

STOCK CODE 2809



KING'S TOWN BANK

**ANNUAL
REPORT**

2022

KTB's Annual Report Info.

BANK www.ktb.com.tw

MOPS mops.twse.com.tw

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See page 128 for details

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Telephone: (02) 8175-7600

Website: [https:// www.fitchratings.com.tw/zh/](https://www.fitchratings.com.tw/zh/)

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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

Looking back at the year 2022, the outbreak of the Russia-Ukraine war led to a global rise in agricultural and industrial material prices, while the COVID-19 pandemic disrupted supply chains and major Western countries raised interest rates to curb high inflation rates. These multiple factors have had a significant impact on the global economy, causing a sharp downturn and financial market turbulence. However, the COVID-19 pandemic has now entered its fourth year, and countries around the world have found ways to coexist with the virus. Consumer spending and tourism activities have resumed, and mainland China has gradually lifted its epidemic restrictions. The negative impact of the pandemic on economic activities is expected to gradually diminish. Looking ahead to the year 2023, the inflation rate remains high, and there are concerns about a possible economic recession, compounded by the threat of geopolitical conflicts. The business environment remains challenging. However, it is observed that the pace of interest rate hikes by the US Federal Reserve is expected to slow down, the employment market remains robust, and corporate capital expenditure is stable. There is still a chance for the global economy to experience a soft landing in the new year. The monetary policies of central banks in Europe and the United States, labor market indices, corporate profitability, and China's economic stimulus plan will be closely watched in the future.

Despite the difficult economic and financial environment both at home and abroad in the year 2022, the Bank has managed to maintain a sound financial structure and good asset quality 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 upholding the spirit of sustainable business and providing more diverse and innovative product service offerings. The Bank's business results in 2022 and the business plan for 2023 are illustrated as follows:

I. 2022 Business Result

(I) Financial environment of Taiwan and abroad in 2022 and change in the Bank's organization

1. Financial environment of Taiwan and abroad in 2022

Looking back at the global economy in 2022, with the widespread administration of vaccines, economic activity gradually picked up. However, the outbreak of the Russia-Ukraine War in February led to a surge in energy prices in Europe, and China's epidemic control measures caused bottlenecks in the global supply chain, resulting in rising prices and inflationary pressures around the world. Major economies implemented tightening monetary policies to curb inflation, with the US Federal Reserve being the most aggressive, leading to significant fluctuations in stock and currency markets worldwide. Amidst these various factors, the global economy experienced a sharp downturn. According to international economic organizations, the global economic growth rate in 2022 was around 2.9%.

In terms of the domestic economy in 2022, on the domestic demand side, the widespread administration of vaccines and the implementation of new policies for coexisting with COVID-19 led to a gradual increase in consumer spending and travel activity. However, on the export side, the Russia-Ukraine war and China's epidemic control measures led to a significant decline in demand from major economies in Europe and the US, resulting in slow export growth, increased inventory pressure for manufacturers, and a shift towards more conservative investment. In addition, in the financial market, the effects of the war, inflation, and the US Federal Reserve's aggressive interest rate hikes led to poor performance of risky assets, with international capital flowing back to US dollar assets. The Taiwan stock market also suffered significant declines, with the value of the New Taiwan

Dollar rapidly depreciating. In order to curb domestic inflation and follow the trend of international interest rate hikes, the central bank also implemented gradual interest rate increases to stabilize the financial situation. In terms of the domestic economy in 2022, export performance was weaker than expected, and domestic demand became the main driver of growth. According to the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the economic growth rate was revised down to 2.43%.

Looking ahead to 2023, in the global economy, according to international organizations' forecasts, due to the ongoing Russia-Ukraine war and high international raw material prices, countries will continue to adopt tight monetary policies to curb inflation, which will further suppress consumption and investment. In addition, the global supply chain has not fully recovered yet, and the risk of a further slowdown in the global economy is increasing. The global economic growth rate in 2023 is forecasted to be 1.5%. In terms of the domestic economy, the impact of the slowing global economy on Taiwan's exports and investment is expected. However, with the gradual fading of the impact of the local epidemic and the government's significant opening of relevant control measures, domestic consumption has rebounded and supported the domestic economy. The economic growth rate in 2023 is expected to be a steady 2.75%.

2. Changes in the Bank's organization

Due to the transfer of legal affairs to the Compliance Department, the former "Legal Affairs Department" was renamed to "NPL Collection Department" by the Board of Directors on April 25, 2022. The Compliance Department also established the "Legal Affairs Division" to handle all legal affairs of the Bank. In addition, to meet the needs of the credit business, the "Credit Regional Center" was renamed to "Credit Center", which was thereby not limited to specific regions, and the "Corporate Banking Center of Technology Industry" was established to assist with lending to small and medium-sized enterprises in the technology industry.

(II) Operational planning and implementation results of management strategies

Item	2022	2021
Average deposit balance on NT Dollar accounts	234.072 billion	208.786 billion
Average deposit balance on foreign currency Accounts	30.748 billion	28.499 billion
Average loans balance	224.109 billion	197.342 billion
Financial management fee income	0.288 billion	0.250 billion
Non-performing loans ratio (consolidated)	0.02%	0.02%
Coverage ratio (consolidated)	8870.25%	8277.51%
BIS ratio (consolidated)	14.05%	16.62%
Tier-1 ratio (consolidated)	12.92%	15.15%

(III) 2022 Budget implementation

Item	Actual amount	Budget amount	Achievement rate
Average deposit balance on NT Dollar accounts	234.072 billion	229.035 billion	102.20%
Average deposit balance on foreign currency Accounts	30.748 billion	30.986 billion	99.23%
Average loans balance	224.109 billion	218.260 billion	102.68%

(IV) Analysis of Financial Income and Expenditure and Profitability (the following figures are based on consolidated financial statements)

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)
2.94 billion	2.21 billion	1.98	41.30%	0.61%	4.84%

(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 2023 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 expected business goals in 2023 are as follows:

Average deposit balance on NT Dollar accounts	Average deposit balance on foreign currency Accounts	Average loans balance
257.762 billion	29.57 billion	242.609 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) Impacts of the external competitive environment, regulatory environment, and the overall business environment
External competitive environment

On the supply side, in 2022, Taiwan's financial industry experienced a trend towards concentration due to the completion of the first financial holding company merger and the sale of a local bank's consumer finance business to a foreign bank. However, due to a decline in profitability, it is expected that the momentum of financial consolidation will slow down in the future. On the demand side, the COVID-19 pandemic has pushed forward the development of financial technology. Domestic banks' digital account growth has been rapid, and the public has become accustomed to the "contactless" mode of transaction. In response to this trend, the Bank will continue to strengthen its digital financial services, enrich its digital platform products, and enhance the value of customer experience.

(II) Impacts of the external competitive environment, regulatory environment, and the overall business environment
Laws & regulations

To continuously improve the trust service function and increase society's emphasis on trust, the FSC has released the second phase of the Trust 2.0 "All-round Trust" promotion plan. The goal is to assist the public in managing their assets and ensuring economic security through trust services, and further contribute to social stability. The plan outlines three core objectives: To meet the needs of trust services at all stages of life, to expand and deepen cross-sectoral alliances in the trust industry, and to improve the understanding and awareness of trust services for the elderly (with dementia) and people with physical or mental disabilities. In response to the policy of the competent authority, the Bank's Trust Department will develop and promote pension trusts and insurance trusts to assist the elderly, orphans, and people with disabilities with life care and retirement planning.

The FSC released the "Green Finance Action Plan 3.0," which covers five major areas of promotion, including promoting financial institutions to assess their carbon footprint and manage their climate risks, developing guidelines for the recognition of sustainable economic activities, promoting the integration of ESG and climate-related information, strengthening professional training on sustainable finance, and working together to build a consensus, in the hope of deepening Taiwan's sustainable development and moving toward the goal of net-zero transformation. The Bank will continue to invest in ESG-related activities and has begun to assess and verify their greenhouse gas inventory. It is also actively recruiting and cultivating ESG-related talents to collaborate with the competent authority to promote the net-zero carbon emission plan and jointly work towards a low-carbon or zero-carbon economy.

(III) Macroeconomy

In 2022, the domestic economy was impacted by the COVID-19 pandemic, resulting in sluggish domestic demand. However, with the increase in vaccine coverage and the adoption of new coexisting-with-COVID-19 prevention policies, consumer spending and tourism activities gradually recovered. Nonetheless, due to the impact of the Russia-Ukraine war and China's epidemic control measures, the demand from major foreign economies has significantly declined, leading to slow export growth, increased inventory pressure for manufacturers, and more conservative investment. In 2022, the domestic economy relied on the domestic market instead for support due to exports performing worse than expected, with the overall growth rate, as announced by the Directorate-General of Budget, Accounting, and Statistics to be 2.43%. Looking ahead to 2023, the economic growth rate is estimated to be 2.75%, with weaker external export momentum and solid private consumption performance.

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
2023.03.31	Fitch Ratings Co., Ltd.	A+ (twn)	F1 (twn)	Stability	BBB	F3	Stability

VI. Conclusion

2022 was a turbulent year due to factors such as the pandemic, wars, inflation , and Interest rate hike, making the operating environment particularly challenging. Looking ahead to the year 2023, facing challenges in the domestic and foreign operating environment, the Bank will continue to adhere to the concept of sustainable management, strive to improve its financial structure and asset quality, and uphold the belief of "constantly breaking through and beyond the self" to create the greatest profit and value for all shareholders. With the spirit of "fair treatment of customers and friendly service," it will continue to provide the best financial services to customers and build a bank that differs from others.

Chairman Chen-Chih Tai Sincerely



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	Founded 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	Subsidiary "King's Town International Real Estate Management Co., Ltd." was established by King's Town Bank International Leasing Co., Ltd. through 100% investment.
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	Wan Tai Securities Co, Ltd. was acquired and became a 100%-owned 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 2022 and as of the end of January 2023 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.

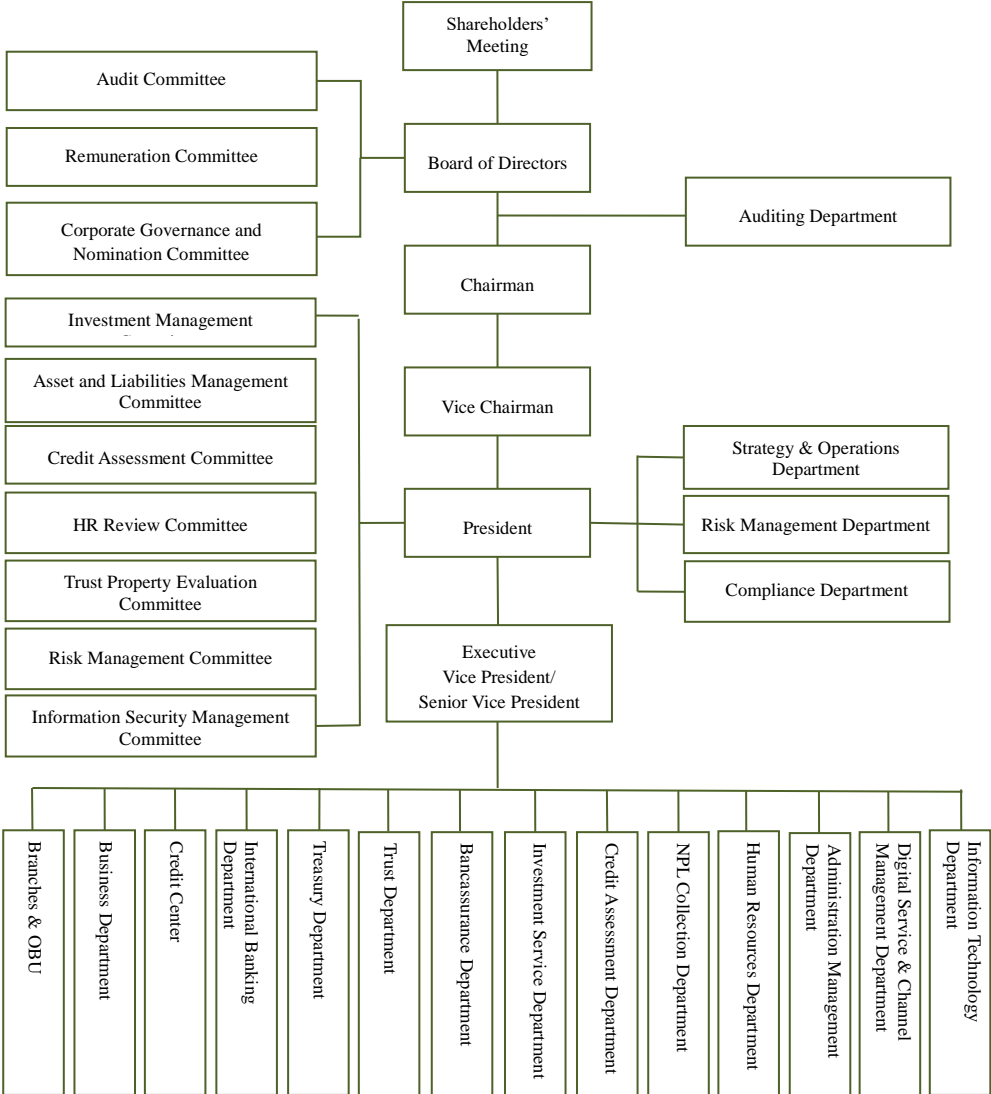
V. A substantial transfer or replacement of the equity by directors, independent directors, and those who are required to declare equity in accordance with Article 25, Paragraph 3 of the Banking Act in 2022 and as of the end of January 2023: None.

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: January 31, 2023)



(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 NTD 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, among other related matters.
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, the designing of foreign currency deposit products and services, the planning of marketing activities, as well as the promoting of other businesses.
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, the designing of credit products, and matter related to business management.
10. NPL Collection Department: Coordinate the Bank's 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, the planning and implementation of policies and procedures, as well as the matters related to the Bank's legal affairs.
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 matters related to the planning, promotion, and implementation of the Bank's insurance agency business.
15. Information Technology Department: Coordinate the matters related to 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 Center: Coordinate the matters related to the credit promotion, credit check, confirmation and collection of non-performing loans.
17. Business Department: Manage the matters related to 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: January 31, 2023

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	Tiangang Investment Co., Ltd. Representative: Cheng-Chih Tai	Male 61 I 70 years old	2020.05.12	3 years	2005.06.23	39,399,025	3.48%	39,399,025	3.55%	-	-	-	-	-	-	-	-	-
							78,209,000	6.91%	78,209,000	7.04%	5,890,000	0.53%	-	-	Education: Department of Business Management of National Chung Hsing University Experience: Chairman of King's Town Bank Co., Ltd. Executive Director of Makoto Bank	Director of King's Town International Leasing Co., Ltd. Director of King's Town International Construction Management Co., Ltd. Director of Payeasay Digital Integration Co., Ltd. Director of Mentex Glass INV DEV. Inc. Director of Taijia Industrial Co., Ltd. Director of TPPC Vietnam	Manager	Olivia Tai	Father and daughter
Vice Chairman	Republic of China	Tiangang Investment Co., Ltd. Representative: Chiung-Ting Tsai	Male 45 I 50 years old	2020.05.12	3 years	2005.06.23	39,399,025	3.48%	39,399,025	3.55%	-	-	-	-	-	-	-	-	-
							-	-	-	-	23,756,000	2.14%	-	-	Education: Master of Engineering Economics of Stanford University Experience: Vice Chairman of King's Town Bank Assistant 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. Director of Kangdi Lehua Co., Ltd. Director of Ronald McDonald House Charities	None	None	None

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
Director	Republic of China	Fu Chiang Investment Ltd. Representative: Chung-Chang Tsai	Male 61 I 70 years old	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%	-	-	-	-	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	Fu Chiang Investment Ltd. Representative: Ching-Shun Ou	Male 61 I 70 years old	2020.05.12	3 years	2020.05.12	5,000,000	0.44%	5,000,000	0.45%	-	-	-	-	-	-	-	-	-
							-	-	-	-	7,200,628	0.65%	-	-	Education: Department of Construction Engineering, Cheng-Shiu Institute of Technology & Commerce Experience: Chairman of Baihong Construction Co., Ltd.	Chairman of Baihong Construction Co., Ltd. Director of Wangfu Security Co. Supervisor of King s Town Construction Co.	None	None	None

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
Independent Director	Republic of China	Chao-Long Chen	Male 71 I 75 years old	2020.05.12	3 years	2017.05.17	-	-	-	-	-	-	-	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 Independent Director of Nanliu Enterprise Co., Ltd. Chairman of Microbio Co., Ltd. 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 I 70 years old	2020.05.12	3 years	2020.05.12	-	-	-	-	-	-	-	Education: Bachelor of Economics of Nihon University Experience: Chairman of Tainan Life Insurance Agency Co., Ltd. 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	Supervisor of Kuanlibao Construction (Co., Ltd.) Supervisor of Helibao Construction (Co.), Inc. Director of the Hou Ancestral Hall Fund	None	None	None	

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
Independent Director	Republic of China	Ping-Sung Wu	Male 61 I 70 years old	2022.05.09	1.01 years	2022.05.09	-	-	-	-	-	-	-	Education: Master of Finance Management, National Kaohsiung First University of Science and Technology Experience: Independent Director of Yiho International Co., Ltd. Director of Tang Eng Iron Works Co., Ltd. Manager of Kaohsiung Branch, Bank of Taiwan Manager of Fengshan Branch, Bank of Taiwan Manager of Tainan Branch, Bank of Taiwan Adjunct Lecturer of Department of Financial Management, National Kaohsiung University of Science and Technology Adjunct Lecturer of Department of Finance, I-Shou University Adjunct Lecturer of Cheng Shiu University	Adjunct Associate Professor of Department of Finance Management, National Kaohsiung University of Science and Technology Independent Director of Ample Electronic Technology Co., Ltd.	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: January 31, 2023

Name of Institutional Shareholder	Major Shareholders of the Institutional Shareholders
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.	Yi-Ying Chen(100%)

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

Base date: January 31, 2023

Name of Institutional Shareholder	Major Shareholders of the Institutional Shareholder
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: January 31, 2023

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
Chairman Chen-Chih Tai	At least five years of working experience in business, legal, finance or banking	-	None
Vice Chairman Chiung-Ting Tsai	At least five years of working experience in business, legal, finance or banking	-	None
Director Tsung-Chang Tsai	At least five years of working experience in business, legal, finance or banking	-	None
Director Ching-Shun Ou	At least five years of working experience in business, legal, finance or banking	-	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	(Note 2)	None
Independent Director 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.		1
Independent Director Ping-Sung Wu	At least 5 years of working experience required for commerce, law, finance, accounting or banking profession. Experience: Manager of Kaohsiung Branch, Fengshan Branch, and Tainan Branch, Bank of Taiwan		1

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

Notes 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) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer or spouse thereof that provides auditing service for CHAINTECH or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration more than NT\$500,000 in the past 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 two independent directors with less than three years of experience and one with three to nine years of experience; one director aged 45 to 50, five 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 risk management, investment decision, financial analysis, and overall economic analysis, Director Ching-Shun Ou specializes in construction and land development, Director Tsai Chung-Chang specializes in industry and academic research and education promotion, Independent Director Chuan-Fu Hou specializes in strategy management, risk management and credit business, Independent Director Chen, Chao-Long specializes in medical research, technology development and international development cooperation, Independent Director Ping-Sung Wu specializes in risk management, marketing strategy and financial affairs. The board members are diverse and complementary, which is beneficial to the development of the Bank's deposit business, as well as financing and investment business. The Bank also places emphasis on gender equality in the composition of the board members and will consider increasing the number of female directors in the future.

Pursuant to Article 29 of the "Corporate Governance Best-Practice Principles," the members of the Board of Directors should generally have the knowledge, skills, and self-cultivation required for performing 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	45 - 50	51 - 60	61 - 70	71 - 75	Under 3 years	3 - 9 years	Operational judgment	Accounting and financial analysis	Business management	Risk management capabilities	Crisis management	Industry knowledge	International market perspective	Leadership	Decision-making
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			✓				✓		✓	✓	✓	✓	✓	✓	✓
Chuan-Fu Hou	Republic of China	Male			✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
Chao-Long Chen	Republic of China	Male				✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ping-Sung Wu	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.

6. Continuing education of directors

Title	Name	Training date	Organizer	Course name	Training Hours
Chairman	Chen-Chih Tai	2022.11.14	Securities and Futures Institute	Principles for Fair Treatment of Customers and 21 Management Commandments for Financial Specialists	3
				Corporate Governance System and Anti-Money Laundering Regulations	3
Vice Chairman	Chiung-Ting Tsai	2022.11.14	Securities and Futures Institute	Principles for Fair Treatment of Customers and 21 Management Commandments for Financial Specialists	3
				Corporate Governance System and Anti-Money Laundering Regulations	3
		2022.03.10	Taiwan Stock Exchange	On Independent Directors and Board Supervision from an International Perspective	1
Independent Director	Chao-Long Chen	2022.12.07	Taiwan Corporate Governance Association	Three major codes of practice and case studies on ethical corporate management, corporate governance, and sustainable development	3
				Principles for PR process in handling corporate legal Issues	3
		2022.11.08		What investors are thinking: ESG investment and financing for sustainable corporate transformation	3
		2022.08.09		Case studies on family succession planning and the use of various tools	3
		2022.04.14		Sustainable Risk - Exploring from Governance to Management	3
Independent Director	Chuan-Fu Hou	2022.11.14	Securities and Futures Institute	Principles for Fair Treatment of Customers and 21 Management Commandments for Financial Specialists	3
				Corporate Governance System and Anti-Money Laundering Regulations	3
		2022.05.11	Taiwan Academy of Banking and Finance	E-Course on financial compliance for trust industry	3
		2022.04.19		Workshop for trust industry supervisors (including in-service personnel)	3
Independent Director	Ping-Sung Wu	2022.11.14	Securities and Futures Institute	Principles for Fair Treatment of Customers and 21 Management Commandments for Financial Specialists	3
				Corporate Governance System and Anti-Money Laundering Regulations	3
		2022.09.20	Accounting Research and Development Foundation	Case studies on "intellectual property infringement" and analysis of legal responsibilities	3
				Exploring corporate governance from actual cases of management right struggle	3
Director	Ching-Shun Ou	2022.11.14	Securities and Futures Institute	Principles for Fair Treatment of Customers and 21 Management Commandments for Financial Specialists	3
				Corporate Governance System and Anti-Money Laundering Regulations	3
Director	Chung-Chang Tsai	2022.11.14	Securities and Futures Institute	Principles for Fair Treatment of Customers and 21 Management Commandments for Financial Specialists	3
				Corporate Governance System and Anti-Money Laundering Regulations	3

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

Base date: January 31, 2023

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	Hung-Liang Chiang	2022.03.01	Male	38,000	0.003	-	-	-	-	Graduate Institute of Finance of Fu Jen Catholic University	Director of Fu Jen Innovation Commercial Co., Ltd. Supervisor of InfoFab Inc.	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
Executive 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	Qi-Wei 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
Senior Vice President	Republic of China	Chung-Cheng Lin	2022.10.03	Male	-	-	-	-	-	-	Department of Land Economics of National Chung Hsing University	None	None	None	None
Vice President of Administration Management Department	Republic of China	Chien-Ko Yang	2018.10.02	Male	285,444	0.026	-	-	-	-	Graduate Institute of Finance of National Chung Cheng University	None	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	2021.05.11	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 Corporate Banking Center of Technology Industry	Republic of China	Kai-Ming Liu	2023.01.03	Male	116,000	0.010	-	-	-	-	Department of Economics of National Chung Hsing University	None	None	None	None
Senior Manager of Credit Assessment Department	Republic of China	Chi-Chia Chang	2018.12.25	Male	100,000	0.009	500	0.000	-	-	Department of Business Mathematics of Soochow University	None	None	None	None
Senior Manager of Trust Department	Republic of China	Hui-Chen Yu	2022.04.12	Female	-	-	-	-	-	-	Graduate Institute of Finance of National Chiao Tung University	None	None	None	None
Manager of NPL Collection 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 International Banking Department and OBU and Operations	Republic of China	Olivia Tai	2019.11.26	Female	1,052,000	0.095	-	-	-	-	Institute of Financial Risk Management of London School of Economics and Political Science	Director of Mentex Enterprise Co., Ltd. Director of AdvanPak Inc. 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
Management Department												Director of TPPC Vietnam Director of PH&L International Ltd.			
Manager of Digital Service & Channel Management Department	Republic of China	Yun-Chia Peng	2020.02.10	Female	80,000	0.007	-	-	-	-	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	Hsiao-Tsung Chu	2021.06.01	Male	25,000	0.002	-	-	-	-	Graduate Institute of Finance of National Chengchi University	None	None	None	None
Manager of Human Resource Department	Republic of China	Shih-Chi Chuang	2022.06.01	Male	5,000	0.000	-	-	-	-	Finance Group, Institute of International Trade, Soochow University	None	None	None	None
Manager of Treasury Department	Republic of China	Ya-Ting Li	2022.04.12	Female	878	0.000	-	-	-	-	Graduate Institute of Finance of National Chung Cheng 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	Supervisor of King's Town International Construction Management Co., Ltd. King's Town Bank International Leasing Co., Ltd Supervisor	None	None	None
Manager of Tainan Credit Center	Republic of China	Ming-Jen Wu	2022.05.31	Male	100,444	0.009	-	-	-	-	Department of International Trade of Ming Chuan University	None	None	None	None
Manager of Yulin and Chiayi Credit Center	Republic of China	Chun-Ching Chen	2017.06.13	Male	15,574	0.001	-	-	-	-	Senior Management Office of National Chung Cheng University	None	None	None	None
Business Department at the head office Manager	Republic of China	Mei-Lien Wu	2022.05.31	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
Taipei Branch Manager	Republic of China	Kuang-Ti Yang	2018.12.25	Male	29,000	0.003	-	-	-	-	Department of Business Administration of Chung Yuan Christian University	None	None	None	None
Neihu Branch Manager	Republic of China	Ping-Chao Ho	2018.12.25	Male	40,000	0.004	-	-	-	-	Department of Insurance and Banking Management of Takming University of Science and Technology	None	None	None	None
Zhongxiao Branch Executive Manager	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
Songshan Branch Manager	Republic of China	Andy Feng	2019.02.26	Male	90,000	0.008	-	-	-	-	Department of Economics of Soochow University	None	None	None	None
Luzhou Branch Manager	Republic of China	Ssu-Hao Chen	2019.12.30	Male	4,000	0.000	-	-	-	-	Department of Economics of Fu Jen Catholic University	None	None	None	None
Shuanghe Branch Manager	Republic of China	Hung-Chi Liu	2022.07.11	Male	-	-	-	-	-	-	Institute of Business Administration of National Chengchi 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
Banchiao Branch Executive Manager	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
Xinzhuang Branch Manager	Republic of China	Shih-Hsun Chou	2019.12.30	Male	50,020	0.005	6,000	0.001	-	-	Graduate Institute of International Business Administration of Sheffield Hallam University	None	None	None	None
Xindian Branch Executive Manager	Republic of China	Chien-Jen Chuang	2021.05.04	Male	-	-	-	-	-	-	Department of Business Administration, Tamkang College of Business Administration	None	None	None	None
Taoyuan Branch Manager	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
Jhongli Branch Executive Manager	Republic of China	Ching-An Chen	2021.11.09	Male	-	-	-	-	-	-	EMBA Institute, National Central University	None	None	None	None
Nankang Branch Manager	Republic of China	Wen-Peng Mo	2023.01.03	Male	26,000	0.002	-	-	-	-	Institute of Finance of Fu Jen Catholic University	None	None	None	None
Hsinchu Branch Executive Manager	Republic of China	Yuan-Ping Tsai	2021.08.31	Male	70,000	0.006	29,000	0.003	-	-	Department of Business Administration of Southern Taiwan University of Science and Technology	None	None	None	None
Eastern Hsinchu branch Manager	Republic of China	Ping-Hua Chen	2022.10.03	Male	-	-	-	-	-	-	Department of Economics of Feng Chia University	None	None	None	None
Taichung Branch Manager	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
Wenxin Branch Manager	Republic of China	Sheng-Tang Huang	2021.12.21	Male	-	-	-	-	-	-	Department of Business Administration of Chinese Culture University	None	None	None	None
Dali Branch Manager	Republic of China	Chung-Cheng Li	2021.12.21	Male	2,350	0.000	-	-	-	-	Department of Business Management of National Chung Hsing University	None	None	None	None
Changhua Branch Executive Manager	Republic of China	Ming-Ching Yao	2020.05.12	Male	26,000	0.002	-	-	-	-	Department of Business Administration of Ling Tung University	None	None	None	None
Huwei Branch Manager	Republic of China	Wen-He Liao	2021.12.21	Male	20,748	0.002	-	-	-	-	Institute of Finance and Economics of National Yunlin University of Science and Technology	None	None	None	None
Douliu Branch Manager	Republic of China	Shu-Chueh Chen	2019.12.30	Female	86,000	0.008	-	-	-	-	Department of Business Management of National Tuku Vocational High School of Commerce and Industry	None	None	None	None
Beigang Branch Manager	Republic of China	Li-Fen Tu	2019.12.30	Female	7,000	0.001	-	-	-	-	Department of Business Management and Design of Tatung Institute of Technology	None	None	None	None
Douan Branch Manager	Republic of China	Li-Yu Liao	2019.12.30	Female	9,000	0.001	-	-	-	-	Department of Accounting and Statistics of Tatung Institute of Technology	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
Xiluo Branch Manager	Republic of China	Fu-Chin Chen	2021.12.21	Female	22,077	0.002	-	-	-	-	Department of Business Management of National Chia-Yi Senior Commercial Vocational School	None	None	None	None
Lunbei Branch Manager	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
Chiayi Branch Manager	Republic of China	Jen-Hua Yang	2022.06.01	Male	-	-	-	-	-	-	Department of International Trade of Tamsui Institute of Business Administration	None	None	None	None
Minghsiung Branch Manager	Republic of China	Yu-Mei Chen	2020.12.22	Female	33,379	0.003	-	-	-	-	Department of Accounting and Statistics of Tatung Institute of Technology	None	None	None	None
Puzi Branch Manager	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
Meishan Branch Manager	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
Zhongpu Branch Manager	Republic of China	Hsiu-Tuan Lin	2021.06.01	Female	3,000	0.000	-	-	-	-	Department of Accounting and Statistics of National Hua-Nan Commercial Vocational Senior High School	None	None	None	None
Zhuqi Branch Manager	Republic of China	Li-Wen Tsai	2019.01.23	Female	199	0.000	-	-	-	-	Accounting and Statistics of Tatung College of Commerce	None	None	None	None
Xingye Branch Manager	Republic of China	Ping-Hsun Tsai	2020.12.22	Male	18,310	0.002	6,000	0.001	-	-	Accounting and Statistics of Tatung College of Commerce	None	None	None	None
Shuishang Branch Manager	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
Dalin Branch Manager	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
Taibao Branch Manager	Republic of China	Hsiu-Mei Lin	2020.12.22	Female	10,706	0.001	15,000	0.001	-	-	Department of Finance and Economics of Nanhua University	None	None	None	None
Tainan Branch Manager	Republic of China	Chiu-Ching Kuo	2022.05.31	Female	7,000	0.001	-	-	-	-	Graduate School of Management of Chang Jung Christian University	None	None	None	None
Eastern Tainan Branch Manager	Republic of China	Mei-Wen Wang	2022.05.31	Female	40,513	0.004	-	-	-	-	Department of Business Administration of Southern Taiwan University of Science and Technology	None	None	None	None
Yunong Branch Manager	Republic of China	Shu-Hui Chin	2021.12.21	Female	1,000	0.000	-	-	-	-	Department of Accounting and Statistics of Tainan University of Technology	None	None	None	None
Kaiyuan Branch Manager	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
Annan Branch Manager	Republic of China	Chia-Hao Tien	2019.12.30	Male	10,000	0.001	-	-	-	-	Department of Economics of Feng Chia University	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
Anhe Branch Manager	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
Xinxing Branch Manager	Republic of China	Su-Chin Kuo	2022.05.31	Female	-	-	-	-	-	-	Department of Business Management of National Tseng-Wen Senior Home Economics & Commercial Vocational High School	None	None	None	None
Zhonghua Branch Manager	Republic of China	Chin-Chuan Chang	2023.01.03	Male	2,000	0.000	-	-	-	-	Department of International Trade of Tamsui Institute of Business Administration	None	None	None	None
Fucheng Branch Manager	Republic of China	Chao-Hsien Chou	2021.12.21	Male	-	-	-	-	-	-	Department of Accounting of Feng Chia University	None	None	None	None
Yongkang Branch Manager	Republic of China	Chia-Jung Tsai	2021.12.21	Female	25,000	0.002	-	-	-	-	Department of Banking and Insurance of Feng Chia University	None	None	None	None
Rende Branch Manager	Republic of China	Chiung-Chiang Tsai	2020.09.01	Female	6,239	0.001	-	-	-	-	International Trade Division of Tainan Commercial Vocational School	None	None	None	None
Xinhua Branch Manager	Republic of China	Ching-Chung Hsu	2018.12.25	Male	-	-	-	-	-	-	Department of Economics of Tunghai University	None	None	None	None
Guiren Branch Manager	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
Guanmiao Branch Manager	Republic of China	Chien-Jung Lin	2019.12.30	Female	2,000	0.000	-	-	-	-	Department of Accounting and Statistics of Tainan University of Technology	None	None	None	None
Yen Hsin branch Manager	Republic of China	Kao-Hui Lin	2023.01.03	Male	2,000	0.000	2,000	0.000	-	-	Department of Library Information of the World College of Journalism	None	None	None	None
Xinying Branch Manager	Republic of China	Mi-O She	2023.01.03	Female	-	-	-	-	-	-	Department of Accounting and Statistics of National Tainan Commercial Vocational Senior High School	None	None	None	None
Yanshui Branch Manager	Republic of China	Tsan-Chin Mao	2018.12.25	Male	7,171	0.001	3,056	0.000	-	-	Department of Applied Mathematics of Chung Yuan Christian University	None	None	None	None
Madou Branch Manager	Republic of China	Kuo-Sung Kuo	2023.01.03	Male	2,001	0.000	-	-	-	-	Department of Economics of Feng Chia University	None	None	None	None
Jiali Branch Manager	Republic of China	Li-Hsueh Hsu	2023.01.03	Female	1,000	0.000	-	-	-	-	EMBA Institute, Southern Taiwan University of Science and Technology	None	None	None	None
Shanhua Branch Manager	Republic of China	Chan-Chih Kang	2023.01.03	Male	2,000	0.000	-	-	-	-	Department of Economics of Soochow University	None	None	None	None
Xuejia Branch Manager	Republic of China	Yu-Chen Lin	2022.05.01	Female	-	-	-	-	-	-	Department of Finance and Economics of Tainan University of Technology	None	None	None	None
Xinshi Branch Manager	Republic of China	I-Sheng Liu	2021.12.21	Male	143,000	0.013	-	-	-	-	Department of Business Administration of Aletheia University	None	None	None	None
Liuji Branch Manager	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

