tax would increase/decrease by NTD 1,031,532 thousand.

D. Sensitivity analysis is compiled as follows:

2021

Market category	Scenario	Affected profit or loss amount	Minimum capital computed for market risk	Percentage
Equity market	Major stock markets +15%	\$1,031,532	\$2,329,651	44.28%
	Major stock markets -15%	(1,031,532)		-44.28%
Interest rate market	Main interest rate +100bp	(1,682,160)		-72.21%
	Main interest rate -100bp	1,682,160		72.21%
Foreign exchange market	Main currency +3%	22,222		0.95%
	Main currency -3%	(22,222)		-0.95%
Product market	Product price +15%	-		0.00%
	Product price -15%	-		0.00%
General scenario	Main stock markets -15%, main interest rates +100bp, main currencies +3%, product prices -15%	(2,691,470)		-115.53%

2020

Market category	Scenario	Affected profit or loss amount	Minimum capital computed for market risk	Percentage
Equity market	Major stock markets +15%	\$1,425,653	\$2,980,350	47.84%
	Major stock markets -15%	(1,425,653)		-47.84%
Interest rate market	Main interest rate +100bp	(2,294,100)		-76.97%
	Main interest rate -100bp	2,294,100		76.97%
Foreign exchange market	Main currency +3%	25,942		0.87%
	Main currency -3%	(25,942)		-0.87%
Product market	Product price +15%	-		0.00%
	Product price -15%	-		0.00%
General scenario	Main stock markets -15%, main interest rates +100bp, main currencies +3%, product prices -15%	(3,693,811)		-123.94%

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

(7) Exchange rate risk concentration information

The Company's foreign currency financial assets and liabilities with significant impact are as follows:

	2021.12.31			2020.12.31		
	Foreign currency (thousand)	Exchange rate	NTD	Foreign currency (thousand)	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$1,629,430	27.69	\$45,118,927	\$1,697,479	28.51	\$48,391,730
HKD	145,906	3.55	518,053	28,660	3.68	105,398
AUD	46,160	20.09	927,312	50,409	21.97	1,107,674
JPY	10,399,994	0.24	2,501,199	2,429,822	0.28	671,846
EUR	4,198	31.32	131,474	2,618	35.05	91,765
RMB	179,232	4.35	779,069	306,196	4.38	1,341,998
<u>Non-monetary items</u>	-	-	-	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$1,587,761	27.69	\$43,965,100	\$1,454,548	28.51	\$41,466,264
HKD	20,269	3.55	71,966	9,920	3.68	36,482
AUD	46,272	20.09	929,553	50,408	21.97	1,107,659
JPY	902,110	0.24	216,957	816,715	0.28	225,822
EUR	4,199	31.32	131,521	2,629	35.05	92,140
RMB	253,507	4.35	1,101,918	290,529	4.38	1,273,329
<u>Non-monetary items</u>	-	-	-	-	-	-

Due to the wide variety of foreign currencies of the Company, it is impossible to disclose the exchange gains and losses information of monetary financial assets and financial liabilities by each foreign currency with significant impact. The Company's foreign currency exchange losses from January 1 to December 31, 2021 and 2020 were NTD (217,619) thousand and NTD (134,144) thousand, respectively.

(8) Others

Ever since the outbreak of the COVID-19 global pandemic in 2020 and the unstable economic environment in the domestic and overseas markets, the credit risk of the Company's domestic credit assets and various financial instruments in foreign countries increased, the Company considered the impact in preparing the financial statements. However, it is assessed that the epidemic has no material impact on the Company's financial condition, ability of going concern, and impairment of assets.

## XV. Capital Management

### 1. Overview

In response to the trend of capital management, the Company's overall business monitoring indicators are established to match the business development strategy and to reflect the overall risk situation. The various capital management indicators of the Company are as follows:

- (1) The Bank's overall capital adequacy ratio shall not be less than 10.5%.
- (2) Tier 1 capital shall not be less than 8.5% of the total risk assets.
- (3) The common stock equity shall not be less than 7.0% of the total risk assets.
- (4) The total business reserve and allowance for bad debt as stated in Tier 2 capital with a credit risk standard adopted shall not exceed 1.25% of the total amount of credit risk and weighted risk assets.

### 2. Capital management procedure

- (1) The Company's capital management objectives are based on the "Legal Capital":

Legal Capital Management Objectives: To meet the legal capital requirements of the supervisory authority, set the Company's capital adequacy ratio target, and ensure that the Company can operate safely and steadily.

- (2) Legal capital management

- 1) Demand legal capital

The Company uses the "the Methods for calculating Bank's regulatory capital and Risk Weighted Assets" (hereinafter referred to as the "calculation methods") that is issued by the competent authority to calculate the unanticipated losses arising from the credit risk, market risk, and operational risk under the existing assets and operating conditions, and compute the relative capital in response to the situation accordingly.

- 2) Legal capital available

The Company's legal capital available is based on the rules published by the competent authorities to have the Company's capital classified by its source and characteristics as follows:

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Tier 1 Capital:

- A. Refers to the common stock equity net of the intangible assets, the deferred income tax assets arising from the losses of previous years, the business reserve and the insufficient appropriation of the allowance for bad debt, the revaluation increments of real estate, the unamortized loss of the bad debts sold, and other legal adjustment items specified and stipulated according to the calculation methods.

Common stock equity: Includes common stock and its share premium, advance capital, additional paid-in capital, legal reserve, special reserve, accumulated profit or loss, non-controlling equity, and other equity items.

- B. Other Tier 1 capital other than common stock equity: Includes perpetual non-cumulative preferred stock and its share premium, non-cumulative subordinated bonds without a maturity date, perpetual non-cumulative preferred stock and its share premium issued by the subsidiaries that are not directly or indirectly held by Bank, and non-cumulative subordinated bonds without a maturity date.

Tier 2 Capital:

Includes perpetual cumulative preferred stock and its share premium, cumulative subordinate bonds without a maturity date, convertible subordinate bonds, long-term subordinate bonds, non-perpetual preferred stock and its share premium, real estate's first-time adoption of IAS, increase of retained earnings arising from the fair value or the revaluation value used as the cost, the valuation increments arising from the subsequent measurement of the investment real estate at the fair value and 45% of the unrealized benefits of the financial assets measured at fair value through other comprehensive income, business reserve and allowances for bad debts, perpetual cumulative preferred stock and its share premium issued by the subsidiaries that are not directly or indirectly held by Bank, and cumulative subordinated bonds without maturity date, convertible subordinate bonds, long-term subordinate bonds, and non-perpetual preferred stock and its share premium.