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
Xigang Branch Manager	Republic of China	Hui-Ling Ko	2023.01.03	Female	14,000	0.001	-	-	-	-	Graduate School of Management, National Chiayi University	None	None	None	None
Baihe Branch Manager	Republic of China	Ying-Feng Tsai	2020.11.01	Male	10,073	0.001	70,000	0.006	-	-	Department of Economics of Fu Jen Catholic University	None	None	None	None
Yujing Branch Manager	Republic of China	Mei-Hhui Wu	2023.01.03	Female	5,004	0.000	-	-	-	-	Department of Accounting and Statistics of National Tainan Commercial Vocational Senior High School	None	None	None	None
Kaohsiung Branch Executive Manager	Republic of China	Chih-Fu Huang	2020.09.01	Male	2,180	0.000	6,000	0.001	-	-	Department of Economics of National Chengchi University	None	None	None	None
Gangshan Branch Manager	Republic of China	Ta-I Shau	2021.12.21	Male	-	-	2,000	0.000	-	-	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
Zhongzheng Branch Manager	Republic of China	Ying-Hsiang Wang	2021.12.21	Male	27,000	0.002	5,000	0.000	-	-	Department of Business Administration of Tunghai University	None	None	None	None
Northern Kaohsiung branch Manager	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
Nanzi Branch Manager	Republic of China	Chih-Hsien Kuo	2022.04.01	Male	12,000	0.001	43,513	0.004	-	-	Department of International Trade of Chinese Culture University	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, Senior Vice President and employees

(I) Remuneration of Directors and Independent Directors

2022

Unit: NT\$

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)		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	The Bank		All companies mentioned in the financial statements		The Bank	All companies mentioned in the financial statements	
																Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Chairman	Chen-Chih Tai	7,181,000	7,181,000	0	0	0	0	240,000	240,000	0.34%	0.34%	0	0	0	0	0	0	0	0	0.34%	0.34%	None
Vice Chairman	Chiung-Ting Tsai	5,371,000	5,371,000	0	0	0	0	240,000	240,000	0.25%	0.25%	0	0	0	0	0	0	0	0	0.25%	0.25%	None
Director	Ching-Shun Ou	480,000	480,000	0	0	0	0	288,000	288,000	0.03%	0.03%	0	0	0	0	0	0	0	0	0.03%	0.03%	None
Director	Chung-Chang Tsai	480,000	480,000	0	0	0	0	286,000	286,000	0.03%	0.03%	0	0	0	0	0	0	0	0	0.03%	0.03%	None
Independent Director	Chao-Long Chen	960,000	960,000	0	0	0	0	290,000	290,000	0.06%	0.06%	0	0	0	0	0	0	0	0	0.06%	0.06%	None
Independent Director	Hung-Liang Chiang	160,000	160,000	0	0	0	0	50,000	50,000	0.01%	0.01%	0	0	0	0	0	0	0	0	0.01%	0.01%	None
Independent Director	Chuan-Fu Hou	960,000	960,000	0	0	0	0	288,000	288,000	0.06%	0.06%	0	0	0	0	0	0	0	0	0.06%	0.06%	None
Independent Director	Ping-Sung Wu	621,334	621,334	0	0	0	0	185,334	185,334	0.04%	0.04%	0	0	0	0	0	0	0	0	0.04%	0.04%	None

Note: This table discloses the remuneration for the period of the employment in 2022.

1. Please explain the independent director remuneration policy, system, standard, and structure, and the connection between the amount of remuneration and the considered factors such as their job responsibilities, risks, and working 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. A donation to a related party, or a major donation to a non-related party. However, a charitable donation as disaster relief for a major natural disaster may be submitted to the next board 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 for information disclosed above, remuneration paid for services rendered by Directors of the Company to all companies in the financial report (e.g., serving as a non-employee consultant) in the most recent fiscal year: None.

Note:

1. Net income after tax of the Bank in 2022 was NT\$2,210,422 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 Senior Vice Presidents

2022

Unit: NT\$

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 Amount	Stock Amount	Cash Amount	Stock Amount			
President	Hung-Liang Chiang	4,518,000	4,518,000	0	0	2,000	2,000	671	0	671	0	0.20%	0.20%	None
President	Jih-Cheng Chang	852,400	852,400	0	0	6,263,520	6,263,520	0	0	0	0	0.32%	0.32%	None
Chief Auditor	Ching-Chu Pai	1,302,000	1,302,000	0	0	1,108,200	1,108,200	671	0	671	0	0.11%	0.11%	None
Executive Vice President	Chien-Wei Pan	4,095,000	4,095,000	0	0	5,264,500	5,264,500	671	0	671	0	0.42%	0.42%	None
Senior Vice President	Qi-Wei You	1,890,000	1,890,000	0	0	1,547,200	1,547,200	671	0	671	0	0.16%	0.16%	None
Senior Vice President	Chih-Cheng Yu	2,382,000	2,382,000	0	0	2,232,600	2,232,600	671	0	671	0	0.21%	0.21%	None
Senior Vice President	Chung-Cheng Lin	890,001	890,001	0	0	0	0	0	0	0	0	0.04%	0.04%	None

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

2022

Unit: NT\$

Title	Name	Stock Amount	Cash Amount	Total	Total amount to after-tax net income ratio (%)
President	Hung-Liang Chiang	0	8,052	8,052	0.000364274%
Chief Auditor	Ching-Chu Pai				
Executive Vice President	Chien-Wei Pan				
Senior Vice President	Qi-Wei You				
Senior Vice President	Chih-Cheng Yu				
Vice President	Ai-Chen Hu				
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 senior 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: NT\$

Title	2021		2022	
	The Bank	All companies included in the consolidated financial statements	The Bank	All companies included in the consolidated financial statements
Director	17,952,000	17,952,000	18,080,668	18,080,668
President, Senior Vice Presidents	30,485,371	30,485,371	32,347,421	32,347,421
Total	48,437,371	48,437,371	50,428,089	50,428,089
Ratio to the net income on the parent company only financial report	0.86%	0.86%	2.28%	2.28%

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 Incorporation of the Company, the Company shall provide no more than 2% of the net income, if any, as directors' remuneration. 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, Senior Vice Presidents, Chief Auditor, Managers and Employees

The performance evaluation and remuneration system of the Bank's President, Senior 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 23 Board meetings were held in 2022. The attendance of the Directors was as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%)	Note
Chairman	Tiangang Investment Co., Ltd. Representative: Cheng-Chih Tai	23	0	100.00%	
Vice Chairman	Tiangang Investment Co., Ltd. Representative: Chiung-Ting Tsai	19	4	82.61%	
Director	Fu Chiang Investment Ltd. Representative: Chung-Chang Tsai	22	1	95.65%	
Director	Fu Chiang Investment Ltd. Representative: Ching-Shun Ou	22	1	95.65%	
Independent Director	Chuan-Fu Hou	22	1	95.65%	
Independent Director	Chao-Long Chen	22	1	95.65%	
Independent Director	Ping-Sung Wu	17	0	100.00%	Newly appointed on May 9, 2022
Independent Director	Hung-Liang Chiang	2	0	100.00%	Removed from the position on February 24, 2022

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:

1. Matters referred to in Article 14-3 of the Securities and Exchange Act:

Board of Directors	Proposal content and subsequent treatment
2022.01.17 41st meeting of the 15th Board of Directors	The Bank's 2022 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
2022.02.21 42nd meeting of the 15th Board of Directors	(I) The Bank's 2021 parent company only financial statements and consolidated financial statements and business reports
	(II) The "Statement of Internal Control System of King's Town Bank" for 2021
	(III) The Bank "Statement on Internal Control System for Anti-Money Laundering and Counter-Terrorism" 2021
	(IV) Audit report of the second half of 2021
	Independent Directors' opinion: None.
	The Company's Response: None. Resolution: Approved by the unanimous decision of the directors present
2022.06.20 50th meeting of the 15th Board of Directors	Replacement of the Bank's Certified Public Accountants and Results of Independence/Competence Evaluation
	Independent Directors' opinion: None.
	The Company's Response: None. Resolution: Approved by the unanimous decision of the directors present

2022.08.15 54th 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 2022
	(III) Audit report of the first half of 2022
	Independent Directors' opinion: None.
	The Company's Response: None.
	Resolution: Approved by the unanimous decision of the directors present
2022.09.26 57th meeting of the 15th Board of Directors	The attestation service provided by the Bank's CPA
	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.

- 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 interest, the names of the directors, contents of motion, reasons for recusal, and results of voting shall be specified:

- 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 2021. 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.
- Adopted on the 61st board meeting of the 15th board on November 28, 2022: For the discussion of the credit case of HanHuang Co., Ltd., since the party is not 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 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.

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, 2022 to December 31, 2022.	The Board of Directors, individual Board members, functional committees (including the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee).	(I) Internal evaluation by the directors. (II) Internal self-evaluation of functional committees. (III) 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.
<p>IV. Measures taken to strengthen the functionality of the Board in the current and the most recent year (e.g. Establishment of the Audit Committee, enhancement of information transparency), and implementation status:</p> <ol style="list-style-type: none"> 1. In 2022, the Company was valued and selected as the "Top 5% of Listed Companies" by the 8th (2021_ Corporation Governance Evaluation of the Securities and Futures Institute. 2. All the Board Directors should attend 157 meetings in 2022 and they actually attended 149 meetings, representing an actual attendance rate of 94.90%. 3. The continuing education hours of each director in 2022 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 2022, Independent Directors Ping-Sung Wu and Hung-Liang Chiang had an attendance rate of 100%, and Chuan-Fu Hou and Chao-Long Chen had an attendance rate of 95.65%, 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 11 meetings held in 2022. The attendance of the Independent Directors is as follows:

Title	Name	Professional Qualifications/Experience	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Note
Independent Director	Chuan-Fu Hou	At least 5 years of working experience in banking, credit business, finance and risk management	11	0	100%	
Independent Director	Chao-Long Chen	At least 5 years of working experience in international development, technology development, business management and crisis management	11	0	100%	
Independent Director	Ping-Sung Wu	At least 5 years of working experience in banking, risk management, marketing business and financial management	6	0	100%	Newly appointed on May 9, 2022
Independent Director	Hung-Liang Chiang	At least 5 years of working experience in banking, financial innovation, operation management, information security and risk management	2	0	100%	Removed from the position on February 24, 2022

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

- (I) Formulate or amend internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- (II) Assessment of the effectiveness of the internal control system.
- (III) 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.
- (IV) Matters bearing on the personal interest of a director.
- (V) Material assets of derivatives trading.
- (VI) Offering, issuance or private placement of any equity-based securities.
- (VII) Appointment, dismissal, or compensation of CPAs.
- (VIII) Appointment or discharge of a finance officer, accounting officer or chief auditor;
- (IX) Annual financial statements signed or sealed by the Chairman, Managers and Accounting Officer and the second quarter financial statements audited and attested by CPAs.
- (X) 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
2022.01.17 41st meeting of the 15th Board of Directors	The Bank's 2022 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 17, 2022.
	The Company's Response: Approved by the unanimous decision of the directors present

2022.02.21 42nd meeting of the 15th Board of Directors	(I) The Bank's 2021 parent company only financial statements and consolidated financial statements and business reports
	(II) The "Statement of Internal Control System of King's Town Bank" for 2021
	(III) The Bank "Statement on Internal Control System for Anti-Money Laundering and Counter-Terrorism" 2021
	(IV) Audit report of the second half of 2021
	Resolution of Audit Committee: Passed by the consent of all members of the Audit Committee on February 21, 2022.
	The Company's Response: Approved by the unanimous decision of the directors present
2022.06.20 50th meeting of the 15th Board of Directors	Replacement of the Bank's Certified Public Accountants and Results of Independence/Competence Evaluation
	Resolution of Audit Committee: Passed by the consent of all members of the Audit Committee on June 20, 2022.
	The Company's Response: Approved by the unanimous decision of the directors present
2022.08.15 54th 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 2022
	(III) Audit report of the first half of 2022
	Resolution of Audit Committee: Passed by the consent of all members of the Audit Committee on August 15, 2022.
	The Company's Response: Approved by the unanimous decision of the directors present
2022.09.26 57th meeting of the 15th Board of Directors	The attestation service provided by the Bank's CPA
	Resolution of Audit Committee: Passed by the consent of all members of the Audit Committee on September 26, 2022.
	The Company's Response: Approved by the unanimous decision of the directors present

Notes 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.

Notes 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 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
2022.02.21 Communication meeting	[Individual meeting between Chief Auditor and the Independent Directors] 1. The Chief Auditor explained the results of the implementation of the audit plan and internal check system for the second half of 2021. 2. The Chief Auditor explained the results of the internal audit and check for the second half of 2021.	No recommendations

2022.02.21 Audit Committee	Audit report for the second half of 2021	Report to the Board of Directors after it passes review
2022.08.15 Communication meeting	[Individual meeting between Chief Auditor and the Independent Directors] 1.The Chief Auditor explained the results of the implementation of the audit plan and internal check system for the first half of 2022. 2.The Chief Auditor explained the results of the internal audit and check for the first half of 2022.	No recommendations
2022.08.15 Audit Committee	Audit report for the first half of 2022	Report to the Board of Directors after it passes review
2022.11.28 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 2022. 2.The Chief Auditor explained the results of the implementation of the audit work plan for 2023.	No recommendations
2022.11.28 Audit Committee	Establish 2023 internal audit plan	Report to the Board of Directors after it passes review

(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	Communication Item	Results
2022.02.21 Communication meeting	[Individual meeting between CPAs and the Independent Directors] 1. The accountants' review of the financial statements for 2021 and the results of key events. 2. Explanation of the recent update in the Securities and Exchange Act and the "Revised introduction of the 9th Corporate Governance Evaluation System".	No recommendations
2022.02.21 Audit Committee	The accountant shall explain matters relating to the audit of the financial statements for 2021.	Report to the Board of Directors after approval
2022.08.15 Communication meeting	[Individual meeting between CPAs and the Independent Directors] The accountants' review of the financial statements for the first half year of 2022 and the results of key events.	No recommendations
2022.08.15 Audit Committee	The accountant shall explain matters relating to the audit of the financial statements for the first half year of 2022.	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 global website of the Bank at [https:// customer.ktb.com.tw/new/Corporate Governance](https://customer.ktb.com.tw/new/CorporateGovernance).

(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 corporate sustainability policies, systems, or related management approach.
 - (8) Supervise the implementation and status of corporate sustainability 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 6 meetings in 2022, with the following attendance:

Title	Name	Professional Qualifications/Experience	Actual Attendance Times	Attendance by proxy	Attendance Rate (%)	Note
Independent Director	Chuan-Fu Hou	At least 5 years of working experience in banking, credit business, finance and risk management	6	0	100%	
Independent Director	Chao-Long Chen	At least 5 years of working experience in international development, technology development, business management and crisis management	6	0	100%	
Vice Chairman	Chiung-Ting Tsai	At least 5 years of working experience in investment decision making, financial analysis and product positioning	4	2	66.67%	
Independent Director	Ping-Sung Wu	At least 5 years of working experience in banking, risk management, marketing business and financial management	4	0	100%	Newly appointed on May 23, 2022
Independent Director	Hung-Liang Chiang	At least 5 years of working experience in banking, financial innovation, operation management, information security and risk management	1	0	100%	Removed from the position on February 24, 2022

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
2022.02.21 42nd meeting of the 15th Board of Directors	(I) The Bank's "Report on the Implementation and Execution of Corporate Social Responsibility in 2021"
	(II) The Bank's "Report on the Implementation of the 2021 Director Development Plan and Succession Plan for Directors and Senior Managers"
	(III) The Bank's "2021 Annual Report on Corporate Governance and Integrity Performance"
	(IV) Results of the "2021 Board of Directors and Functional Committee Internal Performance Evaluation" of the Bank
	(V) The Bank's "2021 External Evaluation Reports of the Performance of the Board of Directors"
	Resolution of the Corporate Governance and Nominating Committee: Passed by the Auditing Department with consent on February 21, 2022.
	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
2022.06.20 50th meeting of the 15th Board of Directors	(I) Report on the renewal of liability insurance by all directors of the Bank
	(II) The Bank's "Task Force on Climate-related Financial Disclosures (TCFD)" Report
	(III) The Bank's greenhouse gas (GHG) inventory and verification plan
	Resolution of the Corporate Governance and Nominating Committee: Passed by the Auditing Department with consent on June 20, 2022.
	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
2022.08.15 54th meeting of the 15th Board of Directors	(I) The Bank's "2022 Dishonesty Risk Assessment Report"
	(II) The Bank's "Report on the Implementation and Execution of Corporate Social Responsibility in the First Half of 2022"
	(III) The Bank's report on the implementation of greenhouse gas (GHG) inventory
	Resolution of the Corporate Governance and Nominating Committee: Passed with the consent of all members of the Corporate Governance and Nominating Committee on August 15, 2022.
	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
2022.11.28 61st meeting of the 15th Board of Directors	(I) The Bank's report on the implementation of greenhouse gas (GHG) inventory
	Resolution of the Corporate Governance and Nominating Committee: Passed by the Auditing Department with consent on November 28, 2022.
	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
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		Summary	The implementation status of Corporate Governance Best-Practice Principles for Banking Industry and reasons for deviation
	Yes	No		
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	
<p>II. Composition and responsibilities of the Board of Directors</p> <p>(I) Does the Board of Directors have a diversity policy and specific management objectives?</p>	✓		<p>(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.</p> <p>Specific management objectives: At least three directors out of all Board Directors have any of the capabilities as specified in Article 3 of the "Procedures for Election of Directors". 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.</p>	(I) No deviation.
<p>(II) In addition to Salary and Compensation Committee and Audit Committee established according to law, has the Bank voluntarily established other functional committees?</p>	✓		<p>(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.</p>	(II) No deviation.
<p>(III) Has the Bank established standards to measure the performance of the Board, and does the Company implement such annually? 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?</p>	✓		<p>(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.</p>	(III) No deviation.

Evaluation Item	Implementation Status		Summary	The implementation status of Corporate Governance Best-Practice Principles for Banking Industry and reasons for deviation
	Yes	No		
(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 and Audit Quality Indicators (AQI) information 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 Assistant Vice President Chien-Ko Yang, who has more than six 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"> 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. 2. Assisting in the agenda and compliance of resolutions from Board of Directors meetings and the Shareholders' Meeting. 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. 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. 5. Assisting Directors and Independent Directors in performing their duties by providing the necessary information and 	No deviation.

Evaluation Item	Implementation Status		Summary	The implementation status of Corporate Governance Best-Practice Principles for Banking Industry and reasons for deviation
	Yes	No		
			<p>arranging for continuing education for Directors.</p> <p>6. Status of continuing studies: On February 25, 2022, Assistant Vice President Chien-Ko Yang participated in the "Director and Supervisor Credit Certification Course - Corporate Governance Series" organized by the Taiwan Investor Relations Institute for 6 hours; on May 4, 2022, he participated in the "International Twin Peaks Online Forum" jointly organized by the Taiwan Stock Exchange, Alliance Advisors, and the Chinese Corporate Governance Association for 2 hours; and from April 12, 2022 to 13, 2022, he participated in the "In-service Training Course for Anti-Money Laundering and Counter-Finance Officers" organized by the Taiwan Financial Research and Training Institute (TFRI) for 12 hours; On May 20, 2022 and October 28, 2022, he attended the "2022 Annual Seminar on Prevention of Insider Trading" organized by the Taiwan Securities and Futures Market Development Foundation for 3 hours; On July 7, 2022, he attended the "Industry Seminar on Sustainable Development Pathway" jointly organized by the Taiwan Stock Exchange and the Taipei Exchange for 2 hours; On July 15 and 16, 2022, he attended the "Continuing Education Program for Accounting Executives" organized by the National Cheng Kung University for 12 hours; On November 11, 2022, he attended the "ESG Governance and New Circular Economy" organized by the Taiwan Directors Association for 3 hours; On November 14, 2022, he attended the "Corporate Governance System and Anti-Money Laundering-Regulations" and "Principles for Fair Treatment of Customers and 21 Management Commandments for Financial Specialists" organized by the Taiwan</p>	

Evaluation Item	Implementation Status			The implementation status of Corporate Governance Best-Practice Principles for Banking Industry and reasons for deviation
	Yes	No	Summary	
			Securities Association for 6 hours. Total training hours in 2022: 49 hours.	
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?	✓		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.	No deviation.
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 on the Company's website <u>About King's Town/Investor Relations</u> , and corporate governance-related information on the <u>Home page/Corporate Governance</u> .	(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 has disclosed financial information and corporate presentation materials and process on the <u>Investor Relations</u> section of our website, as well as on the English version of the investor relations website (https:// esg.ktb.com.tw/) for foreign investors to access. The Bank has also established a spokesperson system and internal procedures for handling significant 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,	✓		(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	
second, and third quarterly financial reports and the operation of each month ahead of the required deadline?				
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 a channel for stakeholders to contact, which 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 regularly every year, with the latest renewal occurring in June 2022.</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 2022.</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>(VI) The scope of "Regulations Governing the Performance Evaluation of the Board of Directors and Functional Committees 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. The results of the performance evaluation of the Board of Directors and all functional committees in 2022 were "excellent" and were reported to the Board of Director on February 20, 2023.</p> <p>(VII) The Bank is required to have performance evaluation conducted by an external professional and independent organization or a team of external experts and scholars every three years. The most recent evaluation was conducted in February 2022 by Ernst & Young Corporate Management Consulting Services Co., Ltd., which 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 8th corporate governance evaluation. Each of the newly released indicators has been reviewed again, and adjustments and refinements have been made accordingly, such as: The shareholder meeting reports on the remuneration received by the directors, including remuneration policies, the content and amounts of individual remuneration, discloses the professional qualifications and experience of the audit committee, as well as annual work priorities and operational status, establishes policies on greenhouse gas emissions reduction, water usage reduction, and other waste management, including reduction targets, promotion measures, and achievement status.</p>				

(VI) Operation of the 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	Chuan-Fu Hou	At least five years of working experience in business, legal, finance or banking Experience: President of King's Town Bank	(I) Not an employee of the Company or any of its affiliates. (II) Not a Director or supervisor of the Company or any of its affiliates. (III) 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.	None
Independent Director	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.	(IV) 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,	1
Independent Director	Ping-Sung Wu	At least 5 years of working experience required for commerce, law, finance, accounting or banking profession. Experience: Manager of Kaohsiung Branch, Fengshan Branch, and Tainan Branch, Bank of Taiwan	(V) Not a director, supervisor or employee of the companies with which the Company has a specific relationship. (VI) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer or spouse thereof that provides auditing service for CHAINTECH or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration more than NT\$500,000 in the past two years.	1

2. Information on the operation 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 6 meetings held. The qualifications and attendance of the members are as follows:

Title	Name	Actual Attendance Times	Attendance by proxy	Attendance Rate (%)	Note
Convener	Hung-Liang Chiang	2	0	100%	Removed from the position on February 24, 2022
Convener	Chuan-Fu Hou	6	0	100%	
Committee Member	Chao-Long Chen	6	0	100%	
Committee Member	Ping-Sung Wu	3	0	100%	Newly appointed on May 9, 2022

Other mentionable items:

1. 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
13rd meeting of the 4th committee January 17, 2022	Revised the "Financial Services Assessment Method" in line with the development strategies 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
	The Bank's 2021 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 2021 annual manager evaluation results and bonus payment criteria	Passed by the agreement of all committee members	Relevant operations have been handled in accordance with the resolution
14rd meeting of the 4th committee February 21, 2022	Report on the Remuneration Received by Directors of 2021	Passed by the agreement of all committee members	Relevant operations have been handled in accordance with the resolution
	2021 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
	2022 Manager Salary Adjustment Plan	Passed by the agreement of all committee members	Relevant operations have been handled in accordance with the resolution
1st meeting of the 4th Board Extraordinary Shareholders' Meeting 2022.02.25	Nomination of the convener of the Compensation Committee	all attending directors agreed to elect Chuan-Fu Hou as the convener of the Remuneration Committee and chairman of the meeting	Relevant operations have been handled in accordance with the resolution
15th meeting of the 4th Board 2022.08.15	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	Relevant operations have been handled in accordance with the resolution
	Reference Table for the Remuneration of Directors and General Managers and the Performance of the Company's Operations in the Financial Industry in 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
16th meeting of the 4th Board 2022.09.26	Revised the "King's Town Bank Employee Stock Ownership Association Charter" and its agreement under Article 9.	Passed by the agreement of all committee members	Relevant operations have been handled in accordance with the resolution
17th meeting of the 4th Board 2022.11.28	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

2. 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.
3. 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	
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? (The bank should report on the implementation status, which is not subject to compliance or interpretation.)	✓		(I) 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? (The bank should report on the implementation status, which is not subject to compliance or interpretation.)	✓		(II) No deviation.

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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", and the head office has also obtained the ISO 50001 Energy Management System third-party certification, to regularly review the energy consumption (water, electricity, waste, etc.) of the head 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.	(I) No deviation.												

Evaluation Item	Implementation		Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Yes	No	
(II) Is the Bank committed to improving energy efficiency and using recycled materials that have a low impact on the environment?	✓		(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?	✓		(III) No deviation.