The allowance for bad debt included in Tier 2 capital in the preceding paragraph refers to the amount that the bank's allowance for bad debt exceeding the estimated loss of the bank based on historical losses.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

- 3) The management of legal capital is to convert the unanticipated losses of each risk to the total amount of risk assets, and then divide the legal capital available by the total amount of the risk assets to calculate the capital adequacy ratio. The basic objective is to ensure that the Group's capital adequacy ratio is higher than the mandatory legal ratio.

(3) Capital Adequacy

The Company's qualified regulatory capital ratio and risk assets ratio on December 31, 2021 and 2020 were 16.31% and 16.15%, respectively. These were in line with the capital management regulations of the competent authorities.

XVI. Supplementary Disclosure

1. Information on significant transactions

- (1) Cumulative amount of the stock of the same investee purchased or sold totaling NTD 300 million or more than 10% of the paid-in capital: None.
- (2) Acquisition of real estate totaling NTD 300 million or more than 10% of the paid-in capital: None.
- (3) Disposal of real estate totaling NTD 300 million or more than 10% of the paid-in capital: None.
- (4) Discount of service charges in transaction with related party totaling more than NTD 5 million: None.
- (5) Receivables from related party totaling NTD 300 million or more than 10% of the paid-in capital: None.
- (6) Information regarding sale of non-performing loan: None.
- (7) The types of securitized products and related information applied and approved for process according to the "Financial Assets Securitization Act" or the "Clauses of the Real Estate Securitization Act": None.
- (8) Business relationships or significant transactions and amounts between parent company and subsidiaries and among subsidiaries: None.
- (9) Other important transactions sufficient to affect the decision-making of financial statements users: None.

2. Information on reinvestment and total shareholding

- (1) Information on reinvestment and total shareholding: Please refer to Table 1.
- (2) Loaning to others: Please refer to Table 2.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

- (3) Endorsements/guarantees to others: None.
  - (4) Marketable securities held at the end of the period: Please refer to Table 3.
  - (5) Cumulative amount of the stock of the same investee purchased or sold totaling NTD 300 million or more than 10% of the paid-in capital: None.
  - (6) Information on trading in derivative instruments: None.
  - (7) Acquisition of real estate totaling NTD 300 million or more than 10% of the paid-in capital: None.
  - (8) Disposal of real estate totaling NTD 300 million or more than 10% of the paid-in capital: None.
  - (9) Discount of service charges in transaction with related party totaling more than NTD 5 million: None.
  - (10) Receivables from related party totaling NTD 300 million or more than 10% of the paid-in capital: None.
  - (11) Information regarding sale of non-performing loan: None.
  - (12) The types of securitized products and related information applied and approved for process according to the "Financial Assets Securitization Act" or the "Clauses of the Real Estate Securitization Act": None.
  - (13) Other important transactions sufficient to affect the decision-making of financial statements users: None.
3. Setting up branches and investments in Mainland China  
No such event.
4. Information on major shareholders: Please refer to Table 4.
5. Disclosure of other supplementary information
- (1) Loans and receivables and allowance for bad debt assessment form: Please refer to XIV. 3 (13) for details.
  - (2) Quality of assets: Please refer to Table 5.
  - (3) Non-performing loans or overdue accounts receivable exempted from report: Please refer to Table 6.
  - (4) Concentration of credit risk: Please refer to Table 7 and Table 7-1.
  - (5) Interest rate sensitive assets and liabilities analysis table: Please refer to Table 8 and 8-1.
  - (6) Profitability: Please refer to Table 9.



Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

- (7) Maturity date structure analysis table: Please refer to Table 10 and Table 10-1.
- (8) Capital adequacy: Please refer to Table 11.

XVII. Department Information

The Company has the department operation information disclosed in the consolidated financial statements.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 1

2021.01.01~2021.12.31

Information on Reinvestment:

Name of investee (Note 1)	Location	Primary business	Proportion of shareholding - end	Book value of investment	Investment gain and loss recognized in current period	Consolidated shareholdings of the Bank and associates (Note 1)				Note
						Day trading stock shares (thousand shares)	Proforma shareholdings (thousand shares)/ (Note 2)	Total		
								No. of shares	Shareholding ratio	
King's Town Bank International Leasing Co., Ltd	Taiwan	Leases	100.00%	1,400,367	154,851	123,947	-	123,947	100.00%	
King's Town International Construction Management Co., Ltd	Taiwan	Construction Management	100.00%	23,213	10,948	1,000	-	1,000	100.00%	
King's Town Securities Co, Ltd.	Taiwan	Securities brokerage	100.00%	1,029,354	(1,724)	90,000	-	90,000	100.00%	

Note:

1. Please list separately by the category of "financial business" and "non-financial business."
2. All current shares or proforma shares of the invested companies held by the Bank, directors, supervisors, President, Vice President, and related parties as defined in the Company Act shall be counted.
3. Proforma share refers to the shares, under the precondition of conversion, obtained by converting the equity-based securities purchased or a derivative contract (which has yet to be converted into equity) signed in accordance with the trading conditions and the bank's underwriting commitment; also, combined with the equity of the invested company for the purpose of investment as defined in Article 74 of this Act.
  - (1) "Equity-based securities" refers to the securities as defined in Paragraph 1, Article 11 of the Securities and Exchanges Act Enforcement Rules, such as, convertible corporate bonds and warrants.
  - (2) "Derivatives Contract" refers to those as defined in IAS 39, such as, stock options.
4. This table may not be disclosed in the financial statements for Q1 and Q3.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 2

Loaning to Others

Unit: NTD thousand

No. (Note 1)	Lender of fund	Borrower of fund	Transaction title	Are they related parties	Maximum balance for the period	Ending balance	The actual amounts disbursed	Interest rate range	Nature of loan (Note 4)	Business transaction amount (Note 5)	Reasons for the necessity of short-term financing (Note 6)	Amount of provision for bad debt allowance	Collateral		Loan limit amount for each individual (Note 2)	Total limit on financing amount (Note 3)
													Name	Value		
1	King's Town Bank International Leasing Co., Ltd	Company A	Accounts Receivable	No	660,000	660,000	-	5%~16%	1	100		-	Real estate	662,680	1,261,018	10,088,147
1	King's Town Bank International Leasing Co., Ltd	Company B	Accounts Receivable	No	500,000	500,000	500,000	5%~16%	1	500		5,000	Real estate	527,508	1,261,018	10,088,147
1	King's Town Bank International Leasing Co., Ltd	Company C	Accounts Receivable	No	500,000	500,000	150,000	5%~16%	1	500		1,662	Real estate	238,717	1,261,018	10,088,147
1	King's Town Bank International Leasing Co., Ltd	Company D	Accounts Receivable	No	470,000	470,000	470,000	5%~16%	1	500		4,842	Real estate	434,046	1,261,018	10,088,147
1	King's Town Bank International Leasing Co., Ltd	Company E	Accounts Receivable	No	450,000	450,000	85,000	5%~16%	1	1,000		895	Real estate	465,776	1,261,018	10,088,147
1	King's Town Bank International Leasing Co., Ltd	Company F	Accounts Receivable	No	396,000	396,000	381,037	5%~16%	1	4,000		3,960	Real estate	421,613	1,261,018	10,088,147
1	King's Town Bank International Leasing Co., Ltd	Other customers	Accounts Receivable	No	4,468,925	3,640,180	2,697,110	5%~16%	1	917,040		36,447	No/Movable property/Real estate	3,920,570	1,261,018	10,088,147
1	King's Town Bank International Leasing Co., Ltd	Other customers	Accounts Receivable	No	425,592	305,227	292,227	5%~16%	2	-	Operation needs	3,972	No/Real estate	444,370	210,170	336,272

Note 1. The financial information of the Company and its subsidiaries should be indicated in the corresponding column. The numbering method is as follows:

- (1) For the column of the issuer, please fill in "0."
- (2) Investee is numbered starting from number 1.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Note 2. Subsidiary's limit amount for each individual:

(1) Business counterparty:

Unsecured: The individual loan amount shall not exceed 50% of the lending company's net value in the most recent financial report audited by the certified public accountant.

Total secured/unsecured amount: The individual loan amount shall not exceed 150% of the lending company's net value in the most recent financial report audited by the certified public accountant.

(2) Those who need financial support: The individual loan amount shall not exceed 25% of the lending company's net value in the most recent financial report audited by the certified public accountant.

Note 3. The subsidiary's loan amount may not exceed 40% of the lending company's net value in the most recent financial report audited by the certified public accountant. For the business counterparty, the loan amount may not exceed 12 times of the lending company's net value in the most recent financial report audited by the certified public accountant.

Note 4. The nature of loan is illustrated as follows:

(1) For the business counterparty, please fill in "1."

(2) For those who need a short-term loan, please fill in "2."

Note 5. For the nature of type 1, the amount of business dealings should be provided. The amount of business dealings refers to the amount business transaction amount between the lender and the borrower in the most recent year.

Note 6. For the nature of type 2, the reasons for the need, purpose and use of the loan shall be provided. Such reasons may include repayment of loans, purchase of equipment, operation needs, etc.

Note 7. 7) The investee, King's Town International Leasing Co., Ltd., has granted loans to 98 customers; however, a detailed list is not prepared since no individual loan amount exceeds 5% of the total loan.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 3

Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Venture):

Unit: NTD thousand

Holding company	Types and names of securities (Note 1)	Relationship with the securities issuer	Accounts in books	End of period				Note
				Shares (thousand shares)	Book value	Shareholding ratio	Fair value	
King's Town Bank International Leasing Co., Ltd	Bank of Panhsin	Financial assets measured at FVTOCI	Financial assets measured at FVTOCI	11,798	88,133	0.75%	88,133	
King's Town Bank International Leasing Co., Ltd	Hoyii Life Co., Ltd.	Financial assets measured at FVTOCI	Financial assets measured at FVTOCI	526	4,137	2.49%	4,137	
King's Town Bank International Leasing Co., Ltd	Forest Water Environmental Engineering Co., Ltd.	Financial assets measured at FVTPL	Financial assets measured at FVTPL	3,758	124,955	2.61%	124,955	
King's Town Bank International Leasing Co., Ltd	Radium Life Tech Co., Ltd.	Financial assets measured at FVTPL	Financial assets measured at FVTPL	1,530	16,600	0.17%	16,600	
King's Town Bank International Leasing Co., Ltd	Mirle Automation Corporation	Financial assets measured at FVTPL	Financial assets measured at FVTPL	1,083	47,381	0.55%	47,381	
King's Town Bank International Leasing Co., Ltd	WPG Holdings	Financial assets measured at FVTPL	Financial assets measured at FVTPL	830	43,658	0.05%	43,658	
King's Town Bank International Leasing Co., Ltd	YAGEO Corporation	Financial assets measured at FVTPL	Financial assets measured at FVTPL	30	14,385	0.01%	14,385	
King's Town Bank International Leasing Co., Ltd	Taiwan Semiconductor Manufacturing Co., Ltd.	Financial assets measured at FVTPL	Financial assets measured at FVTPL	140	86,100	-	86,100	
King's Town Bank International Leasing Co., Ltd	Lian Ding Capital Investment Limited Partnership	Financial assets measured at FVTPL	Financial assets measured at FVTPL	-	186,854	10.28%	186,854	
King's Town Securities Co., Ltd.	Taiwan Futures Exchange	Financial assets measured at FVTOCI	Financial assets measured at FVTOCI	199	16,935	0.05%	16,935	

Note 1. Securities as stated in this table are the stocks, bonds, beneficiary certificates, and the securities deriving from the above items within the scope of IFRS 9, "Financial Instruments."

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 4

Information on major shareholders

Shareholding	No. of shares held (shares)	Shareholding ratio
Name of major shareholder		
Chen-Chih Tai	78,209,000	6.97%
Tien-Tsan Tsai	72,752,033	6.48%

Remarks:

- (1) The major shareholders in this table are shareholders holding more than 5% of the common and preference shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial report and the number of shares actually delivered by the company without physical registration may differ due to calculation basis.
- (2) For the above are shares entrusted by the shareholders, the information thereto shall be based on the shares disclosed by the individual trust account of opened by the trustees. For information on shareholders, who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act, and their shareholdings include their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, please refer to MOPS.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 5