Evaluation Item	Implementation		Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons																													
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(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?	✓		(IV) No deviation.																													
<p>to draw up a materiality matrix for the Bank's risks and opportunities.</p> <p>A detailed description of the Bank's climate change risk and opportunity analysis is disclosed in the sustainability report. (https:// customer.ktb.com.tw/new/about/download)</p> <p>(IV) The Bank has set reduction targets for electricity consumption, greenhouse gas emissions, and water usage: Reduce by 15%, 15%, and 10% respectively from 2017 to 2022, and disclose the annual figures for greenhouse gas emissions, water usage, and total waste in its website and sustainability report to track its progress. The Bank has set environmental targets for the next five years (2023-2027), aiming for a 5% reduction in per capita electricity consumption, per capita carbon emissions, per capita water usage, and per capita waste compared to the figures of 2022, and it has reported this target to the Corporate Governance and Nomination Committee and the Board of Directors to demonstrate the Bank's determination to promote energy conservation and carbon reduction from top to bottom.</p> <p>Greenhouse gas emissions and intensity in the last two years:</p> <table border="1"> <thead> <tr> <th></th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Scope I (t-CO₂e)</td> <td style="text-align: center;">96</td> <td style="text-align: center;">306</td> </tr> <tr> <td>Scope II (t-CO₂e)</td> <td style="text-align: center;">2,027</td> <td style="text-align: center;">2,000</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">2,123</td> <td style="text-align: center;">2,306</td> </tr> <tr> <td>Unit Net Revenue Greenhouse Gas Emissions (t-CO₂e/ Million)</td> <td style="text-align: center;">0.21</td> <td style="text-align: center;">0.46</td> </tr> </tbody> </table> <p>Notes 1: In 2021, only the data from the head office building was used as the basis for disclosure in Scope I. In 2022, the data covered the entire Bank.</p> <p>Notes 2: The verification institutions in 2022: Ernst & Young Global Limited; for assurance report, please refer to: https:// customer.ktb.com.tw/new/about/0e4ff2e5</p> <p>Water and electricity consumption and intensity of the Bank for the past two years (data covering the entire bank):</p> <table border="1"> <thead> <tr> <th></th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Electricity consumption (kWh)</td> <td style="text-align: center;">4,037,998</td> <td style="text-align: center;">3,928,789</td> </tr> <tr> <td>Unit Net Revenue Electricity Consumption (kWh/Million)</td> <td style="text-align: center;">405.21</td> <td style="text-align: center;">785.74</td> </tr> <tr> <td>Water consumption (KL)</td> <td style="text-align: center;">19,719</td> <td style="text-align: center;">18,707</td> </tr> <tr> <td>Unit Net Revenue Water Consumption (kWh/Million)</td> <td style="text-align: center;">1.98</td> <td style="text-align: center;">3.74</td> </tr> </tbody> </table> <p>Total weight of waste from the Bank's headquarter for the past two years: Unit: metric ton</p>				2021	2022	Scope I (t-CO ₂ e)	96	306	Scope II (t-CO ₂ e)	2,027	2,000	Total	2,123	2,306	Unit Net Revenue Greenhouse Gas Emissions (t-CO ₂ e/ Million)	0.21	0.46		2021	2022	Electricity consumption (kWh)	4,037,998	3,928,789	Unit Net Revenue Electricity Consumption (kWh/Million)	405.21	785.74	Water consumption (KL)	19,719	18,707	Unit Net Revenue Water Consumption (kWh/Million)	1.98	3.74
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Evaluation Item	Implementation		Summary	Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons								
	Yes	No										
IV. Social issues												
(I) Does the Bank formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		<p>(I) The Bank's "Code of Practice on Sustainable Development" 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, and commit to promoting gender equality and eliminating discrimination. Both of these policies are posted on the Bank's website.</p> <p>The Bank's policies and specific implementation:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">The Bank's policies</th> <th style="width: 50%;">Implementation</th> </tr> </thead> <tbody> <tr> <td>Respect for workplace human rights Support for assembly and association</td> <td> 1. Abide by the Act of Gender Equality in Employment, and other employment-related laws and regulations 2. Employees have the right to organize and join various types of social organizations 3. Hold quarterly labor-management meetings to implement labor-management communication </td> </tr> <tr> <td>Workplace safety and health</td> <td> 1. Establish safety and health measures 2. Implement occupational safety and health education and training 3. Relevant prevention measures are taken every year for abnormal workloads and human-related hazards </td> </tr> <tr> <td>Personal information and information security</td> <td> 1. Established Personal Data Management Goals and Policies 2. Introduced the ISO27001 management system, and established a complete information security control mechanism and protective measures. </td> </tr> </tbody> </table> <p>The Bank holds regular education and training every year to promote awareness of human rights. In 2022, the total number of training hours reached 209 hours, and the promotion rate was 100%. Additionally, the Bank conducts due diligence investigations on human rights every year, identifies risks for potential issues and subjects, and discloses the implementation of subsequent risk mitigation measures.</p>	The Bank's policies	Implementation	Respect for workplace human rights Support for assembly and association	1. Abide by the Act of Gender Equality in Employment, and other employment-related laws and regulations 2. Employees have the right to organize and join various types of social organizations 3. Hold quarterly labor-management meetings to implement labor-management communication	Workplace safety and health	1. Establish safety and health measures 2. Implement occupational safety and health education and training 3. Relevant prevention measures are taken every year for abnormal workloads and human-related hazards	Personal information and information security	1. Established Personal Data Management Goals and Policies 2. Introduced the ISO27001 management system, and established a complete information security control mechanism and protective measures.	(I) No deviation.
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(II) Does the Bank formulate and implement reasonable employee benefit measures (including remuneration, leave, and other benefits)	✓		<p>(II) Employee compensation and operating performance reflected in employee compensation: The Bank has established the "King's Town Bank Working Rules", "Annual Evaluation Rules for Employees of King's Town Bank", "Employee Compensation Payment</p>	(II) No deviation.								

Evaluation Item	Implementation		Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Yes	No	
and appropriately reflect operating performance or results in employee compensation?			
(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)No deviation.

Evaluation Item	Implementation		Summary	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>on the results of the screening.</p> <ol style="list-style-type: none"> 2. 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. 3. The headquarters building has health management specialists and chefs to plan and cook employee meals. KTB uses local ingredients or produce that is in season. <p>Environmental safety:</p> <ol style="list-style-type: none"> 1. 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. 2. We have conducted two fire self-defense drills and 18 labor safety training sessions (including three first aid training sessions) for a total of 146 person-times and 772 hours. 3. Occupational safety and health education and training for new recruits. 4. In 2022, there were 6 commuting accidents with 6 persons (0.6% of the total number of employees at the end of 2022), which occurred on their way to work, and we provided health education counseling and traffic safety promotion through follow-up telephone interviews. <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> <ol style="list-style-type: none"> 1. We organized various on-the-job training for new employees, operation managers and operation supervisors, and be familiar with practical operations. 2. We sent our staff to participate in various professional courses conducted by external organizations to strengthen their abilities in the professional field. 3. We hired external professional lecturers to train middle and senior executives and to improve leadership, execution, and organization. 	(IV) No deviation.
(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	✓		<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",</p>	(V) No deviation.

Evaluation Item	Implementation		Summary	Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Yes	No		
<p>protection policies and complaint procedures?</p> <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>	✓		<p>"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>Consumer rights policy: 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>Consumer rights grievances procedures: 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>(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>Implementation:</p> <ol style="list-style-type: none"> Contracts are signed only after having full comprehension of the 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. When we enter into contracts with suppliers, we stipulate human rights and environmental sustainability clauses in the contracts. 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 2022, 24 suppliers have completed the self-assessment, and all the self-assessment results were not in violation of the Bank's ESG philosophy. For suppliers, such as construction and renovation co-contractors, engaged in high-risk tasks, relevant advocacy was carried out in accordance with "King's Town Bank Contractor Handover 	(VI) No deviation.

Evaluation Item	Implementation		Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Yes	No	
			<p>Procedure Hazardous Factors Notice” during the kick-off meeting. In addition to requiring contractors to comply with Occupational Safety and Health Act, on-site personnel was provided with occupational safety and health training as well as outreach and guidance on preventing hazardous events to reduce workplace injuries. Total of 6 outreach sessions were organized in 2022 and there were no casualties due to workplace accidents.</p> <p>5. 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 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 2022 without any special or significant non-conformity detected.</p>
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?	✓		<p>2021 Sustainable Development Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards Core Options issued 2016, Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies, and the Standards Governing Commercial Banks issued by the Sustainability Accounting Standards Board. The report has been audited by an independent third-party assurance organization, SGS Taiwan, using the AA1000 AS v3 Type 1 Moderate level, focusing on the inclusivity, materiality, responsiveness, and impact of the information disclosed in the report. We have also engaged EY Taiwan to provide limited assurance for the report in accordance with the International Standard on Assurance Engagements (ISAE) 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information published by the Accounting Research and Development Foundation and the ISAE 3000 Assurance Standards issued by the International Auditing and Assurance Standards Board (IAASB).</p>
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:			
			<p>1. The Bank has issued its first CSR report in 2015, which was renamed as the sustainability report in 2022, and has been issuing it for eight years since then. The ninth report is expected to be issued in June 2023. 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.</p> <p>2. Please refer to the website of the Bank under the section of "Sustainable Development":https://customer.ktb.com.tw/new/about/b0b73fac.</p>

(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			Implementation of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviations
	Yes	No	Summary	
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 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 2022, the Bank prepared and the Board of Directors approved the Bank's “Dishonesty Risk Assessment Report 2022”, 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 prevent unethical conduct and provide implementation procedures, guidelines, consequences of violation and complaint procedures in such policies?	✓		(III) 1. In addition to the “Ethical Corporate 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	(III) No deviation.

Evaluation Item	Implementation Status	Implementation of the Ethical Corporate
	<p>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> <ol style="list-style-type: none"> 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. 3. The Bank has formulated relevant disciplinary regulations; also, the personnel who have committed serious violations of ethical conduct will be dismissed or fired. 4. The Bank has established a HR Evaluation Committee to conduct review and retrial of employee-related disciplinary action. 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. 6. In order to prevent the Directors, Managers, and Employees from conducting unethical conducts such as benefiting from information inaccessible to the public market, the Bank has formulated internal regulations including the “Corporate Governance Best-Practice Principles,” “Procedures for Handling Material Inside Information and Insider Trading Prevention Education Promotion,” and “Rules of Procedure for Self-Discipline on M&A Disclosure” stipulating that the insiders shall not use undisclosed information to buy or sell the securities, including (but not limited to) directors not trading their stocks during the 30 days before the annual financial report announcement and 15 days before each quarterly financial report announcement. Any organization or person outside of the Bank that is involved in any corporate action of the Bank relating to a merger or acquisition, major memorandum of understanding, strategic alliance, other business partnership plans, or the signing of a major contract shall be required to sign a confidentiality agreement, and carry out all matters accordingly. 7. The Bank regularly reviews and amends plans to prevent unethical conducts every year. 	

Evaluation Item	Implementation Status	Implementation of the Ethical Corporate
II. Implementation of ethical corporate management		
(I) Does the Bank evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties? ✓	(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.	(I) No deviation.
(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 ethnic operation policies as well as precautionary measures against unethical conduct and their implementation information? ✓	(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 regular basis to the board of directors on supervision of ethical management policy implementation and unethical behavior prevention plans. Last reported on February 20, 2023.	(II) No deviation.
(III) Does the Bank establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement such policy properly? ✓	(III) The Bank's supervisors at all levels are responsible for assisting the Company in promoting the policy of ethical 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	(V) No deviation.

Evaluation Item	Implementation Status	Implementation of the Ethical Corporate
	<p>management, including:</p> <ol style="list-style-type: none"> 1. In August, 2022, we conducted a course on the "Reporting System Orientation", 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. 2. The "Principles of Fairness in the Financial Services Industry" was arranged in June 2022, which focused Financial Consumer Protection Act, the financial industry fairness dealing policy, and case studies of financial consumer disputes. 3. In August 2022, 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. 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 2022. 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. 5. The "In-service Training Course for Anti-Money Laundering and Counter-Finance Officers" and "Promotion of the Anti-Money Laundering and Counter-terrorism Financing Act" were arranged in in May and July, 2022. The content was focused on the prevention of money laundering and counter-terrorism-related regulations and money laundering patterns, as well as the characteristics of corruption and profanity crimes and money laundering patterns. 6. In October of 2022, the Bank conducted an "Education and Awareness Session on Insider Trading Prevention" to raise awareness of the Bank's prohibition against insiders using undisclosed information to buy or sell the securities, including (but not limited to) directors not trading their stocks during the 30 days before the annual financial report announcement and 15 days before each quarterly financial report announcement. 7. The "Promotion of Personal Data Protection Act" was arranged in November 2022. The course content was mainly to promote the Personal Data Protection Act. 8. The "Regulatory Compliance Education and Training" was arranged in every month of 2022. 	

Evaluation Item	Implementation Status		Implementation of the Ethical Corporate
		9. In summary, there were 21,335 persons/times and total 14,321 persons/hours arranged in 2022 totally.	
III. Grievance System			
(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?	✓	(I) 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.	(I) No deviation.
(II) Has the Bank established standard operating procedures and confidentiality measures for the investigation of reported incidents?	✓	(II) 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. 2. The Bank keeps the process of the whistleblowing cases confidential. The identity of the whistleblower, investigation procedures, and related documents are 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 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.	(II) No deviation.
(III) Does the Bank have proper measures in place to protect whistleblowers from reprisals?	✓	(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.

Evaluation Item	Implementation Status		Implementation of the Ethical Corporate
IV. Enhancing information disclosure Does the Bank disclose its ethical corporate management policies and results of implementation on the Company's website and the Market Observation Post System, and state its commitment to its integrity management policy?	✓	The Bank discloses the "Code of Ethical Corporate Management", "Procedures for Ethical Management and Guidelines for Conduct" and "Corporate Governance Best-Practice Principles" on its website and the Market Observation Post System. The Bank also discloses its ethical management practices and measures through its website, annual reports, sustainability reports, and other external documents, and discloses its "Ethical Corporate Management, Anti-Corruption, and Anti-Bribery Policy and Commitment" 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 Market Observation Post System ([http:// mops.twse.com.tw/mops/web/index/](http://mops.twse.com.tw/mops/web/index/)) [Corporate Governance](#), or the Bank's Global Information Network ([https:// Customer.ktb.com.tw/new/](https://Customer.ktb.com.tw/new/)) [Corporate Governance](#).

(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/](http://mops.twse.com.tw/mops/web/index/)) or the Bank's Global Information Network ([https:// customer.ktb.com.tw/new/](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111年1月1日至111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

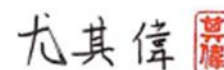

聲明人

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 112 年 3 月 20 日

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

(Base date: December 31, 2022)

Matters to be enhanced	Improvement Project	Projected date for completion
Enhance the unimproved items of "General deficiencies of finance institute inspection as of April 11, 2022", regarding the specific hosts with weaknesses that have not been proposed for evaluation, repair or renewal, and have no records kept.	I. Regarding the specific hosts with weaknesses that have not been proposed for evaluation, repair or renewal, and have no records kept, the amendment to the internal rules has been completed and the repair operation has been started and is expected to be completed by May 31, 2023. II. Before the completion of the improvement, the monitoring, detection, early warning and treatment have been carried out through the firewall, endpoint and information security mechanism established by the Bank.	Expected to be completed by May 31, 2023.
Enhance the unimproved items of "General deficiencies of finance institute inspection as of April 11, 2022", regarding the specific network devices with weaknesses that have not been proposed for evaluation, upgrade, or replacement plans.	I. Regarding the specific network devices with weaknesses that have not been proposed for evaluation, upgrade or replacement plans, the amendment to the internal rules has been completed and the replacement operation has been started and is expected to be completed by July 31, 2023. II. Before the completion of the improvement, the monitoring, detection, early warning and treatment have been carried out through the firewall, endpoint and information security mechanism established by the Bank.	Expected to be completed by July 31, 2023.
Enhance the unimproved items of "General deficiencies of finance institute inspection as of April 11, 2022", regarding the specific businesses that have not been conducted according to the regulations of the competent authority.	I. Regarding the specific businesses that have not been conducted according to the regulations of the competent authority, the planning to enhance the protection mechanism has been completed and is expected to be completed by July 31, 2023. II. Before the completion of the improvement, the treatment for mitigating risks has been carried out through specific measures.	Expected to be completed by July 31, 2023.
Enhance the unimproved items of "General deficiencies of finance institute inspection as of April 11, 2022", regarding the specific hosts with weaknesses that have not been proposed for evaluation, upgrade, or replacement plans.	I. Regarding the specific hosts with weaknesses that have not been proposed for evaluation, upgrade or replacement plans, the replacement operation for some specific hosts has been completed, while the replacement operation for others is still in the process and is expected to be completed by June 30, 2025. II. Before the completion of the improvement, the monitoring, detection, early warning and treatment have been carried out through the firewall, endpoint and information security mechanism established by the Bank.	Expected to be completed by June 30, 2025.

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 situations that apply 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 2022 and as of the end of January 2023

Classification	Date	Case	Resolution	Implementation
Shareholders' Meeting	2022.05.09	Recognition of 2021 financial statements	737,093,643 rights voted in favor, and 145,445 rights voted against, so the proposal was passed as voted.	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 2021 profit distribution plan	738,431,608 rights voted in favor, and 339,466 rights voted against, so the proposal was passed as voted.	The distribution base date was scheduled on May 30, 2022 and the payment date was scheduled on June 16, 2022. (Cash dividend per share: NT\$2.1)
		Proposal of amendment to the Bank's Article of Incorporation	724,015,181 rights voted in favor, and 12,915,483 rights voted against, so the proposal was passed as voted.	The content of the revised document was published on May 13, 2022 on the Company's website and implemented according to the revised content.
		Proposal of amendment to the Company's "Rules Governing the Proceedings of Shareholder Meetings"	725,319,959 rights voted in favor, and 11,609,887 rights voted against, so the proposal was passed as voted.	The content of the revised document was published on May 13, 2022 on the Company's website and implemented according to the revised content.
		The amendment to the Bank's "Procedures for Acquisition or Disposal of Assets"	736,898,983 rights voted in favor, and 181,612 rights voted against, so the proposal was passed as voted.	The content of the revised document was published on May 13, 2022 on the Company's website and implemented according to the revised content.
Board of Directors	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
	2022.02.21	Discussion of the "Statement of Internal Control System of King's Town Bank" for 2021	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" 2021	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
		Produced and submitted the Bank's 2021 parent company only financial statements and consolidated financial statements and business reports	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
		2021 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
	2022.04.11	Proposal of land acquisition for Shanwen Section Lot #1196, 1207, Shanhua District, Tainan, Taiwan	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 fifth convertible bonds of Elite Material Co., Ltd.	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution

Classification	Date	Case	Resolution	Implementation
	2022.05.23	Proposal of land acquisition for Huaxing Section Lot #239, Xinying District, Tainan, Taiwan	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
	2022.06.20	Replacement of the Bank's Certified Public Accountants and Results of Independence/Competence Evaluation	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
	2022.07.07	Repurchased the Company's issued shares for the 23rd time.	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
	2022.08.15	Proposal of five land acquisitions of Lantian Middle Section Lot 77, 78, 84, 85 and 86, Nanzih District, Kaohsiung City, Taiwan	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
	2022.09.26	Proposal of the attestation service provided by the Bank's CPA	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
	2022.10.17	Relocation of Dounan Branch	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
	2022.11.14	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
	2022.11.28	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
		Proposal of four land acquisitions at Dazhong Section Lot #380, 380-1, 380-2 and 374, Dali 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
	2023.01.09	Proposal of 13 land acquisitions for Funong Section, including Lot #91, East District, Tainan, 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 2022 and as of the end of January 2023, 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 2022 and as of the end of January 2023, 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 2022 and as of the end of January 2023:

(1) President Jih-Cheng Chang resigned on February 28, 2022, and was succeeded by Hung-Liang Chiang.

(2) Financial Officer Chih-Jin Wu resigned on September 1, 2022, and was succeeded by Ya-Ting Li.

V. Information on CPA Professional Fees

(I) 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 Cheng-Tao Chang, Kuo-Sen Hung	2022.01.01~2022.03.31 2022.04.01~2022.12.31	3,180	1,788	4,968	Internal job rotation of the CPA Firm

Note: Non-audit fees: The Bank has spent NT\$700,000 on mechanisms of anti-money laundering (AML) and countering the financing of terrorism (CFT), NT\$110,000 on tax audits, NT\$460,000 on sustainable performance information assurance services, NT\$60,000 on

cancellation of treasury stock opinions, NT\$158,000 on external performance evaluation of the Board of Directors, and NT\$300,000 on greenhouse gas inventory assurance services.

(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

(I) Regarding the former CPAs:

Date of Replacement	June 20, 2022		
Reason for replacement and explanation	Changes in internal job rotation of the CPA Firm		
Statement on whether the authorizing party or the CPA terminated or declined the engagement	Situation	Counterparty	The authorizing party
	Voluntarily terminated the engagement	CPA	Not applicable
	Declined (further) engagement	CPA	Not applicable
The opinion and reason for issuing an audit report expressing other than an unqualified opinion in the last two years	None		
Different opinions from the Bank	Yes	-	Accounting principles or practices
		-	Disclosure of financial statements
		-	Scope or procedure of auditing
		-	Others
	None	✓	
Note: None			
Other disclosures (where Article 10, Subparagraph 6, Item 1-4 of the Regulations shall be disclosed)	None		

(II) Regarding the succeeding CPAs:

CPA Firm	Ernst & Young Global Limited
Name of CPA	Cheng-Tao Chang, Kuo-Sen Hung
Date of appointment	June 20, 2022
Consultation matters and results on the accounting methods or accounting principles of certain transactions and possible opinions on the financial reports before the appointment of the CPA	None
The matters on which the succeeding accountant's opinion is different from the opinion of the predecessor accountant in writing	None

(III) The succeeding CPA's reply to Article 10, Subparagraph 6, Item 1 and Item 2-3 of the Regulations: 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	2022		As of January 31, 2023	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Chairman (major shareholder)	Tiangang Investment Co., Ltd.	0	(2,000,000)	0	0
	Representative: Chen-Chih Tai (major shareholder)	0	0	0	0
Vice-Chairman (major shareholder)	Tiangang Investment Co., Ltd.	0	Note	0	0
	Representative: Chiung-Ting Tsai	0	0	0	0
Director	Fu Chiang Investment Ltd.	0	0	0	0
	Representative: Chung-Chang Tsai	0	0	0	0
Director	Fu Chiang Investment Ltd.	0	0	0	0
	Representative: Ching-Shun Ou	0	0	0	0
Independent Director	Chuan-Fu Hou	0	0	0	0
Independent Director	Chao-Long Chen	0	0	0	0
Independent Director	Ping-Sung Wu (Date of Appointment: 2022.05.09)	0	0	0	0
President	Hung-Liang Chiang (Date of New Appointment: 2022.03.01)	33,000	0	5,000	0
Vice President	Qi-Wei You	0	0	0	0
Chief Auditor	Ching-Chu Pai	0	0	0	0
Executive Vice President	Chien-Wei Pan	0	0	0	0
Senior Vice President	Chih-Cheng Yu	0	0	0	0
Senior Vice President	Chung-Cheng Lin (Date of Appointment: 2022.10.03)	0	0	0	0
Vice President and Corporate Governance Director	Chien-Ko Yang	0	0	0	0
Vice President	Hung-Sung Shen	0	0	0	0
Vice President	Ying-Shih Lu	0	0	0	0
Vice President	Kai-Ming Liu (Date of Appointment: 2023.01.03)	-	-	0	0
Finance Manager	Ya-Ting Li (Date of Appointment: 2022.09.01)	(1,000)	0	0	0
Accounting Executive	Yu-Hsuan Chen	0	0	0	0
Independent Director	Hung-Liang Chiang (Date of Termination: 2022.02.24)	0	0	0	0
President	Jih-Cheng Chang (Date of Termination: 2022.03.01)	(67,000)	0	-	-
Vice President	Pen-Chen Su (Date of Termination: 2022.05.31)	0	0	-	-
Financial Officer (Assistant Vice President)	Chih-Jin Wu (Date of Termination: 2022.09.01)	0	0	-	-
Vice President	Shu-Chen Tsai (Date of Termination: 2022.09.01)	20,000	222,380	-	-
Vice President	Ai-Chen Hu (Date of Termination: 2022.09.22)	0	0	-	-

Note: The number of shares pledged by Tiangang Investment Co., Ltd. is in the same column as the chairman of the Board of Directors in 2022.

(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: 2023.03. 25

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	7.04%	5,890,000	0.53%	0	0%	None	None	
Tien-Tsan Tsai	72,752,033	6.55%	10,346,139	0.93%	0	0%	Tiangang Investment Co., Ltd.	Spouse of the representative	
							Tianye Investment Company	Representative's relative within the second degree of kinship	
							Hsien-Tsund Wang Yi-Ying Chen	Kinship within second-degree	
Hsinray Investment Co., Ltd.	55,205,869	4.97%	0	0%	0	0%	None	None	
Representative of the aforementioned companies: I-Li Chuang	0	0%	0	0%	0	0%	None	None	
Yuanta/P-shares Taiwan Dividend Plus ETF account	52,782,971	4.75%	0	0%	0	0%	None	None	
Jincheng Construction Co., Ltd.	48,340,000	4.35%	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	3.55%	0	0%	0	0%	None	None	
Representative of the aforementioned companies: Mei-Yun Tsai S.	10,346,139	0.93%	72,752,033	6.55%	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	
Tianye Investment Company	34,690,325	3.12%	0	0%	0	0%	None	None	
Representative of the aforementioned companies: Yi-Ying Chen	23,756,000	2.14%	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	2.63%	12,419,667	1.12%	0	0%	Tien-Tsan Tsai	Kinship within second-degree	

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	
							Tiangang Investment Co., Ltd.	Representative's relative within the second degree of kinship	
Yi-Ying Chen (*)	23,756,000	2.14%	0	0%	0	0%	Tien-Tsan Tsai	Kinship within second-degree	
							Tianye Investment Company	Representative	
							Tiangang Investment Co., Ltd.	Representative's relative within the second degree of kinship	
CTBC Bank Trust Account for King's Town Bank Employee Stock Ownership Trust.	21,216,549	1.91%	0	0%	0	0%	None	None	

Note: (*) is the number of shares declared by insiders to the competent authority. Information on other shareholders is as of the latest transfer suspension date (May 30, 2022).

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

Base date: December 31, 2022

Invested Companies	Investment made by the Bank		Investment made by directors, supervisors, presidents, vice presidents, assistant 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.	2,127,468	0.36%	0	0%	2,127,468	0.36%
Taipei Forex Inc.	80,000	0.40%	0	0%	80,000	0.40%
Taiwan Futures Exchange	2,393,217	0.50%	0	0%	2,393,217	0.50%
Financial Information Co., Ltd.	6,472,215	1.24%	0	0%	6,472,215	1.24%
Taiwan Stock Exchange Corporation	29,418,467	2.87%	0	0%	29,418,467	2.87%
Sunshine Asset Management Co., Ltd.	37,211	0.62%	0	0%	37,211	0.62%
King's Town Bank International Leasing Co., Ltd.	137,711,440	100%	0	0%	137,711,440	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: 2023.03.25

Unit: Shares; NT\$

Year and month	Issue price	Authorized capital		Paid-in share capital		Note	
		Shares	Amount	Shares	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

Year and month	Issue price	Authorized capital		Paid-in share capital		Note	
		Shares	Amount	Shares	Amount	Sources of capital	Others
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
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
2022.10		1,800,000,000	18,000,000,000	1,111,234,265	11,112,342,650	Treasury stock shares canceled for an amount of NT\$100,000,000	(111) MOEA. So.Sun.Tzi No. 11101198600 dated 10.18.2022

Type of shares

Base date: 2023.03. 25

Unit: Shares

Type of shares	Authorized capital			Note
	Outstanding shares	Unissued shares	Toal	Outstanding shares
Ordinary share	1,111,234,265	688,765,735	1,800,000,000	Common stock
Preference stock	0	0	0	

(II) Composition of Shareholders

Base date: January 31, 2023

Unit: person; share; %

Composition of Shareholders	Government agencies	Financial institutions	Other juridical	Foreign institutions and foreigners	Individuals	Treasury stock	Total
	Amount						
Number of people (persons)	0	14	175	208	50,341	0	50,738
Number of Shares Held (share)	0	43,582,369	344,004,162	137,833,384	585,814,350	0	1,111,234,265
Shareholding ratio (%)	0%	3.92%	30.96%	12.40%	52.72%	0%	100%

Note: The Bank's current shareholder structure does not include any government agencies.

(III) Diversification of Shareholdings

NT\$10 per share

Base date: January 31, 2023

Range of shares	No. of shareholders	Shareholding (shares)	Shareholding ratio (%)
1 to 999	17,603	4,437,720	0.40%
1,000 to 5,000	24,567	52,300,910	4.71%
5,001 to 10,000	4,237	33,097,132	2.98%
10,001 to 15,000	1,322	16,784,215	1.51%
15,001 to 20,000	813	14,854,298	1.34%
20,001 to 30,000	751	19,259,504	1.73%
30,001 to 40,000	347	12,459,625	1.12%
40,001 to 50,000	232	10,776,367	0.97%
50,001 to 100,000	350	24,915,684	2.24%
100,001 to 200,000	206	29,157,723	2.62%
200,001 to 400,000	115	32,814,281	2.95%
400,001 to 600,000	48	22,978,858	2.07%
600,001 to 800,000	30	21,201,883	1.91%
800,001 to 1,000,000	21	19,189,823	1.73%
Over 1,000,001	96	797,006,242	71.72%
Total	50,738	1,111,234,265	100%

Note: Distribution of preferred shares: None

(IV) List of major shareholders

Base date: 2023.03. 25

Name of major shareholders	Shareholding (shares)	Ratio of Shareholding (%)
Chen-Chih Tai	78,209,000	7.04%
Tien-Tsan Tsai	72,752,033	6.55%
Hsinray Investment Co., Ltd.	55,205,869	4.97%
Yuanta/P-shares Taiwan Dividend Plus ETF account	52,782,971	4.75%
Jincheng Construction Co., Ltd.	48,340,000	4.35%
Tiangang Investment Co., Ltd.	39,399,025	3.55%
Tianye Investment Company	34,690,325	3.12%
Hsien-Tsund Wang	29,277,882	2.63%
Yi-Ying Chen	23,756,000	2.14%
CCBC was granted a trust property account by King's Town Bank Employee Stock Ownership Association.	21,216,549	1.91%

Note: The top ten shareholders are listed.