Quality of Assets

Non-performing Loans and Overdue Accounts Receivable

Unit: NTD thousand, %

Year / month		December 31, 2021					December 31, 2020				
Business category/Items		Non-performing loan (NPL) amount (Note 1)	Total amount of loans	NPL ratio (Note 2)	Amount of bad debt allowance	Allowance for bad debt coverage rate (Note 3)	Non-performing loan (NPL) amount (Note 1)	Total amount of loans	NPL ratio (Note 2)	Amount of bad debt allowance	Allowance for bad debt coverage rate (Note 3)
Corporate banking	Secured	\$28,444	\$125,157,157	0.02%	\$1,925,833	6,770.61%	\$ 15,466	116,158,497	0.01%	1,843,815	11,921.73%
	Unsecured	-	65,274,322	-	937,778	-	-	52,030,811	-	770,578	-
Consumer banking	Residential mortgage loans (Note 4)	5,976	14,822,471	0.04%	246,805	4,129.94%	5,646	15,848,747	0.04%	271,702	4,812.29%
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small credit loans (Note 5)	283	137,637	0.21%	3,345	1,181.98%	307	133,851	0.23%	4,089	1,331.92%
	Others (Note 6)	-	-	-	-	-	-	-	-	-	-
Total amount		\$38,294	\$209,526,724	0.02%	\$3,169,789	8,277.51%	\$25,010	\$187,842,529	0.01%	\$2,941,299	11,760.49%
		Overdue receivable amount	Balance of accounts receivable	Overdue receivable ratio	Amount of bad debt allowance	Allowance for bad debt coverage rate	Overdue receivable amount	Balance of accounts receivable	Overdue receivable ratio	Amount of bad debt allowance	Allowance for bad debt coverage rate
Credit card		\$469	\$469	100.00%	\$337	71.86%	\$486	\$486	100.00%	\$376	77.37%
Non-recourse receivables factoring business (Note 7)		-	-	-	-	-	-	-	-	-	-

Note 1. The non-performing loan is the overdue amount reported in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans." The Non-performing credit card amount is reported according to the FSC, Banking (IV) Tzi Letter No. 0944000378 dated July 6, 2005.

Note 2. Non-performing loan ratio = Non-performing loan/total loan amount. Non-performing credit card ratio = Non-performing amount/balance of accounts receivable.

Note 3. Coverage ratio of allowance for bad debt = Allowance for bad debt appropriated for loans/NPL amount. Coverage ratio of allowance for bad debt of credit card = Allowance for bad debt appropriated for credit card receivables/NPL amount.

Note 4. The residential mortgage loan refers to the borrower providing the resident purchased (owned) by the borrower of his/her spouse or minors as collateral to financial institutions in exchange for funds in order to purchase or construct or furnish houses.

Note 5. Small credit loans refer to small credit loans other than credit cards and cash cards. Also, it is subject to the FSC, Banking (IV) Tzi Official Letter No. 09440010950 dated December 19, 2005.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

- Note 6. The “Other” consumer finance refers to the secured or unsecured consumer finance loans other than the “residential mortgage loans,” “cash cards,” and “small credit loans,” excluding credit cards.
- Note 7. The accounts receivable business without recourse is reported as non-performing loans within three months upon confirming that the accounts receivable factoring banks or insurance companies decline to compensate in accordance with the FSC. Banking (V). Tzi No. 094000494 Official Letter dated July 19, 2005.



Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 6

Non-performing Loans or Overdue Accounts Receivable Exempted from Report

Unit: NTD thousand

	December 31, 2021		December 31, 2020	
	Total NPL exempted from report	Total non-performing receivable accounts exempted from report	Total NPL exempted from report	Total non-performing receivable accounts exempted from report
Exempted amount after a debt negotiation and contractual performance (Note 1)	\$2,007	\$28	\$2,861	\$60
Performance of debt clearance program and rehabilitation program (Note 2)	5,787	12	8,289	36
<b>Total</b>	<b>\$7,794</b>	<b>\$40</b>	<b>\$11,150</b>	<b>\$96</b>

Note 1. For the FSC. Banking (I) Tzi No. 09510001270 Official Letter dated April 25, 2006. It is regarding the matters to be disclosed additionally according to the credit reporting methods and information disclosure requirement of the cases approved according to the "Unsecured Debt Negotiation Mechanism for Consumer Finance Cases of the Bankers Association of the Republic of China."

Note 2. For the FSC, Banking (I) Tzi No 09700318940 Official Letter dated September 15, 2008. It is regarding the matters to be disclosed additionally according to the credit reporting and information disclosure requirements of the pre-negotiation, rehabilitation, and liquidation cases approved according to the "Consumer Debt Clearance Act."

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 7

Concentration of Credit Risk

Unit: NTD thousand, %

Year	December 31, 2021		
Ranking (Note 1)	The industry that the Company or the Group engaged in (Note 2)	Total balance of loan (Note 3)	Ratio of the current net value (%)
1	Company (Group) A - Construction engineering business	6,582,631	13.47%
2	Company (Group) B - Glass container manufacturing business	5,016,000	10.26%
3	Company (Group) C - Real Estate development business	4,267,301	8.73%
4	Company (Group) D - Unclassified other financial service business	4,111,897	8.41%
5	Company (Group) E - Real estate development business	3,689,018	7.55%
6	Company (Group) F - Unclassified other financial service business	3,455,997	7.07%
7	Company (Group) G - Other holdings business	3,322,800	6.80%
8	Company (Group) H - Power supply business	3,130,581	6.40%
9	Company (Group) I - Unclassified other financial service business	3,112,553	6.37%
10	Company (Group) J - Power supply business	2,941,717	6.02%

Note 1. Ranked according to the total credit balance of the debtors. Please list the names of the top ten debtors that are not a government agency or a state-owned enterprise. If the debtor is an enterprise of the Group, the credit amount of the said enterprise should be attributed and included in the total amount. Also, it should be disclosed in the form of "code" + "industry" [such as, Company (or Group) A LCD panel and its components manufacturing]. For an enterprise of the Group, the industry with the highest risk exposure to the enterprise of the Group should be disclosed. The industry should be classified to the "detailed category" according to the industry standard classification of the Directorate-General of Budget, Accounting and Statistics.

Note 2. The group refers to those defined in Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3. The total credit balance refers to the total amount of various loans (including import bill advance, export bills negotiations, discounts, overdrafts, short-term loans, short-term secured loans, securities receivables factoring, mid-term loans, mid-term secured loans, long-term loans, long-term secured loans, collection), inward remittance, non-recourse receivables factoring, remittance receivables, and guarantee balances.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 7-1

Concentration of Credit Risk

Unit: NTD thousand, %

Year	December 31, 2020		
Ranking (Note 1)	The industry that the Company or the Group engaged in (Note 2)	Total balance of loan (Note 3)	Ratio of the current net value (%)
1	Company (Group) A - Construction engineering business	7,328,686	15.73%
2	Company (Group) B - General product wholesale business	5,561,428	11.94%
3	Company (Group) C - Glass container manufacturing business	5,348,000	11.48%
4	Company (Group) D - Real estate development business	4,114,180	8.83%
5	Company (Group) E - Real estate rental and sale business	3,726,012	8.00%
6	Company (Group) F - Power supply business	3,288,948	7.06%
7	Company (Group) G - Unclassified other financial service business	2,881,884	6.19%
8	Company (Group) H - Power supply business	2,480,518	5.33%
9	Company (Group) I - Unclassified other financial service business	2,456,650	5.27%
10	Company J - Construction services and consulting business	2,378,223	5.11%

Note 1. Ranked according to the total credit balance of the debtors. Please list the names of the top ten debtors that are not a government agency or a state-owned enterprise. If the debtor is an enterprise of the Group, the credit amount of the said enterprise should be attributed and included in the total amount. Also, it should be disclosed in the form of "code" + "industry" [such as, Company (or Group) A LCD panel and its components manufacturing]. For an enterprise of the Group, the industry with the highest risk exposure to the enterprise of the Group should be disclosed. The industry should be classified to the "detailed category" according to the industry standard classification of the Directorate-General of Budget, Accounting and Statistics.

Note 2. The group refers to those defined in Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3. The total credit balance refers to the total amount of various loans (including import bill advance, export bills negotiations, discounts, overdrafts, short-term loans, short-term secured loans, securities receivables factoring, mid-term loans, mid-term secured loans, long-term loans, long-term secured loans, collection), inward remittance, non-recourse receivables factoring, remittance receivables, and guarantee balances.

Note 4. The ratio of the total balance of loan to the current net value should be calculated by domestic banks based on the net value of the head office; it shall be calculated by Taiwan branches of foreign banks based on the net value of the branch.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 8

Interest Rate Sensitive Assets and Liabilities Analysis Table (NTD)

2021.01.01~2021.12.31

Unit: NTD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$218,918,927	\$3,416,831	\$2,105,230	\$39,360,576	\$263,801,564
Interest rate sensitivity liabilities	198,931,970	11,071,423	23,068,239	1,554,967	234,626,599
Interest rate sensitivity gap	19,986,957	(7,654,592)	(20,963,009)	37,805,609	29,174,965
Net value					43,322,424
Interest rate sensitivity assets and liabilities rate					112.43
Interest rate sensitivity gap and net value rate					67.34

2020.1.1~2020.12.31

Unit: NTD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$201,772,175	\$281,529	\$2,948,182	\$42,398,641	\$247,400,527
Interest rate sensitivity liabilities	184,388,695	15,970,540	22,534,770	1,850,382	224,744,387
Interest rate sensitivity gap	17,383,480	(15,689,011)	(19,586,588)	40,548,259	22,656,140
Net value					39,959,689
Interest rate sensitivity assets and liabilities rate					110.08
Interest rate sensitivity gap and net value rate					56.70

- Note: 1. This table is prepared to report the amount in NTD (excluding foreign currency) of the head office and domestic and foreign branches.
2. Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.
3. Interest rate sensitivity gap=Interest rate sensitivity assets - Interest rate sensitivity liabilities.
4. Interest rate sensitivity assets and liabilities rate = Interest rate sensitivity assets ÷ interest rate sensitivity liabilities (i.e., interest rate sensitivity assets and interest rate sensitivity liabilities in NTD).

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 8-1

Interest rate sensitivity assets and liabilities analysis data (USD)

2021.01.01~2021.12.31

Unit: USD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$405,904	\$15,229	\$111,410	\$1,070,205	\$1,602,748
Interest rate sensitivity liabilities	1,425,554	93,755	63,677	-	1,582,986
Interest rate sensitivity gap	(1,019,650)	(78,526)	47,733	1,070,205	19,762
Net value					200,744
Interest rate sensitivity assets and liabilities rate					101.25
Interest rate sensitivity gap and net value rate					9.84

2020.1.1~2020.12.31

Unit: USD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$311,974	\$10,154	\$-	\$1,351,536	\$1,673,664
Interest rate sensitivity liabilities	1,299,242	95,538	55,830	-	1,450,610
Interest rate sensitivity gap	(987,268)	(85,384)	(55,830)	1,351,536	223,054
Net value					232,272
Interest rate sensitivity assets and liabilities rate					115.38
Interest rate sensitivity gap and net value rate					96.03

- Note: 1. This table is prepared to report the amount in USD of the head office and domestic branches, international financial business branches, and overseas branches, excluding contingent assets and contingent liabilities.
2. Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.
3. Interest rate sensitivity gap=Interest rate sensitivity assets - Interest rate sensitivity liabilities.
4. Interest rate sensitivity assets and liabilities rate = Interest rate sensitivity assets ÷ interest rate sensitivity liabilities (i.e., interest rate sensitivity assets and interest rate sensitivity liabilities in USD)

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 9

Profitability

Unit: %

Item		2021.12.31	2020.12.31
Return on Assets (ROA)	Before tax	1.97	2.08
	After tax	1.71	1.83
Return on Equity (ROE)	Before tax	13.54	14.24
	After tax	11.80	12.55
Net profit rate		56.50	63.05

(Note):

1. ROA = Income before (after) tax/Average total assets
2. ROE=Income before (after) tax / Average net value
3. Profit rate = Income after tax/income-net
4. Income before (after) tax means the income accumulated from January of the current year until the current quarter

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 10

Maturity Date Structure Analysis Table (NTD)

2021.12.31

Unit: NTD thousand

	Remaining balance to maturity					
	Total	1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$289,571,142	\$77,881,879	\$18,359,917	\$21,057,003	\$54,323,002	\$117,949,341
Outward remittance of due fund	323,081,609	42,841,147	35,055,036	41,101,834	52,265,559	151,818,033
Period difference	(33,510,467)	35,040,732	(16,695,119)	(20,044,831)	2,057,443	(33,868,692)

2020.12.31

Unit: NTD thousand

	Remaining balance to maturity					
	Total	1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$271,668,534	\$78,483,469	\$12,704,457	\$22,535,530	\$47,400,525	\$110,544,553
Outward remittance of due fund	295,381,414	36,218,246	32,329,569	41,352,446	47,315,088	138,166,065
Period difference	(23,712,880)	42,265,223	(19,625,112)	(18,816,916)	85,437	(27,621,512)

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 10-1

Maturity Date Structure Analysis Table (USD)