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

Unit: NT\$

Item	Year		2021	2022	As of January, 2023
	Market price per share	Highest		44.6	41.9
	Lowest		37.6	29.75	33.35
	Average		40.65	36.37	34.50
Net value per share	Before distribution		43.60	38.17	39.38
	After distribution		41.50	—	—
Earnings per share	Weighted average shares (thousand shares)		1,120,774	1,117,220	1,111,234
	Earnings per share		5.02	1.98	0.25
Dividends per share	Cash dividend		2.1	—	—
	Stock dividends		—	—	—
				—	—
	Accumulated undistributed dividend		—	—	—
Return on investment	Price / Earnings Ratio (Note 1)		8.10	18.37	—
	Price / Dividend Ratio (Note 2)		19.36	-	—
	Cash dividend yield rate (Note 3)		5.17	-	—

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

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

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

Notes 4: The dividend payment for 2022 has not been approved by the shareholders' general meeting.

Notes 5: In January 2023, 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 2022 is NT\$1.1 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 2022, 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 2022 to issue cash remuneration for NT\$290,000 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 2021 earnings distribution resolution in the shareholders meeting on May 9, 2022 with NT\$0 to directors and supervisors and NT\$650,000 in cash to employees.
- (IX) The Bank's stock shares repurchased:

1. Repurchase of the Bank's stock shares in 2022 and as of the end of January 2023

Period no.	23rd time (period)
Purpose of repurchase	Maintain the Company's credit and shareholder's equity
Repurchase period	July 11, 2022 to September 6, 2022
Price range for repurchase	NT\$33~38
Type and amount of the repurchased shares	10,000,000 shares
Amount of the repurchased shares	NTD 350,510,671
Ratio of repurchased shares to shares repurchase planned	100%
Capital adequacy ratio before the repurchase of the Bank's shares	Base date: May 31, 2022 Ratio: 14.46%
Capital adequacy ratio after the repurchase of the Bank's shares	Base date: May 31, 2022 Ratio: 14.34%
Number of shares eliminated and transferred	10,000,000 shares (Note 1)
Cumulative number of shares held by the Bank	0 shares
Ratio of cumulative number of shares held by the Bank to the total issued shares (%)	0%
Transfer of repurchased shares to the employees	Not applicable
Circumstances in which the Board will take restrictive measures if the transfer is not completed within three years after the share repurchase	Not applicable
Notes 1: The 23rd repurchase of treasury shares was approved according to the resolution of the Board of Directors on July 7, 2020 to repurchase and cancel treasury shares, and decrease capital; also, the change of registration for the capital decreased was approved by the competent authority on October 18, 2022.	

2. The Bank's stock shares repurchased (transaction not yet completed):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 2022.

(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	2022.12.31	2021.12.31	Amount of increase/decrease	Growth rate (%)
Taiwan Dollar Deposit Business balance	255,394,205	220,325,335	35,068,870	15.92%
Foreign Currency Deposit Business balance	28,798,200	32,497,494	-3,699,294	-11.38%
Loan Business balance	245,875,220	209,494,630	36,380,590	17.37%
Balance of trust	41,523,080	39,033,637	2,489,443	6.38%

Unit: NT\$ million; %

Item	2022.12.31	2021.12.31	Amount of increase/decrease	Growth rate (%)	
Investment Business	CD of Central Bank of the Republic of China (Taiwan)	17,600	18,200	-600	-3.30%
	Domestic treasury bonds	38,368	39,488	-1,120	-2.84%
	Domestic corporate bonds	1,100	1,100	0	0.00%
	Stock	1,210	5,967	-4,757	-79.72%
	REITS	0	387	-387	-100.00%
	Domestic convertible bonds	0	61	-61	-100.00%
	Foreign currency securities (excluding foreign stocks)	40,141	31,601	8,540	27.02%
	Long-term equity investments	3,463	3,463	0	0.00%
Total	101,882	100,267	1,615	1.61%	

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

Unit: NT\$ thousands; %

Item	2022		2021	
	Amount	Ratio (%)	Amount	Ratio (%)
Operating revenue	5,000,121	100.00%	9,965,165	100.00%
Loan Business	5,832,852	116.65%	5,114,564	51.32%
Corporate Banking	5,541,523	110.83%	4,820,900	48.38%
Consumer Banking	291,329	5.83%	293,664	2.95%
Trust Business	38,863	0.78%	29,674	0.30%
Foreign Exchanges Business	553,642	11.07%	529,206	5.31%
Wealth Management	248,944	4.98%	219,941	2.21%
Investment Business	(1,724,604)	-34.49%	4,045,770	40.60%
Others	50,423	1.01%	26,011	0.26%

(III) 2023 Business Plan

1. Deposit Business

- (1) The Bank cares about its customers, listens to their voices, responds to financial friendly policies by providing diversified localized and personalized services, and continuously innovating and providing convenient digital services to make customers the Bank's main source of financial transactions.
- (2) By leveraging its localized advantages in its branches, and the characteristics of industrial development, the Bank attracts business transactions from large, medium, and small enterprise customers and designs products that meet market demand, to enhance customer loyalty.
- (3) It offers a variety of online cash management services for corporate customers to attract payment and collection businesses, such as domestic and international transfers and payments, payroll deposits, foreign exchange services, and collection services, to increase the Bank's demand deposit ratio and deposit scale, and enhance its competitiveness in the financial industry.
- (4) In terms of customer management, the Bank predicts customer transaction behavior through big data analysis, continuously innovates digital models, and combines digital marketing methods to expand the management of different customer groups, and establish new word-of-mouth among consumers.
- (5) In terms of product design planning, the Bank integrates new payment and collection technology with financial scenarios and OPEN API connection solutions to create digital financial products that provide more convenient services and security, enhance the security of quick login for mobile banking app users, and cooperate with the entrusted finance company of the Ministry of Finance to pay taxes online via API, providing more user-friendly services.
- (6) In terms of ATM services, the Bank continuously optimizes its business service functions and improves its user-friendly operation interface to create an affinity financial environment, making inclusive financial services more perfect.
- (7) The Bank continues to provide new products and optimized services to existing customers, while using the Goyee digital account to increase new customer sources and provide customers with services and products in real time both online and offline, satisfying customers' uninterrupted needs for financial services around the clock.
- (8) We have accelerated our digital transformation due to the COVID-19 pandemic, driving digitalization and innovative business models of our financial services, and continuously optimized the virtual channel experience, deepening relationship with customers, and increasing their satisfaction.

2. Credit Business

- (1) The credit business expansion strategy will continue to provide customized and diversified professional financial services while balancing risk management, generate income relative to risk, and use its sources to cope with future changes in the financial market.
- (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) Focus on financing for both large businesses and SME, continue to promote financing for SME in line with government policies, and increase the financing limit for SME and micro-enterprises with the guarantee program of the credit insurance fund, so as to help SME owners (including startups and micro-enterprises) to obtain working capital, and to promote domestic economic development through government policies.
- (4) In terms of corporate finance business, we continue to promote sources of self-liquidating repayment and business projects like transactional financing in addition to our existing business. In terms of consumer finance business, we promote consumer mortgage business with projects to increase the volume of our mortgage business, so as to continue to have stable income and to achieve a balanced development of credit business.

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 our foreign exchange digital platform "King's Pay" to provide customers with the most innovative foreign exchange product solutions.
- (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.
- (5) Cooperate with the competent authorities to implement fair treatment measures for elderly customers, and provide care and inquiry for elderly customers who handle foreign exchange transactions to help them avoid fraudulent losses from fraud.

4. Investment Service Business

- (1) Study and formulate the planning to replace the financial management system and optimize its functions to enhance the efficiency of business management and improve customer experience.
- (2) Cultivate and train personnel for branch business development and headquarters planning and operations.
- (3) Continuously optimize the internal audit and control mechanism.
- (4) Cooperate with our securities subsidiary to promote business.

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) In response to changes in the development strategies and market environment of the financial management business, we return to the essence of insurance and strengthen the promotion of insurance products, launching products that meet the diverse needs of customers.
- (3) Strengthen the professional knowledge of our sales staff regarding insurance products to provide appropriate insurance products for customers to meet their insurance needs.

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) Cooperate with regulatory authorities to promote the Trust 2.0 all-round trust promotion plan, integrate internal resources and external cross-industry cooperation to develop tailored trust services that are accessible to the general public, and use the trust mechanism to assist vulnerable groups such as the elderly and the disabled, fulfilling our social responsibility and promoting the growth of our business to increase fee income.
 - (4) 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,
 - (5) Upholding the stance of professional finance and honest service, provide a good financial service experience, establish a culture-centered “fair hospitality” culture, which is incorporated into our routine education and training to ensure the rights and interests of our customers.
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 business bases 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 offices in the Yunlin and Chiayi region, and 5 offices in the Kaohsiung and Pingtung 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 2022, the financial industry in Taiwan was impacted by negative factors such as the US interest rate hike, the Russia-Ukraine war, inflation, the COVID-19 pandemic, and geopolitical tensions, which led to poor financial market performance. The Taiwan central bank followed in the steps of the US interest rate hike and increased interest rates by 0.025% since March 2022, while raising the reserve requirement ratio for deposits for the first time in 14 years. The central bank's interest rate hike measures helped to increase the interest rate spread for national banks' deposits and loans, boosting the profitability of the banking industry. According to the Taiwan central bank's Q4 data, the interest rate spread for national banks' deposits and loans reached a new high since 2018. However, the domestic funding remains abundant, and with the saturation of the banking industry, the interest rate spread for deposits and loans of national banks in Taiwan remains at a low level. Looking ahead

to 2023, there are two major concerns for national banks: First, the slowdown of domestic economic growth may dampen the loan momentum of banks, and second, if the economy continues to deteriorate, concerns about asset quality will arise, and credit costs (such as bad debt appropriation) may increase, both of which will impact profitability.

Promote the development of financial technology, and accelerate the growth of national banks' digital accounts during the pandemic where customers have become accustomed to digital financial life, and their stickiness to mobile banking has been increasing year by year. Facing the new demand, all banks have made the development of digital finance a priority operating strategy. It is expected that the pace of digital finance development will be faster in the future, and the breadth and content of services will be more closely related to customers' needs. Therefore, how to enhance interaction with customers through digital financial tools and identify profitable models from them is an important issue for banks at present.

3. Advantages and disadvantages of competitive niche and development prospects

(1) Competitive favorable factors of the Bank

- A. The Bank has always adopted a cautious and conservative approach to asset quality, and will have more room to respond to this challenge than other banks in the industry.
- B. In response to the trend of digital finance development, the Bank has established relevant units in 2015 and launched a variety of digital financial services to meet the constantly changing needs of market technology and customers. Focuses on SME customers compared with its peers' digital finance strategies, assisting SMEs in managing funds, financing, and reducing operating costs through customized financial solutions, thereby improving the stickiness and return rate of SME customers, which in turn promote long-term profitability.

(2) Competitive unfavorable factors of the Bank

- A. The economic slowdown in 2023 has led to a cutback in corporate investment intentions, which could potentially affect loan growth.
- B. As geopolitical risks rise and the war between Russia and Ukraine continues, bottlenecks in global supply chain and the impact of raw material prices on inflation data will continue to influence central banks' decisions to raise interest rates, which may put financial market performance and consumer confidence under pressure.

4. Response measures

- (1) Adjust the composition of our credit business, and provide customized and diversified professional financial services with good risk management to obtain business with better yield.
- (2) Set up a new credit center in response to the government's promotion of the development of the semiconductor S corridor industry in Southern Taiwan, to assist in the financing needs of the related supply chain and expand our customer base for credit business, while reducing risks from concentration.
- (3) Design a variety of deposit products by anticipating interest rate trends, and stabilize deposit sources by utilizing our unique geographical advantages to manage deposit spread.

(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 2022, the balance of loans to SMEs was NT\$148,619,582 thousand.

- B. Remain to focus on corporate finance in terms of the main objective of the credit business, assisting SME owners (including start-ups and micro-enterprises) to obtain short- and medium-term credit and working capital with tangible/intangible assets, cooperate with the SME credit guarantee projects promoted by the credit guarantee fund to increase the financing amount and improve loan terms for SME owners, maintain the quality of credit loans and avoid over-concentration of risks through the credit guarantee fund, so as to ensure the soundness of credit business.
- C. Actively promote supply chain financing business and regional core industry credit business to enhance product competitiveness.

(2) Consumer finance:

- A. Continue to promote consumer mortgage business and offer competitive mortgage projects for the public to choose from, aiming to increase the volume of mortgage business and further promote correlative businesses. As of the end of 2022, the overall mortgage balance was NT\$17,206,991 thousand.
- 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 2022: as of the end of December 2022, the balance of specific money trust (fund business) asset was NT\$10,547,586 thousand, and the balance of other trust (including real estate trust and other money trust businesses) asset was NT\$30,975,494 thousand. The total trust assets were NT\$41,523,080 thousand, and the total trust fee income was NT\$87,235 thousand.

(4) Investment Service Business:

- A. Provide comprehensive services to meet customers' overall needs for investment and wealth management as the core business objective.
- B. Establish a "self-benefiting specific monetary trust beneficiary rights self-pledging business".
- C. Continue to expand specific monetary trust and various insurance products to meet customers' needs for asset allocation.
- D. The wealth management service fee income in 2022 was NT\$262,075 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	2022	2021
Amount	66,481	83,735

(2) Research and development results

- A. Completed securities online account opening
- B. Completed Securities Drawings in lieu of Advances Project
- C. Completed foreign exchange core system upgrade project
- D. Completed insurance system upgrade project
- E. Completed optimizing personal marketing consent review mechanism
- F. Completed DBMoto system implementation project
- G. Completed the mobile phone number transfer 2.0 project

- H. Completed the project of adding gesture login and custom mode for mobile banking
- I. Completed online application for reissuing financial cards project
- J. Completed Power BI system implementation project
- K. Completed the Steps Challenge for King's Surprise project
- L. Completed KING's Pay APP Project
- M. Completed the online training platform upgrade project
- N. Completed the project of small OTP validation for enterprise network
- O. Completed the centralized operation project for court seizures
- P. Completed the centralized operation project for warning accounts
- Q. Completed the national payment platform project
- R. Completed the elderly customer care and transaction monitoring project
- S. Completed the accessible personal website zone project
- T. Completed the statement simplification project
- U. Completed the legal compliance integration platform 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
Project of online formation of warranty contract	0	January 2023
ATM Interface Upgrade	654	March 2023
Optimize MAIL's immediate and validity review mechanism	0	December 2023
Online Repayment Project	0	March 2023
Implement BPM business process management system	1,350	September 2023
Digital Multimedia Calling System Replacement	6,600	December 2023
Wealth Management System Upgrade	20,000	June 2025
Fund System Upgrade	20,000	June 2025
Online Enrollment Project	6,000	December 2023
HSM EOS Retirement Upgrade	0	April 2023
Upgrade of the Joint Inquiry System	4,000	December 2023
Voucher form digitization project	0	December 2023
Terminal hardware upgrade and replacement project	17,765	December 2023

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) Continue to enhance digital financial development to meet the evolving customer needs and consumption habits, including optimizing user interfaces, providing more diversified mobile services, and strengthening information security measures.
- (2) Diversify funding sources and improve the stability of funding sources in response to the rising interest rate environment, and dynamically adjust loan pricing strategies based on market conditions, credit risks, and competition, in order to continue improving overall performance of deposit spread.

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) Support sustainable finance and promote financial inclusion, working with society to address climate change issues and promote sustainable growth.
- (3) Continuously introduce digital systems and streamline operational processes, to reduce operational risks, improve service efficiency, and provide customers with quality financial services.
- (4) Value the cultivation of talents at all levels, to embrace the challenges of the digital era, and to attract outstanding talent and promote innovative thinking.

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		2021	2022	As of January 31, 2023
No. of employees	Managerial positions	297	302	305
	Employees	667	692	690
	Total	964	994	995
Average age		39.5	40.1	40.1
Average year of services		12.8	12.37	12.32
Education Background Ratio	Master degree and above	10%	9.96%	10.15%
	College, Institute and University	83.3%	83.3%	83.14%
	Below senior high school	6.6%	6.24%	6.73%
Name of professional licenses or certifications held by employees	Qualification exams for Securities Specialists	173	218	225
	Qualification exams for Senior Securities Specialists	90	94	96
	Qualification exams for Securities Investment Analysts	5	3	3
	Securities Investment Advisory Salesperson	63	64	66
	Qualification exams for Futures Trading Analysts	62	71	73
	Proficiency Test for Trust Operations Personnel	704	716	719
	Proficiency Test for Financial Planning Personnel	171	160	163
	Proficiency Test for Bank Internal Control and Audit	666	668	673
	Basic Proficiency Test for International Banking Personnel	103	104	107
	Basic Proficiency Test for Bank Lending Personnel	227	237	241
	Advanced Proficiency Test for Bank Lending Personnel	8	7	7
	Qualification exams for Personal insurance agent	6	4	4
	Qualification exams for Property insurance agent	4	3	3

Qualification exams for Personal insurance broker	4	3	3
Qualification exams for Property insurance broker	4	3	3
Qualification exams for Personal insurance representative	829	839	851
Qualification exams for Property insurance representative	801	821	828
Qualification exams for Investment-orientated insurance product representative	507	507	508
Qualification exams for Foreign Currency Payment and Non-Investment Commodity Test	529	540	544
Certified Financial Specialist for Small and Medium Enterprises	26	23	23
Qualifications of structured product sales personnel	137	126	128
Professional Exam for Anti-Money Laundering and Countering Terrorism Financing Specialist	294	290	291
Basic Competency Test for Risk Management	10	12	12
Basic Test on the FinTech Knowledge	29	37	38
Basic Competency Test for Corporate Governance	8	8	8
Chartered Financial Analyst (CFA)	2	5	5
Financial Risk Management Analyst (FRM)	1	2	2
Advanced Financial Management Associate (AFMA)	1	0	2
Certified Anti-Money Laundering Specialist	1	4	4
Lawyer	3	2	2
International Certified Internal Auditor	1	1	1
Certified Information Systems Auditor	1	1	1
ISO 27001 Lead Auditor	1	3	3
ISO 22301 Operations Continuity Management	1	1	1
Certificate in Corporate Sustainability Management	2	3	3
ISO14064-1: 2018 internal auditor and carbon management	0	3	3

	personnel training			
	Sustainable Development Carbon Management Associate	0	1	1
	ISO50001: 2018 energy management system internal auditor training	0	3	3

(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)	14
	Enterprise Internal Controller Competency Test (Securities and Futures Institute)	1
	Basic Competency Test for Corporate Governance	6
	Certificate of Competence for Energy Manager Training	1
	Sustainable Development Carbon Management Associate	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)	14
	Basic Competency Test for Risk Management (Taiwan Academy of Banking and Finance)	6
	ISO 27001 Lead Auditor (SGS Academy)	3
	ISO 22301 Operations Continuity Management	1
Compliance Department	Bank Internal Controller and Internal Auditor Test (Taiwan Academy of Banking and Finance)	11
	Anti-Money Laundering and Counter-Terrorism Financing personnel test (Taiwan Academy of Banking and Finance)	9
	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 2022 education and training courses are as follows:

Courses	Number of classes	Total number of persons	Total hours	Total cost
Profession training	762	66,009	33,026	3,530,696
Training for new recruits	4	73	817	
Compliance and Anti-Money Laundering Act Compliance Course	270	12,786	9,850	
Legal Compliance Course for Trustees	21	745	3,755	
Information security education training	12	3,018	3,099	
Financial Consumer Protection Act/Principles for Fair Treatment of Customers	16	1,581	2,242	
Training on Communication Functions	1	33	380	
Labor safety/health education training	18	90	548	
Self-defense firefighting team training	2	56	224	
ESG/Sustainable Development	29	76	209	
Total	1,135	84,467	54,150	

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

In 2022, 13 managers participated in a total of 83 hours of classes in corporate governance.

Title	Name	Training date	Organizer	Course name	Training Hours
President	Hung-Liang Chiang	2022.11.14	Securities and Futures Institute	Principles for Fair Treatment of Customers and 21 Management Commandments for Financial Specialists	3
				Corporate Governance System and Anti-Money Laundering Regulations	3
Vice President	Chih-Cheng Yu	2022.11.14	Securities and Futures Institute	Principles for Fair Treatment of Customers and 21 Management Commandments for Financial Specialists	3
				Corporate Governance System and Anti-Money Laundering Regulations	3
Vice President	Qi-Wei You	2022.11.14	Securities and Futures Institute	Principles for Fair Treatment of Customers and 21 Management Commandments for Financial Specialists	3
				Corporate Governance System and Anti-Money Laundering Regulations	3
Assistant Vice President	Hung-Sung Shen	2022.11.14	Securities and Futures Institute	Principles for Fair Treatment of Customers and 21 Management Commandments for Financial Specialists	3
				Corporate Governance System and Anti-Money Laundering Regulations	3
Chief Auditor	Ching-Chu Pai	2022.11.14	Securities and Futures Institute	Principles for Fair Treatment of Customers and 21 Management Commandments for Financial Specialists	3
				Corporate Governance System and Anti-Money Laundering Regulations	3
Assistant Vice President	Chien-Ko Yang	2022.11.14	Securities and Futures Institute	Principles for Fair Treatment of Customers and 21 Management Commandments for Financial Specialists	3
				Corporate Governance System and Anti-Money Laundering Regulations	3
		2022.04.14	Taiwan Corporate Governance Association	Sustainable Risk - Exploring from Governance to Management	3

Title	Name	Training date	Organizer	Course name	Training Hours
		2022.07.07	Securities and Futures Institute	Sustainable Development Roadmap for TWSE/TPEX Listed Companies	3
		2022.05.20	Taiwan Stock Exchange	2022 Insider Trading Prevention Seminar	2
Manager	Hung-Pei Hsien	2022.11.14	Securities and Futures Institute	Principles for Fair Treatment of Customers and 21 Management Commandments for Financial Specialists	3
				Corporate Governance System and Anti-Money Laundering Regulations	3
Manager	Hsiang-Yin Lin	2022.11.14	Securities and Futures Institute	Principles for Fair Treatment of Customers and 21 Management Commandments for Financial Specialists	3
				Corporate Governance System and Anti-Money Laundering Regulations	3
Manager	Shui-Shan Huang	2022.11.14	Securities and Futures Institute	Principles for Fair Treatment of Customers and 21 Management Commandments for Financial Specialists	3
				Corporate Governance System and Anti-Money Laundering Regulations	3
Manager	Ya-Ting Li	2022.11.14	Securities and Futures Institute	Principles for Fair Treatment of Customers and 21 Management Commandments for Financial Specialists	3
				Corporate Governance System and Anti-Money Laundering Regulations	3
Manager	Yun-Chia Peng	2022.11.14	Securities and Futures Institute	Principles for Fair Treatment of Customers and 21 Management Commandments for Financial Specialists	3
				Corporate Governance System and Anti-Money Laundering Regulations	3
Manager	Shih-Chi Chuang	2022.11.14	Securities and Futures Institute	Principles for Fair Treatment of Customers and 21 Management Commandments for Financial Specialists	3
				Corporate Governance System and Anti-Money Laundering Regulations	3
Manager	Chin-Yun Ho	2022.11.14	Securities and Futures Institute	Corporate Governance System and Anti-Money Laundering Regulations	3

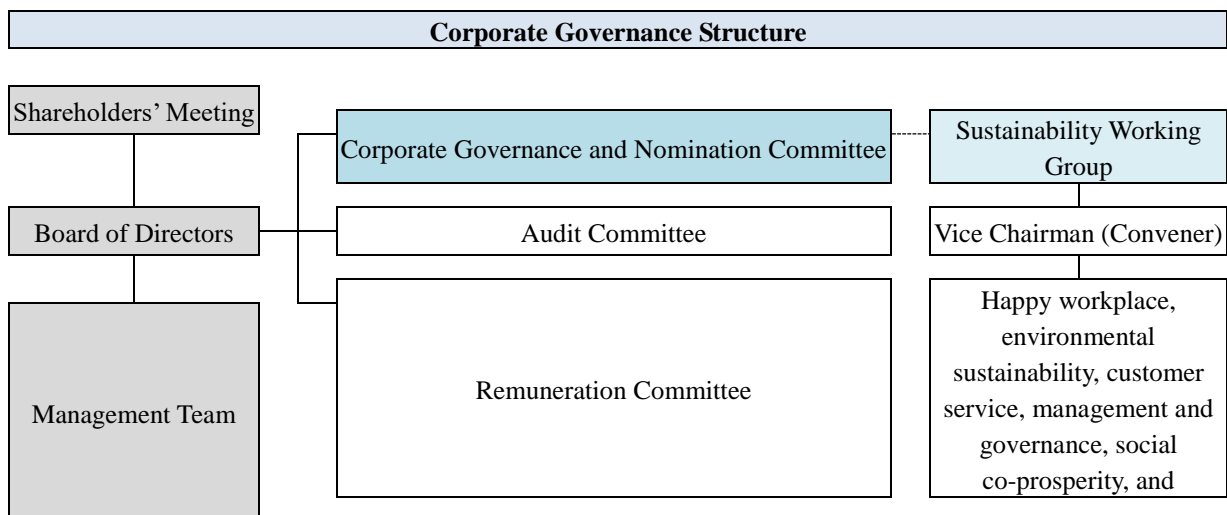
(V) Protection measures for employees' working environment and employees' personal safety

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 2022, we held two firefighting self-defense team exercises to enhance employees' general knowledge of firefighting and disaster prevention. In addition, we conducted 15 labor safety training sessions, with a total of 21 person-times, and 3 first-aid training sessions with a total of 70 person-times, totaling 548 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.



King's Town Bank Summary of 2022 Sustainable Development Initiatives

Customer care

1. Launching a number of digital financial products and services in 2022, such as: "Mobile banking app has added features such as "King's Lucky Lottery", "Wire Transfer with Phone Number 2.0 (which can be linked to multiple bank accounts)", "Steps Challenge for King's Surprise" function, "Red Envelope 3.0" function, and nationwide payment function, and Taiwan Pay has added QR Code expiration time for its My Receipt Code.
2. King's Pay is a Western Union remittance channel jointly launched by the Bank and Western Union to enhance the convenience of overseas remittance services for local people. In 2022, King's SPEED PAY registered 10,854 people and made 37,676 remittances, a significant increase from the number of registrations and remittances made in the same period last year.
3. In recent years, the Bank has been committed to enhancing digital customer retention. In 2022, the number of digital channel customer transactions increased from 2.14 to 2.74. In addition, the Bank has continued to cultivate its existing customers and has achieved 5,624 revitalized existing customers in 2022.
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 1,306 valid questionnaires were collected in the customer satisfaction survey conducted in October 2022, and the

King's Town Bank Summary of 2022 Sustainable Development Initiatives	
<p>overall satisfaction reached 91.7%. 89.4% of the customers were satisfied with the digital services provided by King's Town Bank. A total of 23 complaints were received in 2022, all of which were completed with an average processing time of 2 days.</p>	
Environmental protection	
<ol style="list-style-type: none"> 1. The Bank introduced ISO 14064-1 and obtained third-party assurance. 2. The Bank received the "Outstanding Green Procurement Enterprise Award" from Tainan City for two consecutive years, with a total green procurement amount of NT\$30,039,918 in 2022. 3. The Bank used 3,928,789 kWh of electricity in 2022, which was 23.39% less than the base year of 2017. 4. The Bank used 18,707 cubic meters of water in 2022, which was 14.75% less than the base year of 2017. 5. Greenhouse gas emissions of 2,306 (metric tons of CO₂e/year) in fiscal 2022 were 19.46%.% lower than the base year of 2017. 6. Since 2012, we have installed solar energy installations at the head office and Taibao branch and are planning to build solar energy branches. At the end of 2022, King's Town Bank generated 40,540 kWh of green electricity. 	
Social welfare and community participation	
<ol style="list-style-type: none"> 1. In 2022, the Bank organized and participated in 305 community care activities, with 2,173 volunteers, 4,274 volunteer hours, and 12,644 beneficiaries. 6 financial education seminars for children and university students were held, bringing together its outstanding bank staff from to serve as lecturers, allowing students to gain a better understanding of financial knowledge and business and benefiting 335 students. 2. In 2022, the Bank successfully stopped 94 frauds with a value of approximately NT\$24.12 million, and the Bank's meritorious officers have been repeatedly awarded by local police units. 3. The Bank has collaborated with 9 universities and colleges, including Chang Jung Christian University, Southern Taiwan University of Science and Technology, Chaoyang University of Technology, Nanhua University, Shih Chien University, National Kaohsiung Normal University, National Kaohsiung University of Science and Technology, Soochow University, and College of Management of National Taiwan University, to offer career development courses, workshops, and internship programs for students. 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 November 30, 2022, a total of 125 people have been recruited. 5. We have sponsored the Tainan arts and cultural activities, SEE, 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. In 2022, we collaborated with the Family Support Foundation to promote micro-injury insurance, donating a total of 84 policies to implement the policy of inclusive finance. 	

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

	2021	2022	Growth rate
Number of full time employees (person)	833	843	1.20%
Full-time employee average salary (Thousands)	846	831	-1.77%
Full-time employee salary means (Thousands)	763	759	-0.52%

V. Information equipment

- (I) Configuration and maintenance of major information systems
 1. Taiwan Foreign Currency Core Host
 - (1) Hardware: use IBM i Series P9 model 9009-41A host.
 - (2) 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. Storage device: SAN storage device upgrade.
 2. Network
 - (1) Server Load Balancer (SLB) replacement and upgrade.
 - (2) Endpoint management system enhancement.
 - (3) 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, Bank of Nova Scotia 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. 2022 results are as follows:

1. Management Structure and System
 - (1) Obtained ISO 27001 international information security management standard
 - (2) Information Security Committee will be held in 2022: 5 times
 - (3) Annual report to the Board of Directors on the overall implementation of information security in the previous year
 2. Continuity of information system operation
 - (1) Number of core accounting server crashes. 0 times
 - (2) Personal Internet Banking / Mobile Internet Banking / Corporate Internet Banking Usage Rate: 100%
 3. Education, Training and Certification
 - (1) Held 2 internal information security advocacy sessions, 1 information security course evaluation, with 100% advocacy rate, 2929 participants, average test score: 98 points
 - (2) 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.