2021.12.31

Unit: USD thousand

	Remaining balance to maturity					
	Total	1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$1,835,854	\$222,621	\$75,616	\$29,054	\$107,118	\$1,401,445
Outward remittance of due fund	1,800,033	719,886	534,568	169,417	63,709	312,453
Period difference	35,82	(497,265)	(458,952)	(140,363)	43,409	1,088,992

2020.12.31

Unit: USD thousand

	Remaining balance to maturity					
	Total	1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$1,723,931	\$165,331	\$7,215	\$16,684	\$32,500	\$1,502,201
Outward remittance of due fund	1,704,434	801,093	349,349	128,208	121,001	304,783
Period difference	19,497	(635,762)	(342,134)	(111,524)	(88,501)	1,197,418



Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Table 11

Capital Adequacy (Explanation 1)

Unit: NTD thousand

Items		Year (Explanation 2)	December 31, 2021	December 31, 2020	
Self-owned	Common stock equity		\$44,853,404	\$41,214,286	
	Other Tier 1 Capital		-	-	
	Tier 2 Capital		3,167,981	4,448,388	
	Self-owned capital		48,021,385	45,662,674	
Total risk-weighted assets	Credit Risk	Standardized approach	249,367,841	230,396,305	
		Internal ratings-based approach	-	-	
		Asset securitization	-	-	
	Operational risk	Basic indicator approach	16,007,478	15,006,874	
		Standard Method/Selective Standard Method	-	-	
		Advanced Measurement Method	-	-	
	Market Risk	Standardized approach	29,120,643	37,254,379	
		Internal models approach	-	-	
	Total risk-weighted assets			294,495,962	282,657,558
	Capital adequacy ratio			16.31%	16.15%
Ratio of Common Stock Equity to Risk-Based assets			15.23%	14.58%	
Ratio of Tier 1 capital to Risk-Based Assets			15.23%	14.58%	
Leverage ratio			12.84%	12.28%	

Explanation:

- The amount of the regulatory capital, weighted risk assets, and total risk exposure should be calculated in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Description and Table of Calculation Methods for Capital and Risk Assets of Banks."
- The capital adequacy ratio for the current period and the previous period should be filled in the annual financial statement. The interim financial statements shall, in addition to disclosing the ratio of the current period and the previous period, also disclose the capital adequacy ratio at the end of the previous year.
- This table should demonstrate the following formula:
  - Self-owned capital = Common stock equity + Other Tier 1 Capital + Tier 2 Capital.
  - Total amount of risk-weighted-assets = Credit risk-weighted assets + Capital charge of (operational risk + market risk) x 12.5.
  - Capital Adequacy ratio = Total self-owned capital / Total amount risk-weighted assets.
  - Ratio of common stock equity to risk assets = Common stock equity / Total risk weighted assets
  - Proportion of Tier 1 capital to risk assets = (Common stock equity + Tier 1 Capital) / Total risk-weighted asset.
  - Leverage ratio = Tier 1 capital / Total exposure.
- This table may not be disclosed in the financial statements for Q1 and Q3.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Descriptions of Material Accounting Items

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Cash and cash equivalents	Note VI.1	42-43
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Profit and Loss Statements		
Interest revenue	Statement 10	154
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Statement of changes in measure at fair value through profit and loss	Statement 13	157
Statement of loss or gain on reversal of assets impairment	Statement 14	158
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Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

1. Statement of financial assets measured at FVTPL  
December 31, 2021

Unit: NTD thousand / thousand shares / thousand units

Name of financial instrument	Summary	Number of shares or units	Book value	Total amount	Interest rate	Acquisition cost	Valuation adjustment	Fair value		Note
								Unit price (NTD)	Total amount	
Domestic financial instruments										
Stock	-	74,708 thousand shares	NTD 10	\$747,080	-	\$4,979,435	\$266,072	21.85~615	\$5,245,507	
Real estate trust fund	-	24,238 thousand units	-	-	-	387,171	52,264	18.13	439,435	
Government bonds	2026/9/7-2031/10/22	-	-	31,800,000	0.50-1.13	31,541,673	822,684	98.05-103.01	32,364,357	
Financial bonds	2030/8/7	-	-	1,100,000	0.71	1,100,000	(7)	99.994	1,099,993	
Convertible corporate bonds	2024/12/17	600 thousand shares	-	-	-	60,600	13,350	123.25	73,950	
Foreign exchange contracts	-	-	-	-	-	-	33,039	-	33,039	
Subtotal						38,068,879	1,187,402		39,256,281	
Overseas financial instruments										
Stock	-	232 thousand shares	-	-	-	100,451	(24,322)	USD8.43~96.17	76,129	
Bonds	2100/3/22	-	-	83,070	4.88	88,553	1,125	USD107.96	89,678	
Subtotal						189,004	(23,197)		165,807	
Total						\$38,257,883	\$1,164,205		\$39,422,088	

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.  
2. Statement of discounts and loans  
December 31, 2021

Unit: NTD thousand

Item	Amount	Note
Short-term loans	\$18,035,525	
Short-term secured loans	56,635,547	
Mid-term loans	39,569,845	
Mid-term secured loans	44,756,454	
Long-term loans	8,511,224	
Long-term secured loans	41,913,820	
Others	<u>104,309</u>	
Total	209,526,724	
Less: allowance for bad debt	<u>(3,169,789)</u>	
Net	<u><u>\$206,356,935</u></u>	

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

3. Statement of financial assets at fair value through other comprehensive income  
December 31, 2021

Unit: NTD thousand / thousand shares / thousand units

Name of financial instrument	Summary	Number of shares or units	Book value	Total amount	Interest rate	Acquisition cost	Accumulated impairment	Valuation adjustment	Fair value		Note
									Unit price (NTD)	Total	
Equity instruments measured at FVOCI											
Stocks - listed	-	16,843 thousand shares	10 NTD	\$168,430	-	\$593,165	\$ -	\$210,300	23.65~615	\$803,465	
Stocks - overseas stocks	-	7,451 thousand shares	-	-	-	294,000	-	18,346		312,346	
Stocks - non-listed	-	37,807 thousand shares	-	-	-	1,540,754	-	2,050,916	4.9~117.14	3,591,670	
Subtotal						2,427,919	-	2,279,562		4,707,481	
Debt instruments measured at FVOCI											
Government bonds	2022/1/23-2030/6/11	-	-	7,900,000	0.38-2.50	7,946,643	-	81,970	99.60-103.84	8,028,613	
Corporate bonds	2022/4/5-2166/6/15	-	-	28,847,946	0.75-8.38	30,013,912	-	2,097,807	USD93.57-151.89	32,111,719	
Financial bonds	2023/11/21-2026/11/10	-	-	1,467,570	2.16-6.80	1,498,087	-	97,031	USD100.53-114.38	1,595,118	
Subtotal						39,458,642	-	2,276,808		41,735,450	
Total						\$41,886,561	\$ -	\$4,556,370		\$46,442,931	

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

4. Statement of investment under the equity method  
December 31, 2021

Unit: NTD thousand / thousand shares

Investee company	Balance on January 1, 2021		Increase in the period		Decrease in the period		Balance on December 31, 2021			Net market price or equity		Collateral or pledge	Note
	No. of shares (thousand shares)	Amount	No. of shares (thousand shares)	Amount	No. of shares (thousand shares)	Amount	No. of shares (thousand shares)	Shareholding ratio	Amount	Unit price (NTD)	Total		
Kings Town Bank International Lease Corporation	71,696	\$838,767	12,251 (Note 5)	\$154,851 (Note 1)	-	\$-	123,947	100%	\$1,400,367	-	\$1,400,367	None	
King's Town Securities Co, Ltd.	19,901	329,223	40,000 (Note 4)	6,749 (Note 2) 400,000 (Note 4)	-	(1,724) (Note 1)	90,000	100%	1,029,354	-	1,029,354	None	
			70,099 (Note 4)	701,589 (Note 4)									
				223 (Note 2) 43 (Note 3)									
Total		<u>\$1,167,990</u>		<u>\$1,263,455</u>		<u>\$(1,724)</u>			<u>\$2,429,721</u>		<u>\$2,429,721</u>		

Note 1. Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method.

Note 2. The unrealized profit of financial assets held by subsidiaries at fair value through other comprehensive income.

Note 3. Difference between the actual acquisition price of the subsidiary's equity and the carrying amount.

Note 4. Increase in investment cost.

Note 5. Share dividends distributed.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

5. Statement of Investment of debt instruments at amortized cost

December 31, 2021

Unit: NTD thousand

	Summary	Units	Book value	Total amount	Interest rate	Acquisition cost	Accumulated impairment	Book value	Note
Central Bank convertible certificates of deposit	-	-	-	\$18,200,000	0.34%	\$18,200,000	\$(981)	\$18,199,019	
Total				<u>\$18,200,000</u>		<u>\$18,200,000</u>		<u>\$18,199,019</u>	

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

6. Statement of changes in right-of-use assets

From January 1 to December 31, 2021

Unit: NTD thousand

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance	Note
Buildings and structures	\$342,839	\$188,474	\$(79,051)	\$452,262	
Other equipment	6,102	-	-	6,102	
Total	<u>\$348,941</u>	<u>\$188,474</u>	<u>\$(79,051)</u>	<u>\$458,364</u>	



Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

7. Statement of changes in accumulated depreciation of right-of-use assets

From January 1 to December 31, 2021

Unit: NTD thousand

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance	Note
Buildings and structures	\$128,109	\$74,777	\$(79,051)	\$123,835	
Other equipment	3,328	1,664	-	4,992	
Total	<u>\$131,437</u>	<u>\$76,441</u>	<u>\$(79,051)</u>	<u>\$128,827</u>	

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

8. Statement of deposits and remittances

December 31, 2021

Unit: NTD thousand

Item	Amount	Note
Check deposits	\$1,824,124	
Cashier's check	1,147,768	
Demand deposits	44,071,487	
Foreign currency demand deposits	8,877,460	
Time deposits	25,412,003	
Convertible certificate of deposit	76,000	
Foreign currency time deposits	23,620,034	
Demand saving deposits	91,440,597	
Staff demand saving deposits	522,524	
Regular savings deposit for lump sum payment	5	
Round-amount savings deposit for lump sum payment	3,238,963	
Withdrawals of interest savings deposit	52,583,234	
Outward remittances	1,246	
Total	<u>\$252,815,445</u>	

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
 (Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.  
 9. Statement of lease liabilities  
 December 31, 2021

Unit: NTD thousand

Item	Summary	Lease term	Discount Rate	Ending balance	Note
Buildings and structures	Branch office	2 ~ 10 years	0.68%	\$331,920	
Other equipment	Offsite backup equipment	5 years	1.57%	1,136	
Total				<u>\$333,056</u>	

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.  
10. Statement of interest revenue  
From January 1 to December 31, 2021

Unit: NTD thousand

Item	Amount	Note
Security investment interest income	\$1,697,042	
Interests of due from Central Bank	13,713	
Interests of due from other banks	2,094	
Interests of lend to other banks	5,047	
Interests of short-term loan	385,453	
Interests of short-term guarantee	1,092,870	
Interests of mid-term loan	951,137	
Interests of mid-term guarantee	1,010,396	
Interests of long-term loan	229,524	
Interests of long-term guarantee	690,563	
Miscellaneous interests	42,321	
Total	<u>\$6,120,160</u>	

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

11. Statement of interest expenses

From January 1 to December 31, 2021

Unit: NTD thousand

Item	Amount	Note
Interest expense of funds borrowed from other banks	\$746	
Interests of securities sold under agreements to repurchase	56,002	
Interbank offered interests	36,314	
Time deposit interests	103,049	
Foreign currency time deposit interests	95,822	
demand deposit interests	59,710	
Round-amount deposit interests	25,801	
Withdrawals of interest deposit interests	426,164	
Miscellaneous interests	18,139	
Total	<u>\$821,747</u>	

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

12. Statement of net income from service fee

From January 1 to December 31, 2021

Unit: NTD thousand

Item	Amount	Note
Service fee income		
Remittance fee income	\$33,130	
Guarantee service fee income	140,351	
Trust business income	95,261	
Joint loan income	84,682	
Financing usage fee	1,251,336	
Insurance agency income	140,389	
Change in credit conditions service fee	5,446	
Startup fee	126,592	
Miscellaneous service fee	174,006	
Subtotal	<u>2,051,193</u>	
Service fee expenses		
Inter-bank service fee	11,341	
Trust service fee	1,411	
Credit card service fee	1,068	
Remittance fee expenditures	1,869	
Letter of inquiry for ticket booking fee	1,320	
Miscellaneous service fee	29,263	
Subtotal	<u>46,272</u>	
Net service fee income	<u><u>\$2,004,921</u></u>	

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
 (Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