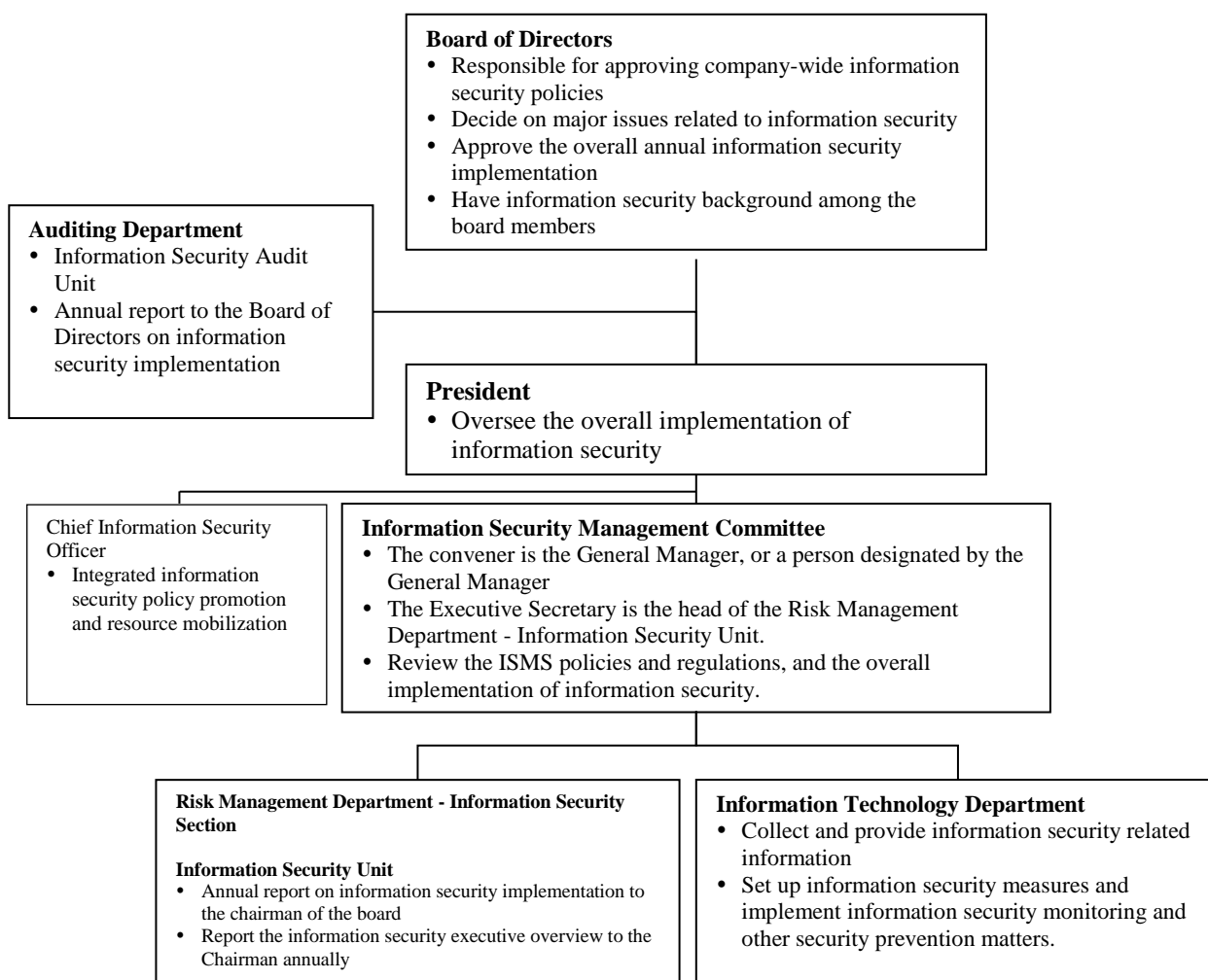
In order to improve the Bank's ISMS and comply with all changes in information security regulations and government regulations, and to reduce the impact of risks arising from information security, the Information Security Management Committee was established in November 2015 to review the policies and 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

KTB has formulated the “Information Security Policy” in order to protect the confidentiality, integrity, and availability of KTB’s information assets, to prevent risks including, inappropriate use, leakage,

alteration, and damage, and to ensure the safety of the collection, handling, transmission, storage, and distribution of information. 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 obtained the "Information Security Management System (ISMS) ISO/IEC 27001: 2013" certification (valid until October 31, 2025) in December 2022, and will continue to review and improve its information security to comply with the latest legal, technical, organizational, and operational developments in the field. 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 routes and "distributed denial-of-service (DDoS) attack monitor and traffic cleaning protection" mechanism for Internet network of major 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 risky 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.
- Join the Financial Information Sharing and Analysis Center (F-ISAC) to become a member of the domestic information security joint defense system and establish a joint defense mechanism to obtain financial security information in real time.

(2) Information Security Emergency Response Exercise

In order to minimize the impact on business and resume operation in the shortest time in case of major disasters occurring to the information service, KTB has formulated regulations including, "Business Continuity Management Manual," "Info-Communications Security Incident Management Procedure Guide," "ATM Info-Communications Security Emergency Response Procedure," "Information Office Handling of Denial-of-Service Attack Guide," and "Open System Backup Exercise Plan," etc. Also, KTB conducts annual drills to minimize possible information security impacts through correct operation procedures. A total of 32 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 Operating System Backup Switching Drill	SWIFT Information Security Incident Emergency Response Procedure Drill
Social Engineering Exercise	SWIFT System Backup Drill

4. Investing in resources for information and communications security management
 - (1) Human Resources: There are 96 employees in total, including a chief of information security, 3 employees in the second line of defense information security promotion unit, and 92 employees in the first line of defense information security implementation unit.
 - (2) Cost: A total of NT\$125,811,000 has been invested in information security.
 - (3) Education and training: The Bank's participation rate in information security testing and passing rate is 100%, and 3,097.5 hours of internal and external information security-related courses are completed, with 96.9% being internal training and 3.1% being external training courses. 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:
 - A. Risky Internet Behavior
 - B. Social engineering (email) attacks
 - C. IoT Internet of Things
 - D. What is Information Security
 - E. What is ISMS
 - F. What is ISO27001
 - G. The importance of information security education training
 - H. Include a reminder to be cautious when sending emails containing personal information to external recipients
 - I. Deepfake Technology - Deepfake
- (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. There were no major information security incidents in 2022 and as of the end of January 2023.

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 2022 and 2021, the amount of expenses recognized for defined contribution plan was NT\$37,026,000 and NT\$32,851,000 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 2022 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 2022 and as of the end of January 2023, 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	Restrictions Terms
Contract of mandate	Leader International Asset Management Service Co., Ltd.	2022.10.27-2023.10.26	Outsourced collections for overdue accounts	None
Contract of mandate	Jungshin Asset Management Co., Ltd.	2022.10.27-2023.10.26		None
Contract of mandate	Asia Credit Management Co., Ltd.	2022.10.27-2023.10.26		None
Contract of mandate	United Credit Services	2022.10.27-2023.10.26		None
Contract of mandate	Taiwan APA Corporation	2022.05.01-2023.04.30	Printing and packaging of comprehensive account statements	None
Contract of mandate	Yuen Foong Paper Co., Ltd.	2023.01.01-2023.12.31	Printing and packaging of withholding tax vouchers	None
Contract of mandate	The Guardian Of Your Valuables Lee Bao Security Co., Ltd.	2021.08.01-2023.07.31	Cash transportation and ATM cash replenishment and troubleshooting	None
Contract of mandate	Chunghwa Express Co., Ltd.	2021.10.01-2024.09.30	Collection and delivery of bills and documents	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				
		2018	2019	2020	2021	2022
Cash and cash equivalents, due from the Central Bank and call loans to other banks		18,187,099	14,711,349	16,524,929	17,556,571	20,314,250
Financial assets at fair value through profit and loss		31,786,797	34,979,793	45,032,063	39,942,021	37,246,775
Financial assets at fair value through other comprehensive income		53,487,356	50,891,550	48,819,322	46,552,136	42,854,431
Investments in debt instruments measured at amortized costs		17,597,996	17,698,135	18,897,382	18,199,019	17,598,455
Bonds and securities purchased under agreements to resell		624,167	150,022	200,248	-	-
Receivables - net		3,642,416	4,907,384	5,933,698	8,598,238	11,863,381
Discounts and advances - net		152,229,752	155,350,678	184,901,230	206,356,935	242,334,911
Other financial assets - net		4,705	4,396	363	776	42
Real estate and equipment - net		2,388,923	2,713,818	3,376,707	3,643,607	4,623,593
Right-of-use assets		-	215,683	217,504	329,537	328,716
Investment property - net		-	-	115,036	140,964	265,602
Deferred tax assets		266,927	145,188	185,987	170,475	446,615
Other assets - net		878,581	974,912	1,253,470	1,659,001	2,110,025
Total assets		281,094,719	282,742,908	325,457,939	343,149,280	379,986,796
Central Bank and inter-bank deposits		19,937,251	14,533,849	21,117,468	18,451,547	24,092,259
Loans from the Central Bank and other banks		3,438,640	4,395,830	4,597,650	4,767,450	5,049,000
Financial liabilities at fair value through profit and loss		25,784	6,002	13,062	14,692	35,203
Securities sold under Repurchase Agreements		29,316,496	28,218,020	21,990,934	12,129,935	15,827,129
Payables		2,311,881	1,252,826	1,601,260	2,519,489	2,526,626
Current tax liabilities		404,846	78,459	573,272	610,911	774,596
Deposits and remittances		188,432,924	191,798,662	226,932,674	251,036,564	283,510,034
Other financial liabilities		1,230,000	500,000	890,000	3,534,057	4,628,693
Liability reserve		420,427	383,414	394,957	357,754	268,501
Lease liability		-	217,256	219,898	333,056	333,935
Deferred tax liabilities		59,890	135,832	299,314	188,861	52,560
Other liabilities		332,519	291,249	244,360	323,936	471,524
Total liabilities	Before distribution	245,910,658	241,811,399	278,874,849	294,268,252	337,570,060
	After distribution	247,622,510	243,488,750	280,893,071	296,622,844	Note 2
Profit and/or loss attributable to the owners of parent company		35,184,061	40,931,509	46,581,457	48,881,028	42,416,736
Equity	Before distribution	11,512,343	11,312,343	11,212,343	11,212,343	11,112,343
	After distribution	11,512,343	11,312,343	11,212,343	11,212,343	Note 2
Capital reserve		99,585	56,095	55,622	77,735	55,192
Retained earnings	Before distribution	24,355,709	25,553,798	29,159,013	32,991,696	32,715,328
	After distribution	22,643,857	23,876,447	27,140,791	30,637,104	Note 2
Other equity		(468,711)	4,107,695	6,252,901	4,599,254	(1,466,127)
Treasury Stock		(314,865)	(98,422)	(98,422)	-	-
Non-controlling interest		-	-	1,633	-	-
Total equity	Before distribution	35,184,061	40,931,509	46,583,090	48,881,028	42,416,736
	After distribution	33,472,209	39,254,158	44,564,868	46,526,436	Note 2

Notes 1: Financial information from 2018 to 2022 has been verified by CPAs.

Notes 2: The dividend payment for 2022 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				
		2018	2019	2020	2021	2022
Cash and cash equivalents, due from the Central Bank and call loans to other banks		18,163,828	14,667,749	16,362,037	17,361,656	20,244,004
Financial assets at fair value through profit or		31,459,508	34,733,596	44,721,848	39,422,088	36,707,318
Financial assets at fair value through other comprehensive income		53,412,766	50,810,145	48,717,089	46,442,931	42,292,760
Investments in debt instruments measured at amortized costs		17,597,996	17,698,135	18,897,382	18,199,019	17,598,455
Bonds and securities purchased under agreements to resell		624,167	150,022	200,248	-	-
Receivables - net		1,028,136	1,270,450	891,330	850,565	1,269,696
Discounts and advances - net		152,229,752	155,350,678	184,901,230	206,356,935	242,334,911
Investments accounted for using equity method - net		988,643	699,890	1,167,990	2,429,721	2,673,570
Other financial assets - net		4,705	4,396	363	776	42
Real estate and equipment - net		2,387,498	2,706,831	3,373,133	3,639,520	4,614,394
Right-of-use assets		-	215,683	217,504	329,537	290,400
Deferred tax assets		265,736	142,041	180,966	158,494	410,995
Other assets - net		870,298	956,932	1,204,398	1,579,941	1,963,820
Total assets		279,033,033	279,406,548	320,835,518	336,771,183	370,400,365
Central Bank and inter-bank deposits		19,937,251	14,533,849	21,117,468	18,451,547	24,092,259
Loans from the Central Bank and other banks		2,458,640	1,655,830	907,650	567,450	-
Financial liabilities at fair value through profit and loss		25,784	6,002	13,062	14,692	35,203
Securities sold under Repurchase Agreements		29,316,496	28,218,020	21,990,934	12,129,935	15,827,129
Payables		2,299,446	1,223,956	1,432,333	2,290,680	2,221,563
Current tax liabilities		366,893	71,953	566,736	598,742	730,764
Deposits and remittances		188,677,300	191,812,314	227,147,197	252,815,445	284,191,511
Other financial liabilities		-	-	-	-	-
Liability reserve		420,427	383,414	394,957	357,754	268,501
Lease liability		-	217,256	219,898	333,056	295,487
Deferred tax liabilities		59,890	135,832	299,314	188,861	52,560
Other liabilities		286,845	216,613	164,512	141,993	268,652
Total liabilities	Before distribution	243,848,972	238,475,039	274,254,061	287,890,155	327,983,629
	After distribution	245,560,824	240,152,390	276,272,283	290,244,747	Note 2
Profit and/or loss attributable to the owners of parent company		35,184,061	40,931,509	46,581,457	48,881,028	42,416,736
Equity	Before distribution	11,512,343	11,312,343	11,212,343	11,212,343	11,112,343
	After distribution	11,512,343	11,312,343	11,212,343	11,212,343	Note 2
Capital reserve		99,585	56,095	55,622	77,735	55,192
Retained earnings	Before distribution	24,355,709	25,553,798	29,159,013	32,991,696	32,715,328
	After distribution	22,643,857	23,876,447	27,140,791	30,637,104	Note 2
Other equity		(468,711)	4,107,695	6,252,901	4,599,254	(1,466,127)
Treasury Stock		(314,865)	(98,422)	(98,422)	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	35,184,061	40,931,509	46,581,457	48,881,028	42,416,736
	After distribution	33,472,209	39,254,158	44,563,235	46,526,436	Note 2

Notes 1: Financial information from 2018 to 2022 has been verified by CPAs.

Notes 2: The dividend payment for 2022 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				
		2018	2019	2020	2021	2022
Interest revenue		6,872,966	6,833,454	6,513,084	6,464,907	8,224,689
Less: Interest expense		(1,855,473)	(2,078,065)	(1,267,131)	(871,680)	(2,211,428)
Net interest income		5,017,493	4,755,389	5,245,953	5,593,227	6,013,261
Net Revenue Other than Interest		1,983,321	3,737,595	3,660,967	4,668,731	(660,891)
Net revenue		7,000,814	8,492,984	8,906,920	10,261,958	5,352,370
Bad debt expenses, commitment and guarantee liability provisions		(1,643,112)	(2,655,404)	(744,664)	(1,732,076)	(216,683)
Operating expenses		(1,784,391)	(1,933,699)	(1,899,734)	(2,024,864)	(2,191,456)
Net income before tax from continuing operating units		3,573,311	3,903,881	6,262,522	6,505,018	2,944,231
Income tax (expense) profit		(695,510)	(504,194)	(771,551)	(874,715)	(733,809)
Net income from continuing operations		2,877,801	3,399,687	5,490,971	5,630,303	2,210,422
Profit or loss from discontinued operations		-	-	-	-	-
Net profit (net loss) for the current period		2,877,801	3,399,687	5,490,971	5,630,303	2,210,422
Other comprehensive income (after tax) for the current period		(3,303,535)	4,469,693	2,113,257	(1,433,045)	(5,969,611)
Total comprehensive income (after tax) for the current period		(425,734)	7,869,380	7,604,228	4,197,258	(3,759,189)
Net profit attributable to the owners of parent company		2,877,801	3,399,687	5,490,966	5,630,303	2,210,422
Net profit attributable to non-controlling interest		-	-	5	-	-
Total comprehensive income attributable to parent company		(425,734)	7,869,380	7,604,223	4,197,258	(3,759,189)
Comprehensive income attributable to non-controlling equity		-	-	5	-	-
Earnings per share (NT\$)		2.51	2.99	4.90	5.02	1.98

Note: Financial information from 2018 to 2022 has been verified by CPAs.

(IV) Condensed individual income statement

Unit: NT\$ thousand

Item	Year	Financial information for the past five years				
		2018	2019	2020	2021	2022
Interest revenue		6,729,884	6,649,901	6,233,702	6,120,160	7,668,647
Less: Interest expense		(1,836,231)	(2,046,344)	(1,217,287)	(821,747)	(2,111,836)
Net interest income		4,893,653	4,603,557	5,016,415	5,298,413	5,556,811
Net Revenue Other than Interest		1,945,302	3,676,700	3,692,430	4,666,752	(556,690)
Net revenue		6,838,955	8,280,257	8,708,845	9,965,165	5,000,121
Bad debt expenses, commitment and guarantee liability provisions		(1,606,593)	(2,553,305)	(636,327)	(1,594,999)	(71,756)
Operating expenses		(1,727,785)	(1,881,401)	(1,841,317)	(1,905,269)	(2,058,496)
Net income before tax from continuing operating units		3,504,577	3,845,551	6,231,201	6,464,897	2,869,869
Income tax (expense) profit		(626,776)	(445,864)	(740,235)	(834,594)	(659,447)
Net income from continuing operations		2,877,801	3,399,687	5,490,966	5,630,303	2,210,422
Profit or loss from discontinued operations		-	-	-	-	-
Net profit after tax for the current period		2,877,801	3,399,687	5,490,966	5,630,303	2,210,422
Other comprehensive income (after tax) for the current period		(3,303,535)	4,469,693	2,113,257	(1,433,045)	(5,969,611)
Total comprehensive income (after tax) for the current period		(425,734)	7,869,380	7,604,223	4,197,258	(3,759,189)
Earnings per share (NT\$)		2.51	2.99	4.90	5.02	1.98

Note: Financial information from 2018 to 2022 has been verified by CPAs.

(V) Name of CPAs and audit opinions

Item \ Year	2018	2019	2020	2021	2022
CPAs	Tzu-Jen Hu; Cheng-Tao Chang	Shih-Chieh Huang; Cheng-Tao Chang	Shih-Chieh Huang; Cheng-Tao Chang	Shih-Chieh Huang; Cheng-Tao Chang	Cheng-Tao Chang, Kuo-Sen Hung
Audit opinion	Unqualified opinion (emphasis on items or other matters)	Unqualified opinion (emphasis on items or other matters)	Unqualified opinion (Other Items)	Unqualified opinion (Other Items)	Unqualified opinion (Other Items)

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

(I) Financial Analysis - Consolidated

Descriptions	Year	Financial analysis for the past five years				
		2018	2019	2020	2021	2022
Operating ability	Loan-to-deposit ratio (%)	82.04	82.18	82.78	83.47	86.74
	Non-performing loans ratio (%)	0.02	0.01	0.01	0.02	0.02
	Interest expense to average deposits balances ratio (%)	1.02	1.11	0.62	0.37	0.83
	Interest income to average credit loan balances ratio (%)	4.44	4.46	3.86	3.26	3.65
	Total asset turnover (times)	0.03	0.03	0.03	0.03	0.01
	Average operation revenue per employee (NT\$ thousand)	7,129	8,501	8,819	9,905	4,866
	Average profit per employee (NT\$ thousand)	2,931	3,403	5,437	5,435	2,009
Profitability	Return on Tier I Capital (%)	10.46	11.24	16.16	14.81	6.66
	Return on assets (%)	1.04	1.21	1.81	1.68	0.61
	Return on equity (%)	7.98	8.93	12.55	11.80	4.84
	Net profit rate (%)	41.11	40.03	61.65	54.87	41.30
	Earnings per share (NT\$)	2.51	2.99	4.90	5.02	1.98
Financial structure	Liabilities to total assets ratio (%)	87.45	85.48	85.63	85.70	88.80
	Ratio of real estate and equipment to equity (%)	6.79	6.63	7.25	7.45	10.90
Growth rate	Asset growth rate (%)	3.66	0.59	15.11	5.44	10.74
	Profit growth rate (%)	(44.69)	9.25	60.42	3.87	(54.74)
Cash flow	Cash Flow Ratio (%)	(13.67)	(3.01)	22.46	32.37	2.44
	Cash Flow Adequacy Ratio (%)	145.75	137.28	118.55	214.93	191.89
	Cash flow for operating to cash flow from investing ratio (%)	16,159.67	377.62	1,052.44	4,479.70	100.27
Liquidity reserve ratio (%)		24.34	25.26	21.97	22.94	19.45
Total credit loan balances for Stakeholders (NT\$ thousand)		202,990	198,132	244,286	247,028	214,062
Total credit extension balance of the stakeholder as a percentage of total credit balance (%)		0.13	0.13	0.13	0.12	0.09
Operation scale	Asset market asset (%)	0.49	0.48	0.51	0.51	0.53
	Market share of net worth (%)	0.88	0.95	1.04	1.06	0.91
	Market share of deposits (%)	0.52	0.50	0.54	0.55	0.58
	Market share of loans (%)	0.56	0.54	0.61	0.63	0.68
Reasons for changes in financial ratios for the past two years	<p>1. The increase in interest expense to average deposits balances ratio was due to the increase in interest expense as a result of the impact of interest rate hike in Taiwan and the U.S. in the current period.</p> <p>2. The decrease in average operation revenue per employee, average profit per employee, total asset turnover rate, profitability rate, and profit growth rate compared to the previous period, was mainly due to the increase in valuation loss, disposal loss, and impairment loss on assets as a result of the impact of the Russia-Ukraine war and the interest rate hike in Taiwan and the U.S. on financial assets in the current period, as well as a decline in stock and bond prices, leading to a decrease in net income and after-tax net profit in the current period.</p> <p>3. The increase in fixed assets to shareholders' equity was due to the increase in purchase of real estate and equipment in the current period.</p> <p>4. The increase in asset growth rate was mainly due to the increase in investment in the scale of lending and accounts receivables in the current period.</p> <p>5. The increase in cash flow ratio was due to the increase in cash outflow from operating activities as a result of the increase in the scale of lending during the period.</p> <p>6. The decrease in cash flow for operating to cash flow from investing ratio was due to the increase in cash outflow from operating activities as a result of the increase in the scale of lending in the current period, and the increase in cash outflow from investing activities as a result of the increase in expenditure on acquisition of property and equipment compared to the previous year.</p>					

Note: Financial information from 2018 to 2022 has been verified by CPAs.

(II) Individual financial analysis

Descriptions		Year	Financial analysis for the past five years				
		2018	2019	2020	2021	2022	
Operating ability	Loan-to-deposit ratio (%)	81.94	82.18	82.70	82.88	86.53	
	Non-performing loans ratio (%)	0.02	0.01	0.01	0.02	0.02	
	Interest expense to average deposits balances ratio (%)	1.01	1.10	0.60	0.34	0.79	
	Interest income to average credit loan balances ratio (%)	4.35	4.34	3.70	3.08	3.40	
	Total asset turnover (times)	0.03	0.03	0.03	0.03	0.01	
	Average operation revenue per employee (NT\$ thousand)	7,169	8,493	9,072	10,263	4,995	
	Average profit per employee (NT\$ thousand)	3,017	3,487	5,720	5,798	2,208	
Profitability	Return on Tier I Capital (%)	10.41	11.20	16.27	15.02	6.59	
	Return on assets (%)	1.05	1.22	1.83	1.71	0.63	
	Return on equity (%)	7.98	8.93	12.55	11.80	4.84	
	Net profit rate (%)	42.08	41.06	63.05	56.50	44.21	
	Earnings per share (NT\$)	2.51	2.99	4.90	5.02	1.98	
Financial structure	Liabilities to total assets ratio (%)	87.35	85.31	85.42	85.43	88.51	
	Ratio of real estate and equipment to equity (%)	6.79	6.61	7.24	7.45	10.88	
Growth rate	Asset growth rate (%)	3.35	0.13	14.83	4.97	9.99	
	Profit growth rate (%)	(45.24)	9.73	62.04	3.75	(55.61)	
Cash flow	Cash Flow Ratio (%)	(13.11)	0.41	25.01	40.78	4.68	
	Cash Flow Adequacy Ratio (%)	145.75	143.04	131.17	240.68	224.53	
	Cash flow for operating to cash flow from investing ratio (%)	15,221.43	132.46	1,070.03	1,005.20	196.91	
Liquidity reserve ratio (%)		24.34	25.26	21.97	22.94	19.45	
Total credit loan balances for Stakeholders (NT\$ thousand)		202,990	198,132	244,286	247,028	214,062	
Total credit extension balance of the stakeholder as a percentage of total credit balance (%)		0.13	0.13	0.13	0.12	0.09	
Operation scale	Asset market asset (%)	0.49	0.47	0.50	0.50	0.51	
	Market share of net worth (%)	0.88	0.95	1.04	1.06	0.91	
	Market share of deposits (%)	0.52	0.50	0.54	0.55	0.58	
	Market share of loans (%)	0.56	0.54	0.61	0.63	0.68	
Reasons for changes in financial ratios for the past two years	<ol style="list-style-type: none"> 1. The increase in interest expense to average deposits balances ratio was due to the increase in interest expense as a result of the impact of interest rate hike in Taiwan and the U.S. in the current period. 2. The decrease in average operation revenue per employee, average profit per employee, total asset turnover rate, profitability rate, and profit growth rate compared to the previous period, was mainly due to the increase in valuation loss, disposal loss, and impairment loss on assets as a result of the impact of the Russia-Ukraine war and the interest rate hike in Taiwan and the U.S. on financial assets in the current period, as well as a decline in stock and bond prices, leading to a decrease in net income and after-tax net profit in the current period. 3. The increase in fixed assets to shareholders' equity was due to the increase in purchase of real estate and equipment in the current period. 4. The increase in asset growth rate was mainly due to the increase in the scale of lending and account receivables in the current period. 5. The increase in cash flow ratio was due to the increase in cash outflow from operating activities as a result of the increase in the scale of lending during the period. 6. The decrease in cash flow for operating to cash flow from investing ratio was due to the increase in cash outflow from operating activities as a result of the increase in the scale of lending in the current period, and the increase in cash outflow from investing activities as a result of the increase in expenditure on acquisition of property and equipment compared to the previous year. 						

Note: Financial information from 2018 to 2022 has been verified by CPAs.

The calculation of the financial items in the financial analysis tables (1) and (2) above is shown as follows:

1. Operating ability

- (1) Loan-to-deposit ratio = Total loans / Total deposits
- (2) Non-performing loans ratio = Total non-performing loans / Total loans
- (3) Interest expense to average deposits balances ratio = Total interest expense / Average annual deposit balance
- (4) Interest income to average credit loan balances ratio = Total interest income / Average annual loan balance
- (5) Total asset turnover = Net earnings / Average total assets
- (6) Average operation revenue per employee = Net earnings / Total no. of employees
- (7) Average profit per employee = Net earnings after tax / Total no. of employees

2. Profitability

- (1) Return on Tier I Capital = Profit or loss before tax / Average total amount of Tier I Capital
- (2) Return on assets = Profit or loss after tax / Average total assets
- (3) Return on equity = Profit or loss after tax / Average net shareholders' equity
- (4) Net profit rate = Profit or loss after tax / net income
- (5) Earnings per share = (Income attributable to owners of parent company - Preferred shares dividends) / Weighted average number of shares issued.

3. Financial structure

- (1) Debt ratio = Total liabilities / Total assets.
- (2) Ratio of real estate and equipment to equity = Net real estate and equipment / Net equity

4. Growth rate

- (1) Asset growth rate = (Total assets of current year - Total assets of previous year) / Total assets of previous year
- (2) 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

- (1) 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)
- (2) Cash flow adequacy ratio = Net cash flow from operating activities for the past five years / (Capital expenditures + Cash dividends) for the past five years.
- (3) 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

- (1) Asset market asset = Total assets / Total assets of all financial institutions available for making deposits and loans
- (2) Market share of net worth = Net worth / Total net worth of all financial institutions available for making deposits and loans
- (3) Market share of deposits = Total deposits / Total deposits of all financial institutions available for making deposits and loans
- (4) 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					
		2018	2019	2020	2021	2022	
Self-owned capital	Common stock equity	33,752,396	35,718,515	41,798,281	46,068,265	42,301,965	
	Other Tier I capital other than common stock equity	0	0	0	0	0	
	Tier II Capital	670,827	1,160,997	5,099,791	4,484,950	3,713,615	
	Self-owned capital	34,423,223	36,879,512	46,898,072	50,553,215	46,015,580	
Risk-weighted assets	Credit risk	Standardized approach	197,892,405	203,419,934	235,788,899	257,536,524	292,957,404
		Internal ratings-based approach	0	0	0	0	0
		Asset securitization	0	0	0	0	0
	Operational risk	Basic indicator approach	13,772,518	14,518,830	15,364,635	16,450,703	15,593,389
		Standard method/Alternative standardized approach	0	0	0	0	0
		Advanced measurement method	0	0	0	0	0
	Market risk	Standardized approach	30,537,017	27,297,382	37,874,809	30,160,509	18,938,873
		Internal models approach	0	0	0	0	0
	Total risk-weighted assets		242,201,940	245,236,146	289,028,343	304,147,736	327,489,666
	Capital adequacy ratio		14.21%	15.04%	16.23%	16.62%	14.05%
Tier I capital to risk-based assets ratio		13.94%	14.56%	14.46%	15.15%	12.92%	
Ratio of common equity to risk-based assets		13.94%	14.56%	14.46%	15.15%	12.92%	
Leverage ratio		11.17%	11.81%	12.27%	12.91%	10.72%	

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					
		2018	2019	2020	2021	2022	
Self-owned capital	Common stock equity	33,293,116	35,406,623	41,214,286	44,853,404	42,302,701	
	Other Tier I capital other than common stock equity	0	0	0	0	0	
	Tier II Capital	211,547	849,105	4,448,388	3,167,981	3,648,652	
	Self-owned capital	33,504,663	36,255,728	45,662,674	48,021,385	45,951,353	
Risk-weighted assets	Credit risk	Standardized approach	195,257,564	199,737,743	230,396,305	249,367,841	287,786,905
		Internal ratings-based approach	0	0	0	0	0
		Asset securitization	0	0	0	0	0
	Operational risk	Basic indicator approach	13,510,439	14,230,138	15,006,874	16,007,478	15,056,024
		Standard method/Alternative standardized approach	0	0	0	0	0
		Advanced measurement method	0	0	0	0	0
	Market risk	Standardized approach	29,882,439	26,804,987	37,254,379	29,120,643	17,859,960
		Internal models approach	0	0	0	0	0
	Total risk-weighted assets		238,650,442	240,772,868	282,657,558	294,495,962	320,702,889
	Capital adequacy ratio		14.04%	15.06%	16.15%	16.31%	14.33%
Tier I capital to risk-based assets ratio		13.95%	14.71%	14.58%	15.23%	13.19%	
Ratio of common equity to risk-based assets		13.95%	14.71%	14.58%	15.23%	13.19%	
Leverage ratio		11.11%	11.85%	12.28%	12.84%	10.99%	

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 (3) and (4) 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 (3) and (4) shown above is as follows:
 - Total self-owned capital = Common stock equity + Tier I Capital other than common stock + Tier II 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.
 - 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 2022 financial reports

京城商業銀行股份有限公司

審計委員會審查報告書

京城商業銀行股份有限公司民國一一一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。經本審計委員會審查，認為尚無不合，敬請 鑑核。

此致

京城商業銀行股份有限公司

審計委員會
召集人：

侯全富



中 華 民 國 一 一 二 年 二 月 二 十 日

IV. 2022 Financial Statements

Please refer to Appendix I on page 130 of the annual report for the independent auditor's report, financial reports and notes for the year 2022.

V. The Bank's parent company only financial Statements verified by independent auditor for 2022

Please refer to Appendix II on page 279 of the annual report for the individual financial reports verified by independent auditor for 2022.

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\$ thousands; %

Item	Year	2021	2022	Variation	
				Amount	%
Cash and cash equivalents, due from the Central Bank and call loans to other banks		17,556,571	20,314,250	2,757,679	15.71%
Financial assets at fair value through profit and loss		39,942,021	37,246,775	(2,695,246)	(6.75%)
Financial assets at fair value through other comprehensive income		46,552,136	42,854,431	(3,697,705)	(7.94%)
Investments in debt instruments measured at amortized costs		18,199,019	17,598,455	(600,564)	(3.30%)
Receivables - net		8,598,238	11,863,381	3,265,143	37.97%
Discounts and advances - net		206,356,935	242,334,911	35,977,976	17.43%
Other financial assets - net		776	42	(734)	(94.59%)
Real estate and equipment - net		3,643,607	4,623,593	979,986	26.90%
Right-of-use assets		329,537	328,716	(821)	(0.25%)
Investment property - net		140,964	265,602	124,638	88.42%
Deferred tax assets		170,475	446,615	276,140	161.98%
Other assets - net		1,659,001	2,110,025	451,024	27.19%
Total assets		343,149,280	379,986,796	36,837,516	10.74%
Central Bank and inter-bank deposits		18,451,547	24,092,259	5,640,712	30.57%
Loans from the Central Bank and other banks		4,767,450	5,049,000	281,550	5.91%
Financial liabilities at fair value through profit and loss		14,692	35,203	20,511	139.61%
Securities sold under Repurchase Agreements		12,129,935	15,827,129	3,697,194	30.48%
Payables		2,519,489	2,526,626	7,137	0.28%
Current tax liabilities		610,911	774,596	163,685	26.80%
Deposits and remittances		251,036,564	283,510,034	32,473,470	12.94%
Other financial liabilities		3,534,057	4,628,693	1,094,636	30.97%
Liability reserve		357,754	268,501	(89,253)	(24.95%)
Lease liability		333,056	333,935	879	0.26%
Deferred tax liabilities		188,861	52,560	(136,301)	(72.17%)
Other liabilities		323,936	471,524	147,588	45.56%
Total liabilities		294,268,252	337,570,060	43,301,808	14.72%
Equity		11,212,343	11,112,343	(100,000)	(0.89%)
Capital reserve		77,735	55,192	(22,543)	(29%)
Retained earnings		32,991,696	32,715,328	(276,368)	(0.84%)
Other equity		4,599,254	(1,466,127)	(6,065,381)	(131.88%)
Profit and/or loss attributable to the owners of parent company		48,881,028	42,416,736	(6,464,292)	(13.22%)
Non-controlling interest		-	-	-	-
Total shareholders' equity		48,881,028	42,416,736	(6,464,292)	(13.22%)

Description of Differences:

- 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.
- The decrease in other financial assets, net was due to the decrease in the balance of temporary payments compared to the previous period.
- The increase in net property and equipment was due to the increase in acquisition of premises in the current period compared to the previous period.
- The increase in investment property, net was due to the acquisition of additional investment property by subsidiaries due to its operational needs.
- The increase in deferred income tax assets and current deferred income tax liabilities, and the decrease in deferred income tax liabilities, were due to changes in the calculation of allowance for doubtful accounts, impairment losses on financial assets and unrecognized gain or loss on valuation of financial assets.
- 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.
- The increase in deposits from the Central Bank and banks was due to the increase in the amount of interbank borrowings in the current period.
- The increase in financial liabilities at fair value through profit or loss was due to the increase in negative foreign exchange translation as a result of exchange rate fluctuations in the current period.
- The increase in securities sold under agreements to repurchase was due to increase in commitments for domestic bonds and overseas bonds with repurchase agreements.
- 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.
- The decrease in liability reserve was due to the reversal of reserve for guarantee liabilities based on the valuation results in the current period.
- The increase in other liabilities was due to the increase in the funds received but not yet transferred to the corresponding account or department in the current period compared with the previous period.
- The change in capital stock and capital surplus was due to the cancellation of treasury stocks bought back in the current period to maintain the Bank's credit and shareholders' equity.
- The decrease in other equity was due to the valuation losses from the decline in the price of overseas bonds in the previous period.

II. Financial performance

Unit: NT\$ thousands; %

Item	Year	2021	2022	Increase (Decrease)	
				Amount	Ratio
Net interest income		5,593,227	6,013,261	420,034	7.51%
Net Revenue Other than Interest		4,668,731	(660,891)	(5,329,622)	(114.16%)
Bad debt expenses, commitment and guarantee liability provisions		(1,732,076)	(216,683)	1,515,393	87.49%
Operating expenses		(2,024,864)	(2,191,456)	(166,592)	(8.23%)
Net income before tax from continuing operating units		6,505,018	2,944,231	(3,560,787)	(54.74%)
Net income from continuing operations		5,630,303	2,210,422	(3,419,881)	(60.74%)
Profit or loss from discontinued operations		-	-	-	-
Net profit (net loss) for the current period		5,630,303	2,210,422	(3,419,881)	(60.74%)

Analysis of variance:

- The decrease in net revenue other than interest was mainly due to the increase in valuation losses, disposal losses, and impairment losses on financial assets compared to the previous period as a result of the impact of the Russia-Ukraine war and the interest rate hike in Taiwan and the U.S. on financial assets in the current period, as well as a decline in stock and bond prices.
- The decrease 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 in the previous period, while there was no such occurrence in the current period.
- The decrease in both pre-tax and net profit is mainly due to the increase in valuation/disposal losses from financial asset transactions and impairment losses on assets as a result of the impact of the Russia-Ukraine war and the interest rate hike in Taiwan and the U.S. compared with the previous period.

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

Item	Year	December 31, 2021	December 31, 2022	Variation (%)
Cash flow adequacy ratio (%)		214.93	191.89	(10.72)
Cash flow for operating to cash flow from investing ratio (%)		4,479.70	100.27	(97.76)

Analysis of variance in increase/ decrease:

- The increase in cash flow ratio was due to the increase in cash outflow from operating activities as a result of the increase in the scale of lending during the period.
- The decrease in cash flow for operating to cash flow from investing ratio was due to the increase in cash outflow from operating activities as a result of the increase in the scale of lending in the current period, and the increase in cash outflow from investing activities as a result of the increase in expenditure on acquisition of property and equipment compared to the previous year.

(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
11,743,214	2,569,872	(1,622,911)	12,690,175	-	-

IV. Impact of major capital expenditures on financial operations in 2022

- Use of major capital expenditure and source of funds: None.
- Expected gains: None.

V. 2022 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 2022 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.

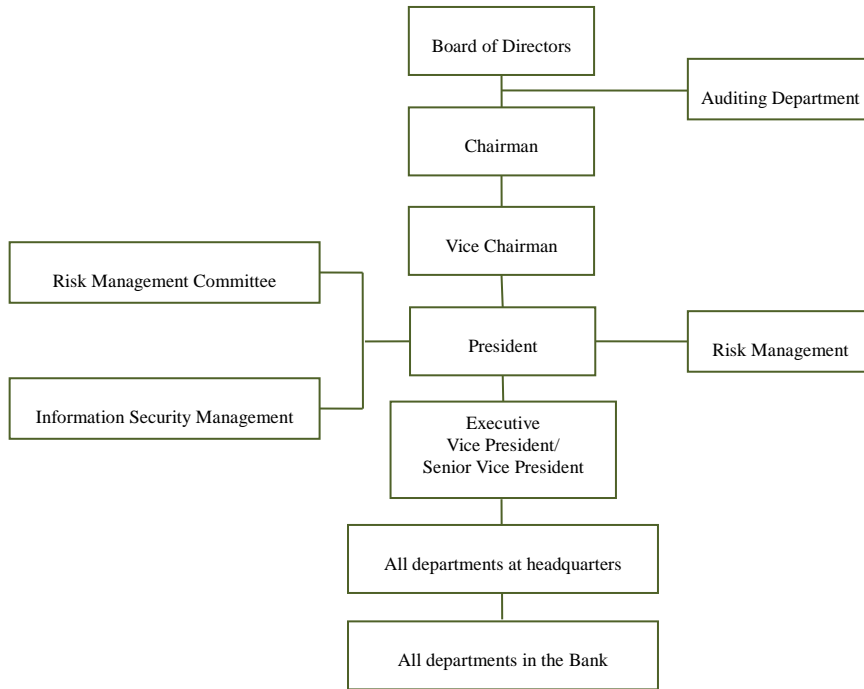
(IV) Investment plans for the next year

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



(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

2022

Item	Contents
I. Credit risk strategies, goals, policies and procedures	<ol style="list-style-type: none"> 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. 2. Credit risk goals Maintain adequate capital and create maximum risk-adjusted return within the scope of credit risk that the Bank can bear. 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. 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 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"> 1. <u>The board of directors</u> is our highest decision-making body for credit risk management and has the ultimate liability in terms of credit risk management. 2. <u>Risk Management Committee</u> 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. 3. <u>Credit Assessment Committee</u> 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. 4. <u>The Risk Management Department</u> 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. 5. <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 credit risk for the entire bank.

Item	Contents
	<p>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</p> <p>6. <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 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.</p> <p>7. <u>The credit review team</u> 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.</p>
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"> 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) Control of credit risk concentration (monitor the top 20 clients who receive credit) Analysis of credit business structure (according to types of loan) Asset quality (nonperforming loans, NPL ratio, allowance for bad debts, coverage ratio) <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"> 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. 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.
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, 2022

Unit: NT\$ thousand

Type of exposure	Risk exposure amount after risk mitigation	Accrued capital
Sovereigns	36,243,721	0
Non-central government public sectors	0	0
Banks (including multilateral development banks and qualifying central counterparties)	8,192,031	142,429
Corporations (including securities and insurance companies)	139,814,165	9,370,358
Retail claims	7,098,949	397,313
Property risk exposure	160,379,232	11,815,004
Equity securities investments	6,200,817	816,894
Equity securities investments of funds and venture capital firms	0	0
Other assets	9,628,571	480,605
Total	367,557,487	23,022,603

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

2022

Item	Contents
I. Securitization management strategies and procedures	<p>[Trading Book]:</p> <ol style="list-style-type: none"> 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. 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. <p>[Banking Book]:</p> <p>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.</p>
II. Securitization management organization and framework	<p>[Trading Book]:</p> <ol style="list-style-type: none"> 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. 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. <p>[Banking Book]:</p> <p>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.</p>
III. Scope and features of securitization risk reporting and measurement systems	<p>[Trading Book]:</p> <p>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.</p> <p>[Banking Book]:</p> <p>We have not invested in asset securitized products which are considered part of the banking book and we have not taken the role of an originator.</p>
IV. Securitization risk hedging or mitigation policies, and monitoring the continued effectiveness of risk avoidance and mitigation tools	<p>[Trading Book]:</p> <ol style="list-style-type: none"> 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. 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. <p>[Banking Book]:</p> <p>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.</p>
V. Approaches adopted for statutory capital charges	<p>[Trading Book]:</p> <p>Adopt the standardized approach for market risk.</p> <p>[Banking Book]:</p> <p>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.</p>

Risk exposure amount for securitization and capital accrual

December 31, 2022

Unit: NT\$ thousand

Bank's role	Type of risk exposure	Type of asset	Traditional				Combination		Total			
			Risk exposure amount				Accrued Capital	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						
Type of book					(1)	(2)	(3)	(4)	(5)=(1)+(3)	(6)=(2)+(4)		
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:

1. 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.
 2. For the exposure of the banking book, the exposure after risk reduction shall be entered.
 3. 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

2022

Item	Contents
<p>I. Operational risk management strategies and processes</p>	<ol style="list-style-type: none"> 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. 2. Establish operational risk management measures. Identify, measure, communicate and monitor all operational risks that may arise from daily operations and management processes.
<p>II. Operational risk management organization and framework</p>	<ol style="list-style-type: none"> 1. <u>The board of directors</u> is our highest decision-making body for operational risk management and has the ultimate liability in terms of operational risk management. 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. 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. 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. 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.
<p>III. Scope and features of operational risk report and measurement system</p>	<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"> 1. The content and scope are shown as follows: <ol style="list-style-type: none"> (1) Self-assessment of risk control operation of the "Rules and Regulations of the Bank". (2) Self-assessment of risk control in compliance with various rules and regulations of all units' operating procedures. (3) Self-assessment of risk control for new products (business), activities, processes and systems. (4) Managing authorization and limits of credit issuance operations of all business units. (5) Managing authorization and limits of loan, foreign exchange and investment businesses of the Finance Department. (6) Report progress to the point of contact at the financial supervisory authority. (7) Implementation of data collection on losses attributable operational risk. (8) Implementation of key risk indicator (KRI). (9) Implementation of the compliance with the three reinforcing pillars of the New Basel Accord. (10) Education and training sessions on risk management conducted by supervisory units of businesses. 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"> (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. (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. (3) Essentials for Key Risk Indicators: Establish quantitative indicators and thresholds and warning

Item	Contents
	values corresponding to main risk exposure in order to monitor the risk exposure and control measures for operational risk.
IV. Operational risk hedging or risk mitigation policies, and monitoring the continued effectiveness of risk hedging and mitigation tools	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.
V. Approaches adopted for statutory capital charges	Basic indicator approach.

Accrued capital for operational risks

December 31, 2022

Unit: NT\$ thousand

Year	Gross operating profit	Accrued capital
2020	9,014,307	1,204,482
2021	8,360,918	
2022	6,714,414	
Total	24,089,639	

4. Market risk management system and accrued capital

Market risk management system

2022

Item	Contents
I. Market risk management strategies and processes	<ol style="list-style-type: none"> 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. Market risk management process Establish market risk management measures. Effectively identify, measure, communicate and monitor market risks associated with all main products and transactions.
II. Market risk management organization and framework	<ol style="list-style-type: none"> <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. <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. <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. <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. <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. <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.
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"> Investment limit and early warning management for market risk: <ol style="list-style-type: none"> Invest in a variety of securities: (a) Limits for a variety of securities (required by the authority);

Item	Contents
	<p>(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).</p> <p>(2) 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 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, 2022

Unit: NT\$ thousand

Type of risk	Accrued capital
Interest rate risk	1,196,811
Equity securities risk	160,390
Foreign exchange risk	71,596
Commodity risk	0
Total	1,428,797

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, 2022

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	322,369,816	56,117,239	18,488,491	20,302,096	23,309,351	65,670,661	138,481,978
Primary outflow upon maturity	362,016,137	25,276,169	30,238,018	48,033,788	47,264,533	54,627,103	156,576,526
Period gap	-39,646,321	30,841,070	-11,749,527	-27,731,692	-23,955,182	11,043,558	-18,094,548

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

USD maturity date structure analysis table

December 31, 2022

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	1,639,473	183,423	9,134	8,425	23,776	1,414,715
Outward remittance of due fund	1,622,865	939,124	465,918	30,190	129,888	57,745
Period gap	16,608	-755,701	-456,784	-21,765	-106,112	1,356,969

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

In 2025, Taiwan will enter the "ultra-aging society". In order to guide financial institutions to pay more attention to the protection of the financial consumption rights and interests of elderly customers, the FSC has issued the "Self-discipline Regulations for Elderly Customers" in early 2022 to strengthen the corresponding control measures and risk management mechanism. The regulations require that financial institutions should have more appropriate evaluation mechanisms and financial-friendly education and training in the processes of product development, promotion, and sales. In response to the regulations, we have modified our internal regulations and information systems, and implemented the following three key points to fulfill the principles for fair treatment of customers: (I) Have a better understanding of elderly customers, observe and inquire them to assess their financial needs. (II) Consider the special needs of

elderly customers in the processes of product design and customer service. (III) Strengthen the procedures for KYC, KYP, and suitability analysis.

In response to Taiwan's commitment to net-zero emissions by 2050, the National Development Council has announced the "Taiwan's Pathway to Net-Zero Emissions in 2050", and the FSC has been actively cooperating with the national carbon reduction policy and continued to promote the "Green Finance Action Plan 3.0" to guide financial institutions in using their management and financial influence, so as to encourage companies to pay attention to sustainability issues. The implementation of this policy will encourage the society to increase capital expenditure and investment in related areas. In response to the government's commitment to net-zero emissions, we will continue to make efforts in the following four areas: contribute to the Taiwan's transformation to a low carbon economy through the following four areas: (I) Use funds and investment and financing decision-making power to guide enterprises towards sustainable development. (II) Strengthen the disclosure of information to help stakeholders understand and manage climate-related risks and response methods. (III) Increase climate resilience and identify ESG-related risks and opportunities. (IV) Support national carbon reduction policies and effectively promote carbon reduction transformation.

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

The development of digital finance has become a major development project for financial institutions. Under this trend, financial industry players have realized the potential of using financial technology to enhance customer experience, provide more personalized services, thereby improving customer retention, and develop innovative service offerings, thereby creating new sources of revenue. As a result, investment in related areas has been increasing year by year. However, the implementation of financial technology requires a significant investment in both software and hardware resources. For small and medium-sized banks, the key issues and challenges include how to prudently evaluate the costs and benefits, provide differentiated services, and ensure the security of information. In view of this structural change, we have established a dedicated unit in 2015 to closely monitor the development of relevant technologies and industries, and have been gradually rolling out various digital financial services. In terms of information security, we also established an information security unit in 2015, to ensure the management and control of information security in conjunction with our three lines of internal control.

- (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 2022, 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 or non-litigation event: A case involving a wealth management specialist surnamed Lin in our branch office, who embezzled more than NT\$60 million from customer deposits, has been brought to a close by the court. The customers involved in the case filed a lawsuit against our bank and the specialist surnamed Lin for damages, and the court has made a final judgment on the case.
- (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 Measures," "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

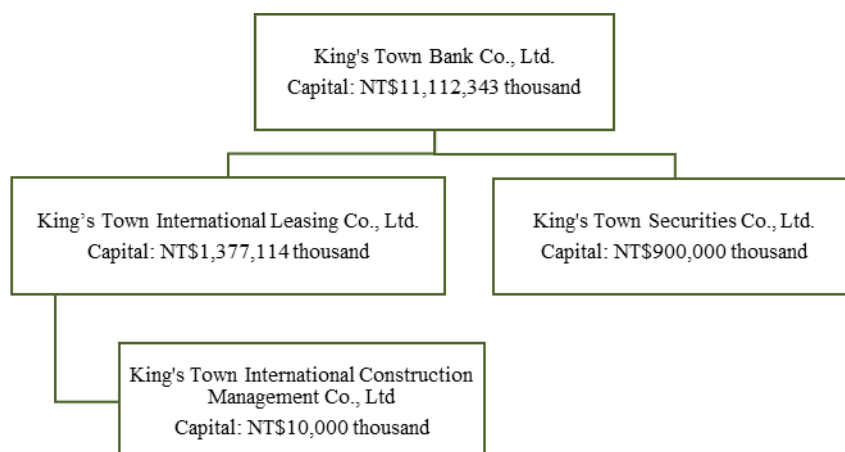
None.

Chapter 8.Special Notes

I. Information regarding the Bank's affiliates

(I) Consolidated operating report for affiliates

1. Organizational chart of affiliates (Base date: January 31, 2023)



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	1,377,114	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, 2023

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.: Hung-Li Lin 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.: Yu-Hsuan Chen	137,711,440	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 Company	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.: Yu-Hsuan Chen	1,000,000	100%

4. Operation overview of affiliates

Base date: December 31, 2022

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.	1,377,114	11,594,699	9,934,553	1,660,147	3,161,690	440,411	245,286	1.78
King's Town Securities Co., Ltd.	900,000	1,383,278	369,855	1,013,424	48,957	(21,721)	(18,902)	(0.21)
King's Town International Construction Company*	10,000	33,920	6,791	27,128	26,683	16,994	13,769	13.77

*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 138 to 142 of the annual report.

(III) Relationship statement: Please refer to page 131 of the annual report.

II. Private placement of securities and bank debentures

None.

III. Subsidiaries holding or disposing of the company's stock

None.

IV. Other supplementary notes

2022 key events:

Date	Events
01/15	Launched the "King GO Trust", a specific money trust with overseas ETF securities.
02/21	In response to the partial amendment of the internal control and audit system implementation regulations for financial holding companies and banks, the Board of Directors approved the revision of the breakdown of responsibilities between the "Auditing Department" and the "Risk Management Department".
04/08	The "Foreign Currency Receipt" function for foreign currency remittances was added to the Internet banking/APP.
04/25	The "Legal Affairs Department" was renamed as the "NPL Collection Department", and the "Credit Regional Center" was renamed as the "Credit Center", with the revised organizational regulations and the breakdown of layered responsibilities approved by the Board of Directors.
04/28	The Bank was ranked in the top 5% of the 2021 Corporate Governance Evaluation for the fifth consecutive year by the Taiwan Stock Exchange.
05/25	The "Wealth Management Specialist" position was renamed as the "Customer Relationship Manager" in accordance with the Bank's wealth management policy adjustments, organizational restructuring, and operational status.
06/01	Launched wire transfer with phone number 2.0 collection service.
06/13	The Banking Bureau approved the Bank's business of "lending secured by pledging the beneficial interests of a self-benefiting specific money trust for which the Bank acts as the trustee".
07/18	Launched the "King's Lucky Lottery" function for mobile banking, providing stock lottery proxy service for securities accounts.
08/01	King's Town Securities officially acquired Full Long Securities' brokerage business for NT\$32 million.
11/01	Integrated the "King's Pay" remittance service and launched the "King's Global Pass" foreign exchange digital platform.
11/16	Received the Gold Award in the Sustainability Report Category of the 15th Taiwan Corporate Sustainability Awards (TCSA) in the Financial and Insurance Industry - Category 1.

11/21	Launched the "Steps Challenge for King's Surprise" campaign on mobile banking app, to encourage customers to develop daily exercise habits through financial services and digitalization of health initiatives.
11/28	The organizational responsibilities of the Digital Service & Channel Management Department, Credit Assessment Department, and International Banking Department were clearly delineated, with the revised organizational regulations and operations of layered responsibilities approved by the Board of Directors.
12/01	The mobile banking app provided nationwide payment functions.
12/16	Obtained the "Information Security Management System (ISMS) ISO/ IEC 27001: 2013" certification.
12/23	The Bank was awarded the 2022 Golden Safety Award for Outstanding Organization and Outstanding Personnel.
12/26	Launched the most favorable "King's Foreign Exchange" online exchange promotion for travel funds
112/01/16	To expand our credit business and deepen our local customer base, we relocated the "Corporate Banking Center of Technology Industry " to the Xinying District and officially operated.

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 District		
Head Office	No. 506, Section 1, Ximen Road, West Central District, Tainan City	(06)213-9171
Trust Department	8F., No. 506, Section 1, Ximen Road, West Central District, Tainan City	(06)213-9922
International Banking Department	9F., No. 506, Section 1, Ximen Road, West Central District, Tainan City	(06)215-5238
Overseas Banking Branch	9F., No. 506, Section 1, Ximen Road, West Central District, Tainan City	(06)215-5238
Business Department at the head office	No. 506, Section 1, Ximen Road, West Central District, Tainan City	(06)214-1271
Tainan Branch	1, 2F., No. 69, Sec. 2, Zhongyi Rd., West Central Dist., Tainan City	(06)228-3155
Eastern Tainan Branch	1, 2F., No. 98, Sec. 2, Linsen Rd., East Dist., Tainan City	(06)238-5506
Zhonghua Branch	1F., No. 106, Renhe Rd., East Dist., Tainan City	(06)260-3171
Xinxing Branch	No. 357, 359, Xinxing Rd., South Dist., Tainan City	(06)265-8511
Fucheng Branch	1F., No. 15, Sec. 4, Ximen Rd., North Dist., Tainan City 886-6	(06)283-3046
Yunong Branch	1, 2F., No. 619-2, Yunong Rd., East Dist., Tainan City	(06)235-0588
Kaiyuan Branch	No. 208, Kaiyuan Rd., North Dist., Tainan City	(06)234-7302
Anhe Branch	1, 2F., No. 241, Sec. 2, Anhe Rd., Annan Dist., Tainan City	(06)355-9311
Annan Branch	No. 366, Sec. 1, Haidian Rd., Annan Dist., Tainan City	(06)259-8153
Yen Hsin branch	No. 54, Zhongzheng N. Rd., Yongkang Dist., Tainan City	(06)254-1839
Yongkang Branch	No. 27, Sec. 2, Yongda Rd., Yongkang Dist., Tainan City	(06)272-9621
Guiren Branch	No. 29, Sec. 2, Zhongshan Rd., Guiren Dist., Tainan City	(06)239-6185
Xinhua Branch	No. 586, Zhongshan Rd., Xinhua Dist., Tainan City	(06)598-7103
Yujing Branch	No. 130, Zhongshan Rd., Yujing Dist., Tainan City	(06)574-7673
Rende Branch	1, 2F., No. 365, Zhongshan Rd., Rende Dist., Tainan City	(06)270-8056
Guanmiao Branch	No. 17, Wenheng Rd., Guanmiao Dist., Tainan City	(06)596-1550
Madou Branch	1, 2F., No. 83, Zhongshan Rd., Madou Dist., Tainan City	(06)572-1117
Jiali Branch	1, 2F., No. 203, Wenhua Rd., Jiali Dist., Tainan City	(06)722-3152
Xigang Branch	No. 344, Zhongshan Rd., Xigang Dist., Tainan City	(06)795-1949
Xuejia Branch	No. 111, Jisheng Rd., Xuejia Dist., Tainan City	(06)783-1417
Xinying Branch	No. 148, Zhongshan Rd., Xinying Dist., Tainan City 886-6-632-4161	(06)632-4161
Baihe Branch	No. 7, Guoguang Rd., Baihe Dist., Tainan City	(06)685-2085
Liujia Branch	No. 491, Zhongzheng Rd., Liujia Dist., Tainan City	(06)698-7813
Yanshui Branch	No. 15, Zhongzheng Rd., Yanshui Dist., Tainan City	(06)652-1677
Shanhua Branch	No. 452, Zhongshan Rd., Shanhua Dist., Tainan City	(06)581-5658
Xinshi Branch	No. 139, Zhongxing St., Xinshi Dist., Tainan City	(06)599-5631
Greater Taipei region		
Songshan Branch	8F., No. 167, Dunhua N. Rd., Songshan Dist., Taipei City	(02)8712-6369
Taipei Branch	2F., No. 75, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City	(02)2771-0922
Neihu Branch	1F., No. 394, Ruiguang Rd., Neihu Dist., Taipei City	(02)2799-4599
Zhongxiao Branch	1, 2F., No. 29, Ln. 743, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City	(02)8785-2525
Banchiao Branch	B1, 1F., No. 3, Sec. 1, Zhongshan Rd., Banqiao Dist., New Taipei City	(02)8951-5758
Shuanghe Branch	1F., No. 878, Zhongzheng Rd., Zhonghe Dist., New Taipei City	(02)8221-7871
Xinzhuang Branch	1F., No. 146, Touqian Rd., Xinzhuang Dist., New Taipei City	(02)2994-1213
Luzhou Branch	1F., No. 232, Jixian Rd., Luzhou Dist., New Taipei City	(02)2288-4988
Xindian Branch	9F., No. 190, Zhongzheng Rd., Xindian Dist., New Taipei City	(02)8911-9298

Name	Address	Telephone
Taoyuan and Hsinchu		
Taoyuan Branch	1~3 F., No. 106~108, Zhonghua Rd., Taoyuan Dist., Taoyuan City	(03)347-2469
Jhongli Branch	1F., No. 175, Puyi Rd., Zhongli Dist., Taoyuan City	(03)462-8989
Nankang Branch	No. 117, Sec. 1, Xinnan Rd., Luzhu Dist., Taoyuan City	(03)352-1616
Hsinchu Branch	1F, 2F-1, 2F-2, No. 180, Zhongzheng Rd., North Dist., Hsinchu City	(03)528-0526
Eastern Hsinchu branch	No. 227, 229, 231, Guanxin Rd., East Dist., Hsinchu City	(03)563-9998
Taichung and Changhua		
Taichung Branch	1F., No. 200, Zhongming Rd., North Dist., Taichung City	(04)2329-3511
Wenxin Branch	1, 2F., No. 320, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City	(04)2328-8007
Dali Branch	1, 2F., No. 408, Daming Rd., Dali Dist., Taichung City	(04)2406-8829
Changhua Branch	No. 134, 136, Huashan Rd., Changhua City, Changhua County	(04)728-8998
Yunlin region		
Dounan Branch	No. 258, Section II, Yanping Rd., Dounan Township, Yunlin County	(05)597-3181
Huwei Branch	1F., No. 133, Gong'an Rd., Huwei Township, Yunlin County	(05)632-3301
Lunbei Branch	No. 375, Zhongshan Rd., Lunbei Township, Yunlin County	(05)696-6821
Douliu Branch	1F., No. 128, Minsheng Rd., Douliu City, Yunlin County	(05)532-1561
Xiluo Branch	No. 166, Fuxing Rd., Xiluo Township, Yunlin County	(05)586-9541
Beigang Branch	No. 61, Minzhu Rd., Beigang Township, Yunlin County	(05)783-6181
Chiayi region		
Chiayi Branch	No. 175, Linsen W. Rd., West Dist., Chiayi City	(05)224-2135
Xingye Branch	No. 784, Xinmin Rd., West Dist., Chiayi City	(05)285-2171
Meishan Branch	No. 126, Zhongshan Rd., Meishan Township, Chiayi County	(05)262-2131
Zhuqi Branch	No. 221-1, Zhongshan Rd., Zhuqi Township, Chiayi County	(05)261-1941
Zhongpu Branch	No. 867, Sec. 5, Zhongshan Rd., Zhongpu Township, Chiayi County	(05)239-0011
Shuishang Branch	No. 317, Zhongxing Rd., Shuishang Township, Chiayi County	(05)268-9681
Taibao Branch	No. 166-17, Sec. 2, Beigang Rd., Taibao City, Chiayi County	(05)238-1518
Puzi Branch	No. 43, Shantong Rd., Puzi City, Chiayi County	(05)379-5181
Minghsiung Branch	No. 6, Minsheng Rd., Minxiong Township, Chiayi County	(05)226-2372
Dalin Branch	1F., No. 291, Xianghe Rd., Dalin Township, Chiayi County	(05)265-1541
Kaohsiung region		
Zhongzheng Branch	1, 2F., No. 176, Qixian 1st Rd., Xinxing Dist., Kaohsiung City	(07)235-2929
Kaohsiung Branch	No. 110, Yucheng Rd., Sanmin Dist., Kaohsiung City	(07)345-7171
Northern Kaohsiung branch	1F., No. 150, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City	(07)550-7708
Gangshan Branch	No. 176, Zhongshan N. Rd., Gangshan Dist., Kaohsiung City	(07)624-1766
Nanzi Branch	1F., No. 67, Yiqun Rd., Nanzi Dist., Kaohsiung City	(07)362-6969

Appendix I

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King's Town Bank Co., Ltd. and its subsidiaries
Consolidated Financial Statements and Independent Auditors' Report
From January 1 to December 31, 2022 and 2021

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, 2022, 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. 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. Therefore, 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 20, 2023

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, 2022 and 2021, 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, 2022 and 2021.

In our opinion, based on our audit results and the audit reports of other CPAs (please refer to the section titled “Other Matters”), the financial statements referred to above present fairly, in all material aspects, the consolidated financial position of King's Town Bank Co., Ltd. and its subsidiaries as of December 31, 2022 and 2021 and the results of their 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 statements in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants", 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 section titled “Independent Auditor's Responsibilities for the Audit of the Consolidated Financial Statements”. We are independent of King's Town Bank Co., Ltd. and its subsidiaries in accordance with the Code of Professional 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. Based on our audit results and the audit reports of other CPAs, 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 matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries for the year ended December 31, 2022. 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, 2022, the total financial assets measured at fair value were NT\$80,101,206 thousand, accounting for about 21% of total assets. Of which, for the investments classified in the Level II fair value hierarchy, including bonds and the derivative financial instruments of FX Swap contracts, there was a book value of NT\$39,146,092 thousand, accounting for 49% of the financial assets measured at fair value. Since the Level 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) assessing and testing the effectiveness of internal controls related to financial instrument evaluation, including the evaluation models and their assumptions determined 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 seek 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, 2022, the book value of the loans of King's Town Bank Co., Ltd. and its subsidiaries was NT\$242,334,911 thousand, accounting for 64% 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 and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Company 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 evaluation 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 disclosures 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 us regarding 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, 2022 and 2021 were NT\$743,416 thousand and NT\$286,278 thousand, accounting for 0.20% and 0.08% of the total consolidated assets respectively; the net income for the fiscal year 2022 and 2021 were NT\$43,608 thousand and NT\$48,375 thousand, accounting for 0.81% and 0.47% of the net consolidated income respectively.

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", the "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 material 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 to continue 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 overseeing 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 auditing standards of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of King's Town Bank Co., Ltd. and its subsidiaries.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
4. Conclude on the appropriateness of the use of the going concern basis of accounting by the management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of King's Town Bank Co., Ltd. and its subsidiaries to continue as a going concern. If we conclude that a material 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 presentation, structure and content of the consolidated financial statements (including related notes) and whether the consolidated financial statements adequately represent the relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence for the financial information of the entities within 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 audit opinion.

We communicate with the governance unit regarding, among other matters, 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 the governance unit with a statement that the personnel of the CPA Firm who are subject to the regulation of independence have complied with the independence requirements in accordance with the Code of Professional Ethics. Also, we communicate with the governance unit all relationships and other matters (including related protective measures) that may be considered to affect our independence.

From the matters communicated with the governance unit, we determine the Key Audit Matters for the audit of the 2022 consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries. We describe these matters in our auditor's 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 2022 and 2021 parent company only financial reports, and the audit report issued by us along with an unqualified opinion and accompanying notes 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-Shen-Zi No. 1030025503

Jin-Guan-Cheng-Shen-Zi No. 1100352201

Cheng-Tao Chang

CPA

Kuo-Sen Hung

February 20, 2023

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

Consolidated Balance Sheets

December 31, 2022 and 2021

Unit: NTD thousand

Assets			December 31, 2022		December 31, 2021	
Code	Account Item	Note	Amount	%	Amount	%
10000	Assets					
11000	Cash and cash equivalents	IV/VI.1	\$5,107,881	1	\$4,832,340	1
11500	Due from the Central Bank and call loans to other banks	IV/VI.2/VIII	15,206,369	4	12,724,231	4
12000	Financial assets measured at FVTPL	IV/VI.3/VIII	37,246,775	10	39,942,021	12
12100	Financial assets measured at FVTOCI	IV/VI.4、26/VIII	42,854,431	11	46,552,136	14
12200	Debt instrument investments measured at amortized cost	IV/VI.5、26	17,598,455	5	18,199,019	5
13000	Receivables, net	IV/VI.6、26/VIII	11,863,381	3	8,598,238	3
13500	Discounts and loans, net	IV/V/VI.7、26	242,334,911	64	206,356,935	60
15500	Other financial assets, net	IV/VI.8	42	-	776	-
18500	Property, plant, and equipment, net	IV/VI.9	4,623,593	1	3,643,607	1
18600	Right-of-use assets	III/IV/VI.27	328,716	-	329,537	-
18700	Investment property	VI.10	265,602	-	140,964	-
19300	Deferred tax assets	IV/VI.30	446,615	-	170,475	-
19500	Other assets, net	VI.11/VIII	2,110,025	1	1,659,001	-
	Total assets		<u>\$379,986,796</u>	<u>100</u>	<u>\$343,149,280</u>	<u>100</u>

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Supervisor: Yu-Hsuan Chen

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

Consolidated Balance Sheets (continued)

December 31, 2022 and 2021

Unit: NTD thousand

Liabilities and Equity			December 31, 2022		December 31, 2021	
Code	Account Item	Note	Amount	%	Amount	%
20000	Liabilities					
21000	Deposits from the Central Bank and other banks	IV/VI.12	\$24,092,259	6	\$18,451,547	5
21500	Funds borrowed from Central Bank and other banks	VI.13	5,049,000	1	4,767,450	2
22000	Financial liabilities measured at FVTPL	IV/VI.14	35,203	-	14,692	-
22500	Securities sold under agreements to repurchase	IV/VI.15	15,827,129	4	12,129,935	4
23000	Payables	VI.16	2,526,626	1	2,519,489	1
23200	Current income tax liabilities	IV/VI.30	774,596	-	610,911	-
23500	Deposits and remittances	VI.17	283,510,034	75	251,036,564	73
25500	Other financial liabilities	VI.18	4,628,693	1	3,534,057	1
25600	Provisions	IV/VI.19、20、26	268,501	-	357,754	-
26000	Lease liabilities	III/IV/VI.27	333,935	-	333,056	-
29300	Deferred tax liabilities	IV/VI.30	52,560	-	188,861	-
29500	Other liabilities	VI.21	471,524	-	323,936	-
	Total liabilities		337,570,060	88	294,268,252	86
31000	Equity attributable to shareholders of the parent	VI.22				
31100	Share capital		11,112,343	3	11,212,343	3
31500	Capital surplus		55,192	-	77,735	-
32000	Retained earnings					
32001	Legal reserve		14,831,519	4	13,076,248	4
32003	Special reserve		120,039	-	120,039	-
32011	Unappropriated retained earnings		17,763,770	5	19,795,409	6
32500	Other equity interest	IV	(1,466,127)	-	4,599,254	1
	Total equity		42,416,736	12	48,881,028	14
	Total liabilities and equity		\$379,986,796	100	\$343,149,280	100

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

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, 2022 and 2021

Unit: NTD thousand

Code	Account Item	Note	2022		2021	
			Amount	%	Amount	%
41000	Interest income	IV	\$8,224,689	153	\$6,464,907	63
51000	Less: Interest expenses	IV	(2,211,428)	(41)	(871,680)	(8)
	Net interest income	VI.23	6,013,261	112	5,593,227	55
	Non-interest net income					
49100	Net service fee income	IV/VI.24	2,296,541	43	2,131,057	21
49200	Gain (loss) on financial assets and liabilities at FVTPL	IV/VI.25	(1,445,790)	(27)	954,691	9
49310	Realized gain (loss) on financial assets at FVTOCI	IV	(223,436)	(4)	1,144,958	11
49600	Net exchange gain (loss)	IV	(97,203)	(2)	(217,619)	(2)
49700	Impairment of assets loss (reversal gain)	IV/VI.26	(1,264,373)	(24)	593,641	6
49800	Other non-interest net income	IV	73,370	2	62,003	-
	Net income		5,352,370	100	10,261,958	100
58200	Allowances for bad debts, commitments and guarantees (provision)	IV/VI.6、 7、19、26	(216,683)	(4)	(1,732,076)	(17)
58400	Operating expenses					
58500	Employee benefits expenses	VI.20、28	(1,162,073)	(22)	(1,139,093)	(11)
59000	Depreciation and amortization expenses	IV/VI.9、 10、27、28	(139,483)	(2)	(127,603)	(1)
59500	Other business and administrative expenses	IV	(889,900)	(17)	(758,168)	(7)
61000	Net income before taxes from continuing operations		2,944,231	55	6,505,018	64
61003	Income tax (expenses)	IV/VI.30	(733,809)	(14)	(874,715)	(9)
64000	Net income after tax		2,210,422	41	5,630,303	55
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		23,219	-	(4,719)	-
65204	Gain (loss) on evaluation of equity instruments at FVTOCI		(246,430)	(4)	1,200,860	12
65220	Income tax expenses related to items that will not be reclassified subsequently to profit or loss		14,400	-	566	-
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		33,855	1	27,617	-
65308	Gains or loss from debt instrument investment measured at FVTOCI		(5,789,990)	(108)	(2,654,055)	(26)
65320	Income tax related to components of other comprehensive income that may be reclassified to profit or loss		(4,665)	-	(3,314)	-
	Other comprehensive income (after tax)		(5,969,611)	(111)	(1,433,045)	(14)
66000	Total comprehensive income (after tax)		<u>\$(3,759,189)</u>	<u>(70)</u>	<u>\$4,197,258</u>	<u>41</u>
67100	Current period after tax net profit and loss attributable to					
67101	Owners of the parent company		<u>\$2,210,422</u>		<u>\$5,630,303</u>	
67111	Non-controlling interest		<u>\$-</u>		<u>\$-</u>	
67300	Current period after tax comprehensive profit and loss attributable to					
67301	Owners of the parent company		<u>\$(3,759,189)</u>		<u>\$4,197,258</u>	
67311	Non-controlling interest		<u>\$-</u>		<u>\$-</u>	
	Earnings per share (NTD)	VI.31				
67500	Basic Earnings Per Share		<u>\$1.98</u>		<u>\$5.02</u>	
67700	Diluted earnings per share		<u>\$1.98</u>		<u>\$5.02</u>	

(Please refer to the Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

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, 2022 and 2021

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, 2021	\$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 transactions	-	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
2021 Appropriation and Distribution of Earnings											
Appropriation of legal reserve	-	-	1,755,271	-	(1,755,271)	-	-	-	-	-	-
Common stock cash dividends	-	-	-	-	(2,354,592)	-	-	-	(2,354,592)	-	(2,354,592)
Net income for the year ended December 31, 2022	-	-	-	-	2,210,422	-	-	-	2,210,422	-	2,210,422
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	37,619	29,190	(6,036,420)	-	(5,969,611)	-	(5,969,611)
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	2,248,041	29,190	(6,036,420)	-	(3,759,189)	-	(3,759,189)
Cost of treasury stocks repurchase	-	-	-	-	-	-	-	(350,511)	(350,511)	-	(350,511)
Cost of disposal of treasury stocks	(100,000)	(22,543)	-	-	(227,968)	-	-	350,511	-	-	-
Disposal of equity instruments measured at FVTOCI	-	-	-	-	58,151	-	(58,151)	-	-	-	-
Balance on December 31, 2022	\$11,112,343	\$55,192	\$14,831,519	\$120,039	\$17,763,770	\$6,025	\$(1,472,152)	\$-	\$42,416,736	\$-	\$42,416,736

(Please refer to the Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

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, 2022 and 2021

Unit: NTD thousand

Item	2022	2021	Item	2022	2021
	Amount	Amount		Amount	Amount
Cash flows from operating activities:			Cash flows from investing activities:		
Profit before tax for the period	\$2,944,231	\$6,505,018	Acquisition of property and equipment	(1,031,021)	(234,086)
Adjustments:			Proceeds from disposal of property and equipment	1,650	-
Non-cash income and expense items			Proceeds from disposal of investment property and equipment	73,211	134
Expected credit impairment loss/bad debt expenses	216,683	1,732,076	Acquisition of investment property	(211,003)	(29,314)
Impairment loss (reversal gain) on assets	1,264,373	(593,641)	Proceeds from disposal of other assets	20,000	-
Depreciation and amortization expenses	139,483	127,603	Acquisition of subsidiaries (less the cash received)	-	(1,590)
Net interest income	(6,013,261)	(5,593,227)	Net cash flow (outflow) from investing activities	(1,147,163)	(264,856)
Loss (profit) on disposal and retirement of property, plant and equipment	(1,236)	148	Cash flows from financing activities:		
Loss on disposal of investment property	11,100	1,810	Due to the Central Bank and other banks increase	281,550	169,800
Gains on disposal of other assets	(2,000)	-	Increase (decrease) in securities sold under agreements to repurchase	3,697,194	(9,860,999)
Compensation cost of share-based payments	-	22,070	Cash dividend paid	(2,354,592)	(2,018,222)
Changes in operating assets and liabilities			Cost of treasury stocks repurchase	(350,511)	-
Due from the Central Bank and call loans to other banks (increase)	(1,534,868)	(893,925)	Repayment of the principal amount of lease liabilities	(87,744)	(79,036)
Financial assets measured at FVTPL decrease	2,695,246	5,090,042	Treasury shares transferred to employees	-	98,422
Receivables (increase)	(3,058,180)	(2,844,743)	Net cash inflow (outflow) from financing activities	1,185,897	(11,690,035)
Discount and loan (increase)	(35,979,006)	(22,768,123)	Effect of exchange rate changes on cash and cash equivalents	33,855	27,617
Financial assets measured at FVTOCI (increase) decrease	(3,602,523)	1,323,195	Current cash and cash equivalents (decrease) increase	1,222,811	(62,531)
Debt instrument investments measured at amortized cost decrease	599,999	700,000	Cash and cash equivalents at beginning of the year	10,520,403	10,582,934
Other financial assets (increase)	(105,604)	(318,640)	Cash and cash equivalents at end of the period	\$11,743,214	\$10,520,403
Other assets (increase)	(470,236)	(405,531)	Composition of cash and cash equivalents		
Deposits from the Central Bank and other banks increase (decrease)	5,640,712	(2,665,921)	Cash and cash equivalents recorded on the consolidated balance sheets	\$5,107,881	\$4,832,340
Financial liabilities measured at FVTPL increase	20,511	1,630	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"	6,635,333	5,688,063
Payables (decrease) increase	(205,706)	927,235	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	32,473,470	24,103,890	Cash and cash equivalents at end of the period	\$11,743,214	\$10,520,403
Increase in other financial liabilities	1,094,636	2,644,057			
Liability reserve decrease	(36,059)	(36,069)			
Increase in other liabilities	147,588	79,576			
Interest received	7,878,436	6,537,826			
Interest paid	(1,994,737)	(876,848)			
Income tax paid	(972,830)	(934,765)			
Net cash inflow from operating activities	1,150,222	11,864,743			

(Please refer to the Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

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, 2022 and 2021
(Unless otherwise provided, Unit: NTD Thousand)

I. Company History

1. King's Town Bank Co., Ltd. (hereinafter referred to as "the Company") and its subsidiaries (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 in July 1983. The place of registration and the general management office are both located at No. 506, Section 1, Ximen Road, West Central District, Tainan City, and branches have been 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 1,099 employees and 1,036 employees as of December 31, 2022 and 2021, respectively.

II. Approval Date and Procedures of the Financial Statements

The consolidated financial statements of the Group from January 1 to December 31, 2022 and 2021 were approved for publication by the Board of Directors on February 20, 2023.

Notes to the consolidated financial statements of King’s Town Bank Co., Ltd., and its
subsidiaries (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 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, 2022. The first-time application has no significant impact on the Group.

2. As of the date of the issuance of the financial report, the Group has not adopted the following newly published, revised, or amended standards or interpretations announced by the International Accounting Standards Board but not yet approved by the FSC.

No.	New/Amended/Revised Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	Disclosure Initiative - Accounting Policies (Amendment to IAS 1)	January 1, 2023
2	Definition of Accounting Estimates (Amendment to IAS 8)	January 1, 2023
3	Deferred income tax relating to assets and liabilities arising from a single transaction (Amendment to IAS 12)	January 1, 2023

(1) 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.

(2) 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.

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

- (3) 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 above-mentioned standards and interpretations have been issued by the IASB and recognized by the FSC, so they are applicable for annual periods beginning on or after January 1, 2023. 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 newly published, revised, or amended standards or interpretations announced by the International Accounting Standards Board but not yet 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	Classification of Liabilities as Current or Non-current (Amendment to IAS 1)	January 1, 2024
4	Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)	January 1, 2024
5	Non-current Liabilities with Covenants (Amendment to IAS 1)	January 1, 2024

- (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

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

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 has 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.

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 2020 and 2021. 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)
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(3) Classification of Liabilities as Current or Non-current (Amendment to IAS 1)

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) Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)

These amendments specify a seller-lessee adds additional accounting treatment to a sale and leaseback transaction in IFRS 16 "Lease" to improve the consistent application of the standard.

(5) Non-current Liabilities with Covenants (Amendment to IAS 1)

The amendments aim to improve the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

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.

IV. Summary of Significant Accounting Policies

1. Compliance Statement

The Group's consolidated financial reports for the period of January 1 to December 31, 2022 and 2021 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

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

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
- (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.

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

(Unless otherwise provided, Unit: NTD Thousand)

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.

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	
			2022.12.31	2021.12.31
The Company	Kings Town Bank International Lease Corporation	Leasing	100.00%	100.00%
The Company	King's Town Securities Co., Ltd. (Note)	Securities brokerage	100.00%	100.00%
King's Town Bank International Lease Corporation	Kings Town Intl. Construction Management Corporation	Construction Management	100.00%	100.00%

The total profit or loss of the subsidiaries for the year ended December 31, 2022 and 2021 were NTD 226,384 thousand and NTD 153,127 thousand, respectively.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)
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Note: The Company acquired the remaining outstanding shares of WanTai Securities Corporation on January 5, 2021, with the latter becoming a 100% subsidiary of the Company. In the same year, it was renamed 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.
- (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.

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

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

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

- 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: 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:

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

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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 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,

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

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

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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.

(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

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

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.

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

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- 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 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.

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

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

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

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

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

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:

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

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.

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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.

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.

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

(Unless otherwise provided, Unit: NTD Thousand)

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.

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.

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

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.

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 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.

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.

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

19. Share-based payment transaction

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

The “share-based payment” transaction cost for the equity clearing is recognized on a

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

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

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

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

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 money to

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

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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 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.

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

	2022.12.31	2021.12.31
Cash on Hand	\$2,983,938	\$1,367,771
Foreign currency on hand	40,169	155,213
Notes and checks for clearing	1,213,439	1,356,730
Due from Central Bank and other banks	870,335	1,952,626
Total	<u>\$5,107,881</u>	<u>\$4,832,340</u>

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

	2022.12.31	2021.12.31
Cash and cash equivalents recorded on the consolidated balance sheets	\$5,107,881	\$4,832,340
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"	6,635,333	5,688,063
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"	-	-
Cash and cash equivalents on the Consolidated Statement of Cash Flows	<u>\$11,743,214</u>	<u>\$10,520,403</u>

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

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

	2022.12.31	2021.12.31
Reserve for deposits - Type A	\$4,395,412	\$4,456,236
Reserve for deposits - Type B	8,571,036	7,036,168
Reserve for deposits - Foreign currency	39,921	36,827
Call loans to other banks	2,200,000	1,195,000
Total	<u>\$15,206,369</u>	<u>\$12,724,231</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.

3. Financial assets measured at FVTPL

	2022.12.31	2021.12.31
Mandatorily measured at fair value through profit or loss:		
Stock	\$1,255,657	\$5,654,715
Domestic and foreign bonds	35,787,190	33,554,028
Derivatives	7,389	33,039
Convertible corporate bonds	-	73,950
Real estate investment trust fund	-	439,435
Limited partnership	196,539	186,854
Total	<u>\$37,246,775</u>	<u>\$39,942,021</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.

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Debt instrument investments measured at FVTOCI:		
Government bonds	\$5,521,383	\$7,946,643
Corporate bonds	35,035,969	30,013,912
Financial bonds	<u>2,999,058</u>	<u>1,498,087</u>
Subtotal (total book value)	43,556,410	39,458,642
Valuation adjustment	<u>(4,880,597)</u>	<u>2,276,808</u>
Subtotal	<u>38,675,813</u>	<u>41,735,450</u>
Equity instrument investments measured at FVTOCI:		
TWSE/TPEX-listed stocks	89,700	803,466
Non-TWSE/TPEX-listed stocks	3,652,025	3,700,875
Foreign Stock	-	312,345
Real estate investment trust fund	<u>436,893</u>	<u>-</u>
Subtotal	<u>4,178,618</u>	<u>4,816,686</u>
Total	<u><u>\$42,854,431</u></u>	<u><u>\$46,552,136</u></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 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 for the twelve-month period ended December 31, 2022 and 2021 were NTD 229,720 thousand and NTD 140,858 thousand, respectively, of which NTD 137,687 thousand and NTD 138,611 thousand were related to investments held on the balance sheet date and the remainders were related to investments derecognized in the twelve-month period ended December 31, 2022 and 2021.

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

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31, 2022 and 2021, the fair values at the time of disposition were NTD 983,033 thousand and NTD 1,296,391 thousand, respectively. Also, the accumulated unrealized gain in valuation at the time of disposal for the amounts of NTD 58,151 thousand and NTD 224,755 thousand were transferred from other equity to retained earnings.

5. Financial assets measured at cost after amortization

	2022.12.31	2021.12.31
Convertible certificate of deposit	\$17,600,000	\$18,200,000
Less: Allowance for losses	(1,545)	(981)
Total	<u>\$17,598,455</u>	<u>\$18,199,019</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.

6. Receivables, net

	2022.12.31	2021.12.31
Accounts receivable and notes	\$10,797,848	\$7,882,626
Interests receivable	1,129,594	783,341
Clearing amount receivable	60,860	4,263
Other receivables	20,334	39,153
Subtotal (total book value)	<u>12,008,636</u>	<u>8,709,383</u>
Less: loss allowance	(145,255)	(111,145)
Net	<u>\$11,863,381</u>	<u>\$8,598,238</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.

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

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7. Discounts and loans, net

	2022.12.31	2021.12.31
Export Negotiations	\$7,081	\$2,460
Overdrafts	111,897	69,756
Loans	245,756,243	209,422,415
Collections of overdue loans	35,821	32,093
Total amount	245,911,042	209,526,724
Less: allowance for bad debt	(3,576,131)	(3,169,789)
Net	<u>\$242,334,911</u>	<u>\$206,356,935</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.

8. Other financial assets, net

	2022.12.31	2021.12.31
Short-term advance	\$42	\$776
Subtotal (total book value)	42	776
Less: loss allowance	-	-
Total	<u>\$42</u>	<u>\$776</u>

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

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9. 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:						
2022.01.01	\$3,169,370	\$1,191,735	\$16,314	\$233,670	\$38,194	\$4,649,283
Acquisition	-	-	6,220	45,122	979,679	1,031,021
Disposal	-	-	(5,792)	(7,564)	-	(13,356)
Other Changes	957,106	-	-	-	(957,106)	-
2022.12.31	\$4,126,476	\$1,191,735	\$16,742	\$271,228	\$60,767	\$5,666,948
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	\$3,169,370	\$1,191,735	\$16,314	\$233,670	\$38,194	\$4,649,283
Depreciation and impairment:						
2022.01.01	\$-	\$799,495	\$14,971	\$191,210	\$-	\$1,005,676
Depreciation	-	18,696	2,238	29,687	-	50,621
Disposal	-	-	(5,562)	(7,380)	-	(12,942)
Gain on reversal on impairment	-	-	-	-	-	-
2022.12.31	\$-	\$818,191	\$11,647	\$213,517	\$-	\$1,043,355
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	\$-	\$799,495	\$14,971	\$191,210	\$-	\$1,005,676
Net book value:						
2022.12.31	\$4,126,476	\$373,544	\$5,095	\$57,711	\$60,767	\$4,623,593
2021.12.31	\$3,169,370	\$392,240	\$1,343	\$42,460	\$38,194	\$3,643,607

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

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10. 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	Construction in progress	Total
Cost:				
2022.1.1	\$114,345	\$27,840	\$-	\$142,185
Acquisition - from purchase	109,160	64,013	37,830	211,003
Disposal	(47,116)	(37,848)	-	(84,964)
Transfer	-	5,619	(5,619)	-
2022.12.31	<u>\$176,389</u>	<u>\$59,624</u>	<u>\$32,211</u>	<u>\$268,224</u>
2021.1.1	\$95,424	\$20,064	\$-	\$115,488
Acquisition - from purchase	18,921	10,393	-	29,314
Disposal	-	(2,499)	-	(2,499)
Transfer	-	(118)	-	(118)
2021.12.31	<u>\$114,345</u>	<u>\$27,840</u>	<u>\$-</u>	<u>\$142,185</u>
Depreciation and impairment:				
2022.1.1	\$-	\$1,221	\$-	\$1,221
Current depreciation	-	2,054	-	2,054
Disposal	-	(653)	-	(653)
2022.12.31	<u>\$-</u>	<u>\$2,622</u>	<u>\$-</u>	<u>\$2,622</u>
2021.1.1	\$-	\$452	\$-	\$452
Current depreciation	-	1,324	-	1,324
Disposal	-	(555)	-	(555)
2021.12.31	<u>\$-</u>	<u>\$1,221</u>	<u>\$-</u>	<u>\$1,221</u>
Net book value:				
2022.12.31	<u>\$176,389</u>	<u>\$57,002</u>	<u>\$32,211</u>	<u>\$265,602</u>
2021.12.31	<u>\$114,345</u>	<u>\$26,619</u>	<u>\$-</u>	<u>\$140,964</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, 2022 and 2021 was NTD 282,100 thousand and

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NTD145,795 thousand, respectively. Said fair value has not been evaluated by an independent appraiser, but determined by the Group with reference to transaction prices of similar properties in the market.

11. Other assets, net

	2022.12.31	2021.12.31
Prepayments	\$25,939	\$37,255
Inter-bank clearing fund	1,636,270	1,404,201
Refundable deposits	323,150	142,620
Others	124,666	74,925
Net	<u>\$2,110,025</u>	<u>\$1,659,001</u>

As of December 31, 2022 and 2021, the other asset – other accumulated impairment of each period amounted to NTD 3,280 thousand and NTD 20,280 thousand, respectively.

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

12. Deposits from the Central Bank and other banks

	2022.12.31	2021.12.31
Deposits of other banks	\$2,775	\$1,207
Call loans to other banks	24,089,484	18,450,340
Total	<u>\$24,092,259</u>	<u>\$18,451,547</u>

13. Funds borrowed from Central Bank and other banks

	2022.12.31	2021.12.31
Funds borrowed from other banks	\$5,049,000	\$4,200,000
Other funds borrowed from Central Bank	-	567,450
Total	<u>\$5,049,000</u>	<u>\$4,767,450</u>

14. Financial liabilities measured at FVTPL

	2022.12.31	2021.12.31
Available-for-sale financial liabilities:		
Derivatives	<u>\$35,203</u>	<u>\$14,692</u>

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

	2022.12.31	2021.12.31
Government bonds	\$4,576,847	\$3,404,497
Corporate bonds	10,586,187	8,386,492
Financial bonds	664,095	338,946
Total	<u>\$15,827,129</u>	<u>\$12,129,935</u>

The Group's liabilities of bonds and securities sold under repurchase agreements were processed at the agreed price for an amount of NTD 15,901,719 thousand and NTD 12,134,511 thousand on December 31, 2022 and 2021, respectively.

16. Payables

	2022.12.31	2021.12.31
Accrued expenses	\$320,085	\$394,729
Interest payable	295,928	83,085
Notes and checks in clearing	1,213,439	1,356,730
Clearing amount payable	-	42,562
Other payables - taxation	11,011	9,262
Others	686,163	633,121
Total	<u>\$2,526,626</u>	<u>\$2,519,489</u>

17. Deposits and remittances

	2022.12.31	2021.12.31
Check deposits	\$3,474,318	\$2,971,885
Demand deposits	51,692,845	52,056,572
Time deposits	73,548,372	48,221,538
Savings deposit	154,786,762	147,785,323
Remittances	7,737	1,246
Total	<u>\$283,510,034</u>	<u>\$251,036,564</u>

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

	Interest rate collars	2022.12.31	2021.12.31
Taiwan Finance Corporation	0.86%~2.16%	\$1,550,000	\$900,000
Mega Bills	0.86%~1.91%	1,050,000	700,000
China Bills Finance Corporation	0.96%~1.96%	800,000	850,000
Grand Bills Finance Corporation	0.79%~1.83%	700,000	750,000
Ta Ching Bills Finance Corporation	0.93%~2.16%	200,000	100,000
International Bills Finance Corporation	0.96%~2.04%	120,000	120,000
Taiwan Cooperative Bills Finance Corporation	0.94%~2.04%	120,000	120,000
Dah Chung Bills Finance Corporation	1.77%	100,000	-
Subtotal		4,640,000	3,540,000
Less: discount on commercial paper payable		(11,307)	(5,943)
Total		<u>\$4,628,693</u>	<u>\$3,534,057</u>

19. Provisions

	2022.12.31	2021.12.31
Retirement benefits plan	\$90,370	\$149,655
Reserve for guarantee liability	152,313	186,281
Provision for commitment of financing	25,818	21,818
Total	<u>\$268,501</u>	<u>\$357,754</u>

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

	2022	2021
Beginning balance	\$186,281	\$183,642
Amount (reversed) for current period	(33,975)	2,647
Foreign exchange impact amount	7	(8)
Ending balance	<u>\$152,313</u>	<u>\$186,281</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)
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The changes in the financing commitment reserve are as follows:

	2022	2021
Beginning balance	\$21,818	\$30,318
Amount appropriated (reversed) for the period	4,000	(8,500)
Foreign exchange impact amount	-	-
Ending balance	\$25,818	\$21,818

20. Retirement benefits plan

Defined contribution pension plan

The Group'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 Group 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 Group 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 Group from January 1 to December 31, 2022 and 2021 were NTD 38,084 thousand and NTD 35,653 thousand, respectively.

Defined benefit plan

The Group'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 Group 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 Group estimates the balance of the above-mentioned special account for labor retirement

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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 Group 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, 2022, the Group's defined benefit plan is expected to distribute NTD 36,663 thousand in the next year.

As of December 31, 2022 and 2021, the Group's defined benefit plans are expected to expire in 2029.

The following table summarizes the costs recognized in profit or loss for defined benefit plan.

	<u>2022</u>	<u>2021</u>
Current service costs	\$300	\$574
Net interests of net defined benefit liability	2,333	3,805
Expected return on plan assets	<u>(1,674)</u>	<u>(2,574)</u>
Total	<u>\$959</u>	<u>\$1,805</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.

	<u>2022.12.31</u>	<u>2021.12.31</u>
Defined benefit obligation	\$470,032	\$502,604
Fair value of the plan asset	<u>(379,662)</u>	<u>(352,949)</u>
Amount of provisions - net defined benefit liabilities	<u>\$90,370</u>	<u>\$149,655</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)
2021.1.1	<u>\$527,801</u>	<u>\$(346,804)</u>	<u>\$180,997</u>
Current service costs	574	-	574
Interest expense (income)	3,805	(2,574)	1,231
Subtotal	<u>532,180</u>	<u>(349,378)</u>	<u>182,802</u>
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	<u>6,525</u>	<u>(1,806)</u>	<u>4,719</u>
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>
Current service costs	300	-	300
Interest expense (income)	2,333	(1,674)	659
Subtotal	<u>505,237</u>	<u>(354,623)</u>	<u>150,614</u>
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	4,561	-	4,561
Adjustment by experience	-	-	-
Remeasurements of the defined benefit assets	-	(27,779)	(27,779)
Subtotal	<u>4,561</u>	<u>(27,779)</u>	<u>(23,218)</u>
Benefits paid	(39,766)	39,766	-
Distribution by employer	-	(37,026)	(37,026)
2022.12.31	<u>\$470,032</u>	<u>\$(379,662)</u>	<u>\$90,370</u>

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

	2022.12.31	2021.12.31
Discount Rate	1.25%	0.50%
Expected salary increase rate	2.00%	2.00%

Sensitivity analysis on each significant actuarial assumption:

	2022		2021	
	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	\$-	\$(3,886)	\$-	\$(4,940)
0.25% decrease in discount rate	3,992	-	5,089	-
0.5% increase in expected salary	8,201	-	10,367	-
0.5% decrease in expected salary	-	(7,850)	-	(9,880)

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

	2022.12.31	2021.12.31
Deposits received	\$107,966	\$85,597
Advance income	74,443	110,943
Others	289,115	127,396
Total	\$471,524	\$323,936

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

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22. Equity

(1) Common stock

As of December 31, 2022 and 2021, the authorized capital stock of the Company all amounted to NTD 30,000,000 thousand, and the issued capital stock amounted to NTD 11,112,343 thousand and NTD 11,212,343 thousand, respectively, for 1,111,234 thousand and 1,121,234 thousand shares issued at par value of NTD 10. Each share is entitled to one vote and the right to receive dividends.

(2) Capital surplus

	2022.12.31	2021.12.31
Common stock premium	\$52,563	\$53,036
Treasury stock transactions	-	22,070
Others	2,629	2,629
Total	<u>\$55,192</u>	<u>\$77,735</u>

The various capital reserve balances from January 1 to December 31, 2022 and 2021 are adjusted as follows:

	Common stock premium	Treasury stock Transactions	Others	Total
Balance as of January 1, 2022	\$53,036	\$22,070	\$2,629	\$77,735
Share-based payment transaction	-	-	-	-
Retirement of treasury stock	(473)	(22,070)	-	(22,543)
Adjustment based on percentage of ownership	-	-	-	-
Balance as of December 31, 2022	<u>\$52,563</u>	<u>\$-</u>	<u>\$2,629</u>	<u>\$55,192</u>
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>

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According to the law, additional paid-in capital shall not be used for any purpose except for making up for Company losses. When the Company has no losses, a certain percentage of the additional paid-in capital from the stock premium and gifts 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, 2022:

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

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	-
Total	3,000 thousand shares	-	3,000 thousand shares	-

b. In the year ended December 31, 2022, the buy-back amount of treasury stocks was NTD 350,511 thousand for 10,000 thousand shares. Based on the resolution of the Board of Directors, it had scheduled September 30, 2022 as the base date

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)
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of de-capitalization. A total of 10,000 thousand shares of treasury stock were bought back and canceled with a total of NTD 100,000 thousand.

- c. The Company transferred treasury shares totaling 3,000 thousand to employees on February 26, 2021.
- d. 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 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.

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

(Unless otherwise provided, Unit: NTD Thousand)

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, 2022 and 2021, the special reserve at the first-time adoption amounted to NT\$ 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, 2022 and 2021 that caused the reversal of special reserve to the undistributed earnings. As of December 31, 2022 and 2021, the special reserve for the first time was NTD 45,549 thousand.

The 2021 earnings appropriation and distribution and the dividend per share were resolved in the Shareholders' Meeting on May 9, 2022 as follows:

	Distribution of retained earnings		Dividends per share (NTD)	
	2022	2021	2022	2021
Legal reserve	(Note)	\$1,755,271		
Special reserve	(Note)	-		
Common stock cash dividends	(Note)	2,354,592	(Note)	\$2.1
Total		<u>\$4,109,863</u>		

Note: The 2022 earnings appropriation and distribution have not been proposed.

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 for the relevant information on the estimation basis and recognition amount of the employee compensation and the remuneration to directors.

23. Net interest income

	<u>2022</u>	<u>2021</u>
<u>Interest revenue</u>		
Discount and loan interest income	\$5,691,015	\$4,361,497
Due from bank and interbank offered interest income	44,600	20,854
Security investment interest income	1,896,093	1,697,042
Other interest incomes	592,981	385,514
Subtotal	<u>8,224,689</u>	<u>6,464,907</u>
<u>Interest expenses</u>		
Deposits Interest expenses	(1,510,449)	(724,965)
Interest expense of funds borrowed from Central Bank and other banks	(416,947)	(86,993)
Interest expense of the RP bonds	(279,267)	(56,002)
Others	(4,765)	(3,720)
Subtotal	<u>(2,211,428)</u>	<u>(871,680)</u>
Total	<u>\$6,013,261</u>	<u>\$5,593,227</u>

24. Net service fee income

	<u>2022</u>	<u>2021</u>
Service fee income	\$2,349,283	\$2,179,802
Service fee expenses	(52,742)	(48,745)
Total	<u>\$2,296,541</u>	<u>\$2,131,057</u>

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

	<u>2022</u>	<u>2021</u>
Stock investment	\$(1,061,292)	\$1,121,347
Bond investment	(777,760)	(351,429)
Derivatives	398,183	191,913
Others	(4,921)	(7,140)
Total	<u>\$(1,445,790)</u>	<u>\$954,691</u>

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

(Unless otherwise provided, Unit: NTD Thousand)

26. Gain (loss) on reversal of assets impairment and reversal (provision) of allowances for bad debts, commitments, and guarantee liability

	2022	2021
Financial assets measured at FVTOCI	\$(1,263,808)	\$509,204
Financial assets measured at cost after amortization	(565)	1,637
Gain on reversal of fixed asset impairment	-	82,800
Subtotal	<u>(1,264,373)</u>	<u>593,641</u>
Loan and receivables bad debt (appropriation)	(246,658)	(1,737,929)
Reversal (provision) of allowances for guarantees	33,975	(2,647)
Reversal (provision) of allowances for financing commitments	(4,000)	8,500
Subtotal	<u>(216,683)</u>	<u>(1,732,076)</u>
Total	<u><u>\$(1,481,056)</u></u>	<u><u>\$(1,138,435)</u></u>

Please refer to Note XIV for credit risk related information.

27. 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

	2022.12.31	2021.12.31
Buildings and structures	\$322,485	\$328,427
Other equipment	6,231	1,110
Total	<u><u>\$328,716</u></u>	<u><u>\$329,537</u></u>

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The Group had added right-of-use assets for the amounts from January 1 to December 31, 2022 and 2021 were NTD 84,775 thousand and NTD 188,474 thousand, respectively.

(b) Lease liabilities

	<u>2022.12.31</u>	<u>2021.12.31</u>
Lease liabilities	<u>\$333,935</u>	<u>\$333,056</u>
Current	<u>\$333,935</u>	<u>\$333,056</u>

The interest expenses of the Group's lease liabilities from January 1 to December 31, 2022 and 2021 were NTD 3,848 thousand and NTD 3,720 thousand, respectively. For the maturity analysis of the lease liabilities on December 31, 2022 and 2021, 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

	<u>2022</u>	<u>2021</u>
Buildings and structures	\$84,041	\$74,777
Other equipment	1,555	1,664
Total	<u>\$85,596</u>	<u>\$76,441</u>

C. The lessee and the lease activity related income, expense, and loss

	<u>2022</u>	<u>2021</u>
Short-term lease expense	\$2,505	\$3,884
Low-value asset lease expense (excluding the low-value assets lease expense of the short-term leases)	2,935	2,486

D. The lessee and the lease activity related cash outflow

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The total cash outflow for the lease of the Group from January 1 to December 31, 2022 and 2021 were NTD 87,744 thousand and NTD 79,036 thousand, respectively.

28. Operating expenses

The employee benefits, depreciation, and amortization expenses are summarized by function as follows:

	2022	2021
Employee benefits expenses		
Salaries and wages	\$1,000,370	\$985,140
Labor insurance and national health insurance	83,192	78,875
Pension expenses	39,043	37,458
Other employee benefits expenses	39,468	37,620
Depreciation	138,271	127,603
Amortization expense	1,212	-
Total	\$1,301,556	\$1,266,696

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 resolved by the Board of Directors.

Based on the Company's profit from January 1 to December 31, 2022 and 2021, the Company appropriated 0.01% of the earnings as remuneration to employees, which were NTD 290 thousand and NTD 650 thousand, respectively, and were listed in "salary expense".

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The Company's Board of Directors resolved on February 20, 2023 to distribute the 2022 remuneration to employees and the remuneration to directors at the amount of NTD 290 thousand and NTD 0, respectively, which was not significantly different from the expenses booked in the 2022 financial report.

The Company's Board of Directors resolved on February 21, 2022 to distribute the 2021 remuneration to employees and the remuneration to directors at the amounts of NTD 650 thousand and NTD 0, respectively, which was not significantly different from the expenses booked in the 2021 financial report.

There is no significant difference between the actual employees' remuneration and remuneration to directors distributed in 2022 and the expenses booked in the 2021 financial report.

29. Other comprehensive income

Other comprehensive income from January 1 to December 31, 2022 is as follows.

	Accrued in the 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	\$(246,430)	\$-	\$(246,430)	\$-	\$(246,430)
Remeasurements of the defined benefit plan	23,219	-	23,219	14,400	37,619
Items may be re-classified subsequently to income:					
Exchange differences from the translation of financial statements of foreign operations	33,855	-	33,855	(4,665)	29,190
Gain or loss from debt instrument investment measured at FVTOCI	(6,243,146)	453,156	(5,789,990)	-	(5,789,990)
Total	<u>\$(6,432,502)</u>	<u>\$453,156</u>	<u>\$(5,979,346)</u>	<u>\$9,735</u>	<u>\$(5,969,611)</u>

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Other comprehensive income from January 1 to December 31, 2021 is as follows:

	Accrued in the 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 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>

The Group's debt instrument investment measured at fair value through other comprehensive income for the year ended December 31, 2022 and 2021 are reclassified to profit or loss from the cumulative other comprehensive income at the time of de-recognition for an amount of NTD (453,156) thousand and NTD 1,004,100 thousand, respectively.

30. Income tax

The main composition of income tax expenses (benefit) is as follows:

Income tax recognized in the profit or loss

	2022	2021
Current income tax expenses (benefit):		
Income tax payable for the current period	\$1,105,081	\$965,471
The income tax of the previous years adjusted in the current period	31,261	(27)
Deferred income tax expense (benefit):		
Deferred income tax expense (benefit) related to the original generation of the temporary difference and its reversal	(402,706)	(90,729)
Deferred income tax related to change in tax rate or new tax items	173	-
Income tax expenses	<u>\$733,809</u>	<u>\$874,715</u>

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

Income tax recognized in the other comprehensive income

	<u>2022</u>	<u>2021</u>
Deferred income tax expense (benefit):		
Exchange differences from the translation of financial statements of foreign operations	\$4,665	\$3,314
Actuarial gain (loss) from defined benefit plan	<u>(14,400)</u>	<u>(566)</u>
The other comprehensive income related income tax	<u><u>\$(9,735)</u></u>	<u><u>\$2,748</u></u>

The amount of income tax expense and accounting profit multiplied by the applicable income tax rate is adjusted:

	<u>2022</u>	<u>2021</u>
Net income before tax of the continuing business units	<u>\$2,944,231</u>	<u>\$6,505,018</u>
Tax amount calculated according to the domestic tax rate applicable to the income of the country concerned	588,846	\$1,301,004
Income tax effects of tax-exempt income	(379,748)	(994,112)
Income tax effects of non-deductible expenses on tax returns	(3,444)	1,882
Income tax effect of deferred income tax assets/liabilities	412,441	94,941
Basic tax adjustment	-	382,796
Surtax on undistributed earnings	84,453	88,231
The income tax of the previous years adjusted in the current period	31,261	(27)
Total income tax expense recognized in profit or loss	<u><u>\$733,809</u></u>	<u><u>\$874,715</u></u>

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

Deferred income tax assets (liabilities) balances related to the following items:

2022

	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	\$(137,807)	\$227,761	\$-	\$89,954
Allowance for bad debt	124,370	90,771	-	215,141
Impairment of Assets	2,434	71,462	-	73,896
Employees' leave benefits				
liabilities	3,815	2,543	-	6,358
Compensation payable	1,149	754	-	1,903
Reserve for guarantee liability	10,344	2,185	-	12,529
Net determined benefit liability -				
non-current	18,146	(14,159)	14,400	18,387
Income from investment under				
equity method	7,058	21,389	-	28,447
Conversion difference of the				
financial statements of foreign				
institutions	3,159	-	(4,665)	(1,506)
Gain on bargain purchase	(919)	-	-	(919)
Deferred income tax benefit		<u>\$402,706</u>	<u>\$9,735</u>	
Net deferred income tax assets	<u>\$31,749</u>			<u>\$444,190</u>
The information expressed on the				
balance sheet is as follows:				
Deferred tax assets	<u>\$170,475</u>			<u>\$446,615</u>
Deferred tax liabilities	\$138,726			\$2,425
Deferred income tax liabilities -				
land value incremental tax				
reserve	<u>50,135</u>			<u>50,135</u>
Total	<u>\$188,861</u>			<u>\$52,560</u>

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

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

Income tax declaration and audit

As of December 31, 2022, the income tax returns of the Group are assessed and approved as follows:

	<u>Income tax declaration and audit</u>
The Company	Audited up to the year of 2020
Subsidiary - King's Town Bank International Lease Corporation	Audited up to the year of 2020
Subsidiary - King's Town Securities	Audited up to the year of 2020
Sub-subsidiary - King's Town Intl. Construction Management Corporation	Audited up to the year of 2020

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.

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.

	<u>2022</u>	<u>2021</u>
(1) Basic Earnings Per Share		
Net income attributable to the holders of common stock of the parent company (NTD thousands)	<u>\$2,210,422</u>	<u>\$5,630,303</u>
Weighted average number of common stock shares (thousand shares) of the earnings per share	<u>1,117,220</u>	<u>1,120,774</u>
Base earnings per share (NTD)	<u>\$1.98</u>	<u>\$5.02</u>

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

(2) Diluted earnings per share

Net income attributable to the holders of common stock of the parent company (NTD thousands)	\$2,210,422	\$5,630,303
Weighted average number of common stock shares (thousand shares) of the earnings per share	1,117,220	1,120,774
Dilutive effect	-	-
Weighted average number of common stock shares (thousand shares) after adjusting the dilutive effect	1,117,220	1,120,774
Diluted earnings per share (NTD)	\$1.98	\$5.02

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.

32. 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 NT\$ 1,590 thousand; the carrying amount of net assets of King's Town Securities Co., Ltd. (original acquisition and goodwill not included) amounted to NT\$ 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	\$43

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
Hung-Liang Chiang	President of the Group (assumed office on March 1, 2022)
Jih-Cheng Chang	President of the Group (Resigned on February 28, 2022)
Tiangang Investment Co., Ltd	Director of the Group
Fu Chiang Investment Co., Ltd.	Director of the Group
Chao-Long Chen	Independent Director of the Group
Bing-Sung Wu	Independent Director of the Group (assumed office on May 9, 2022)
Chuan-Fu Hou	Independent Director of the Group
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>2022.12.31</u>		
Deposits	\$521,570	0.18%
<u>2021.12.31</u>		
Deposits	\$298,734	0.12%

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.

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

(Unless otherwise provided, Unit: NTD Thousand)

(2) Loans

Account Item	Amount	% of the account balance
<u>2022.12.31</u>		
Loans	\$43,278	0.02%
<u>2021.12.31</u>		
Loans	\$64,023	0.03%

December 31, 2022

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	\$5,249	\$5,083	\$5,083	\$-	None	None
Residential mortgage Loan	7	12,794	12,567	12,567	-	Real estate	None
Other loans	Chou, OO	1,100	1,100	1,100	-	Real estate	None
Other loans	You, OO	1,175	1,175	1,175	-	Certificate of Deposit	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	12,853	12,853	12,853	-	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, 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

(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, 2022 and 2021 were NTD 4,688 thousand and NTD 5,880 thousand, respectively.

(4) Guarantees: None.

(5) Derivative financial instrument transactions: 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) Sales of non-performing loan: None.

(7) Remuneration of directors and key management personnel of the Group

	2022	2021
Short-term employee benefits	\$32,351	\$48,434
Retirement benefits	2,236	2,100
Total	\$34,587	\$50,534

VIII. Pledged Assets

The Group has the following assets provided as collateral:

Item	Book value		Guaranteed debt
	2022.12.31	2021.12.31	
Financial assets measured at FVTPL	\$5,371,489	\$3,354,619	RP transaction
Financial assets measured at FVTPL	698,814	722,109	Various business reserves and collaterals
Financial assets measured at FVTOCI	11,711,565	9,797,258	RP transaction
Financial assets measured at FVTOCI	1,593,274	1,711,413	Funds borrowed from other banks
Due from the Central Bank and call loans to other banks	-	2,000,000	Funds borrowed from Central Bank and other banks
Accounts Receivable	1,790,000	2,075,000	Funds borrowed from other banks
Financial assets measured at FVTPL	27,500	33,250	Funds borrowed from other banks
Other assets			Settlement money remittance
	60,000	30,000	guarantee
Total	\$21,252,642	\$19,723,649	

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:

	2022.12.31	2021.12.31
Receivable and collection	\$11,808,019	\$13,430,429
Receivable guarantees	8,949,674	10,015,515
Receivables from L/C	14,325	6,728
Trust and custody	41,681,285	39,182,570
Agreed financing amount	43,384,378	36,238,690

(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, subsidiary King's Town Securities Co., Ltd. entered into an operating contract with Full Long Securities Co., Ltd. to transfer all of its operating interests in the centralized market and business premises entrusted with the trading of securities (including the head office and Chang An Branch) on the base date of the Full Long Securities Co.,Ltd.'s transfer. The total contract price amounted to NTD 32,000 thousand (including tax), and, as of December 31, 2022, the assets and financial and business conditions had been confirmed and completed.

X. Contents and Amount of Trust Business Handled in Accordance with the Provisions of the Trust Enterprise Act

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:

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

(Unless otherwise provided, Unit: NTD Thousand)

Balance Sheet of Trust Accounts

Trust assets	2022.12.31	2021.12.31	Trust liabilities	2022.12.31	2021.12.31
Bank deposits	\$1,941,864	\$2,860,836	Mid-term borrowings	\$4,581,230	\$4,671,230
Stock	3,281,381	2,651,747	Long-term borrowings	614,806	614,806
Funds	10,547,586	9,456,028	Payables	31,533	33,813
Real estate	24,683,104	23,657,805	Other liabilities	90,884	90,060
Other assets	1,069,145	407,221	Trust capital	36,647,197	33,754,173
			Reserves		
			Cumulative earnings	(442,570)	(130,445)
Total trust assets	<u>\$41,523,080</u>	<u>\$39,033,637</u>	Total trust liabilities	<u>\$41,523,080</u>	<u>\$39,033,637</u>

Income Statement of Trust Accounts

Item	2022	2021
Trust revenue		
Interest revenue	\$3,045	\$861
Rent revenue	628,404	446,534
Dividend income	215,612	109,180
Unrealized capital gains	-	158,457
Other profits	24,232	1,164
Subtotal	<u>871,293</u>	<u>716,196</u>
Trust expenses		
Administrative expenses	(72,816)	(51,650)
Tax expenses	(40,342)	(32,100)
Interest expenses	(76,838)	(66,829)
Unrealized capital loss	(930,274)	(244,326)
Unrealized exchange losses	169,410	(251,104)
Appraisal fee	(1,280)	(3,772)
Remuneration fee	(1,200)	(2,700)
Other Expenses	(65,265)	(18,064)
Subtotal	<u>(1,018,605)</u>	<u>(670,545)</u>
Net profit (loss) before tax	(147,312)	45,651
Income tax expenses	-	-
Profit after tax	<u>\$(147,312)</u>	<u>\$45,651</u>

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

Investment	Property Catalog of Trust Accounts	
	2022.12.31	2021.12.31
Bank deposits	\$1,941,864	\$2,860,836
Stock	3,281,381	2,651,747
Funds	10,547,586	9,456,028
Real estate		
Land	17,036,126	16,274,305
Buildings and structures	7,463,149	7,249,538
Construction in progress	183,829	133,962
Others	1,069,145	407,221
Total	<u>\$41,523,080</u>	<u>\$39,033,637</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, 2022 and 2021 amounted to NTD 0 and NTD 17,722 thousand, respectively.

XI. Significant Disaster Loss

No such event.

XII. Significant Subsequent Events

No such event.

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

(Unless otherwise provided, Unit: NTD Thousand)

XIII. Fair Value and Grade Information of Financial Instruments

1. Information on the fair value of financial instruments

Financial assets:

	2022.12.31		2021.12.31	
	Book value	Fair value	Book value	Fair value
Financial assets measured at FVTPL:				
Mandatorily measured at fair value through profit or loss	\$37,246,775	\$37,246,775	\$39,942,021	\$39,942,021
Financial assets measured at FVTOCI	42,854,431	42,854,431	46,552,136	46,552,136
Financial assets measured at cost after amortization:				
Debt instrument investments measured at amortized cost	17,598,455	17,598,455	18,199,019	18,199,019
Cash and cash equivalents (excluding cash on hand)	2,083,774	2,083,774	3,309,356	3,309,356
Due from the Central Bank and call loans to other banks	15,206,369	15,206,369	12,724,231	12,724,231
Receivables	11,863,381	11,863,381	8,598,238	8,598,238
Discounts and loans	242,334,911	242,334,911	206,356,935	206,356,935
Other financial assets	42	42	776	776

Financial liabilities:

	2022.12.31		2021.12.31	
	Book value	Fair value	Book value	Fair value
Financial liabilities measured at cost after amortization:				
Deposits from Central Bank and other banks	\$24,092,259	\$24,092,259	\$18,451,547	\$18,451,547
Funds borrowed from Central Bank and other banks	5,049,000	5,049,000	4,767,450	4,767,450
Bills and bonds sold under repurchase agreements	15,827,129	15,827,129	12,129,935	12,129,935
Payables	2,526,626	2,526,626	2,519,489	2,519,489
Deposits and remittances	283,510,034	283,510,034	251,036,564	251,036,564
Lease liabilities	333,935	333,935	333,056	333,056
Financial liabilities measured at FVTPL:				
Held for transaction purposes	35,203	35,203	14,692	14,692

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
2022.12.31		
Foreign exchange contracts	\$3,797,927	\$(27,814)
2021.12.31		
Foreign exchange contracts	\$5,937,077	\$18,347

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

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.,

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

(Unless otherwise provided, Unit: NTD Thousand)

derived from prices) acquired from an active market. This includes the convertible corporate bonds, Taiwan Central Government bonds, and general derivatives invested in 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.

2022.12.31

	<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	\$1,255,657	\$1,255,657	\$-	\$-
Bond investment	35,787,190	2,083,063	33,704,127	-
Derivatives	7,389	-	7,389	-
Others	196,539	-	196,539	-
Financial assets measured at				
FVTOCI				
Stock investment	3,741,725	89,700	-	3,652,025
Bond investment	38,675,813	33,241,237	5,434,576	-
Others	436,893	436,893	-	-
<u>Liabilities measured at fair value</u>				
Financial liabilities measured				
at FVTPL				
Derivatives	35,203	-	35,203	-

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	-

(3) Transfer between Level I and Level II fair value

From January 1 to December 31, 2022 and 2021, the Group'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 Group's liabilities measured at repetitive fair value that are categorized as Level III, adjustments from beginning to ending balance 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)

	Financial assets measured at FVTOCI - Stock
	<hr/>
2022.1.1	\$3,700,875
Total benefits recognized in 2022:	
Recognized in other comprehensive income (reported in "Unrealized gain (loss) on valuation of equity instrument investments measured at FVTOCI")	(48,850)
Acquired in the period	-
2022.12.31	<hr/> <hr/> \$3,652,025
	Financial assets measured at FVTOCI - Stock
	<hr/>
2021.1.1	\$2,795,527
Total benefits recognized in 2021:	
Recognized in other comprehensive income (reported in "Unrealized gain (loss) on valuation of equity instrument investments measured at FVTOCI")	896,150
Acquired in the period	9,198
2021.12.31	<hr/> <hr/> \$3,700,875

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:

	Valuation technique	Significant unobservable input value	Range	Relationship between input value and fair value
	<hr/>	<hr/>	<hr/>	<hr/>
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

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)
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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. 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, representing executable prices, and that the valuation model is regularly calibrated and evaluated, performing backtracking tests, updating 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>2022.12.31</u>				
Debt instrument investments measured at amortized cost				
Convertible certificate of deposit		\$- \$ 17,598,455	\$-	\$ 17,598,455
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

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

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

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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, 2022					
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	\$5,371,489	\$5,444,867	\$5,371,489	\$5,444,867	\$(73,378)
Financial assets measured at FVTOCI with R/P agreement	11,711,565	10,382,262	11,711,565	10,382,262	1,329,303

XIV. Financial Risk Management

1. Overview

The Group uses its business growth scale to establish a capital adequacy assessment process that meets the risk profile in order to maintain adequate capital. Also, based on 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, and interest rate risk in the banking book, are included in the Group's scope of risk management. Policies and methods such as the Credit Policy, Rules Governing Credit Review and Authorization, and Rules Governing Risks are stipulated according to different risks. Furthermore, management guidelines are formulated according to the needs of the policies and methods in accordance with the Rules Governing Risks, including the Regulations Governing Credit Risk,

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)
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Regulations Governing Market Risk, and Regulations Governing Operational Risk, and these are reviewed and approved by the Board of Directors 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 exposures, such as, interest rate risk, credit risk, etc. In addition, the Audit