13. Statement of gain (loss) on financial assets and liabilities at fair value through profit and  
 loss

From January 1 to December 31, 2021

Unit: NTD thousand

Item	Amount	Note
Realized		
Stock investment	\$1,402,693	
Bond investment	251,220	
Derivatives	167,873	
Others	22,007	
Unrealized		
Stock investment	(273,756)	
Bond investment	(602,649)	
Derivatives	24,040	
Others	(29,147)	
Total	<u>\$962,281</u>	

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
 (Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

14. Statement of loss or gain on reversal of assets impairment

From January 1 to December 31, 2021

Unit: NTD thousand

Item	Amount of impairment loss	Amount of gain on reversal	Note
Debt instrument measured at FVTOCI	\$(3,220)	\$512,424	
Debt instrument measured at amortized cost	(10)	1,647	
Fixed assets	-	82,800	
Total	<u>\$(3,230)</u>	<u>\$596,871</u>	



Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

15. Statement of other non-interest net profit or loss - others

From January 1 to December 31, 2021

Unit: NTD thousand

Item	Amount	Note
Other non-interest revenue		
Lease revenue	\$15,760	
Revenue on sale of collateral accepted	6,653	
Others	13,225	
Subtotal	35,638	
Other non-interest loss		
Loss on disposal of assets	148	
Others	9,479	
Subtotal	9,627	
Net	\$26,011	

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
 (Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

16. Statement of business and administrative expenses

From January 1 to December 31, 2021

Unit: NTD thousand

Item	Amount	Note
Lease expenditures	\$4,288	
Repair expenses	21,895	
Utility expenses	16,354	
Insurance expenses	71,609	
Tax expenses	325,984	
Entertainment expenses	23,043	
Membership expenses	23,312	
Consumption expenses	25,293	
Professional service expenses	103,206	
Other Expenses	116,204	
Total	<u>\$731,188</u>	

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.  
17. Statement of employee benefits expenses  
From January 1 to December 31, 2021

Unit: NTD thousand

Item	Amount				Note
	Employee benefits expenses	Non-interest net income	Other business and administrative expenses	Total	
Salaries and wages	\$886,502	\$-	\$-	\$886,502	
Labor insurance and national health insurance	73,204	-	-	73,204	
Pension expenses	34,670	-	-	34,670	
Director remuneration	17,868	-	84	17,952	
Other employee benefits expenses	36,449	-	-	36,449	
<b>Total</b>	<b>\$1,048,693</b>	<b>\$-</b>	<b>\$84</b>	<b>\$1,048,777</b>	

Note:

1. The number of employees for the current year and the previous year was 971 and 960, respectively, of which 7 were directors who were not concurrently serving as employees for both years.
2. The average employee benefits expense was NTD 1,069 thousand for this year ( $[\text{Total employee benefit expenses for the current year} - \text{Total directors' remuneration}] / [\text{Number of employees for the current year} - \text{Number of directors who do not serve as employees}]$ ).
3. The average employee benefits expense was NTD 1,040 thousand for the previous year ( $[\text{Total employee benefit expenses for the previous year} - \text{Total directors' remuneration}] / [\text{Number of employees for the previous year} - \text{Number of directors who do not serve as}]$ ).

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

employees]).

4. The average employees' salary expense was NTD 920 thousand for the year (Total employee salary expenses for the current year / [Number of employees for the current year - Number of directors who do not serve as employees]).
5. The average employees' salary expense was NTD 896 thousand for the previous year (Total employee salary expenses for the previous year / [Number of employees for the previous year - Number of directors who do not serve as employees]).
6. The change in the average employees' salary expenses was 2.68%. ([The average employee salary expense for the current year - The average employee salary expense for the previous year]/The average employee salary expense for the previous year).  
The remuneration of supervisors was NTD 0 thousand for this year, and it was NTD 0 thousand for the previous year. The Company had established the Audit Committee to replace the role of supervisors so the amount was NTD 0.

7. Salary policy

(1) Director

In accordance with Article 33 of the Company's Articles of Association, if the Company has profit for the year, then directors' remuneration shall be appropriated for no more than 2%. When there are accumulated deficit, the Company shall reserve amounts to offset the appropriate amounts. No payment has been made as directors' remuneration for the recent two year. Besides, in accordance with Article 25-1 of the Company's Articles of Association, the remuneration of directors shall be determined by the Board of Directors with reference to the standards of relevant peers and listed companies. The remuneration of the directors of the Bank is paid with reference to the peers standard, the individual performance of the directors, the Company's business performance and the performance evaluation results of the Board of Directors.

(2) Independent Director

The procedure for determining the remuneration of independent directors of the Company refers to Article 25-1 of the Company's Articles of Association which was negotiated by the Board of Directors with reference to the standards of relevant peers and listed companies. The monthly fixed remuneration shall be adopted, and the business execution fee shall be compared with the general director standard. Except for the monthly fixed remuneration, no other director's remuneration shall be paid in accordance with the Company's Articles of Association. In addition, in accordance with Article 5 of the "Specification of the scope of duties of independent

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

directors,” independent directors may decide reasonable remuneration different from ordinary directors.

(3) President, Deputy President, Chief Auditor, Managers, and Employees

The Branch’s performance appraisal and compensation system of president, deputy president, chief auditor, managers, and employees are processed in accordance with the procedures stipulated in the "Regulations on the Employee Year-End Assessment”, "Regulations on the Employee Benefit Payment", and "Regulations on the Year-End Bonus Payment" approved by the Board of Directors, respectively. Proposals are discussed at the meeting of the Compensation and Remuneration Committee every year to discuss the performance evaluation of the Bank's managers' remuneration package and submit it to the Board of Directors for approval, of which the bonus is linked to the unit performance appraisal results of the Bank, including factors such as operational performance (net profit achievement rate), internal control, and legal compliance. Also, personal performance, responsibilities and personal contribution are taken into consideration, and then reasonable remuneration is given, so salary remuneration is highly related to the Company's operating performance. However, if there is a major risk event involving fraud which is enough to cause losses to the Company or affect its goodwill, the Board of Directors shall also take measures such as dismissal, transfer, termination or reduction of remuneration according to the circumstances, in addition to the disciplinary as necessary by law. The employee benefit of the Branch is treated based on the “Regulations on the Employee Benefit Payment” approved by the Board of Directors, and complies with the provisions of Article 5, Paragraph 1 of the Employment Service Act, regardless of race, class, language and other factors.

**King's Town Bank Co., Ltd.**



Chairman Chen-Chih Tai



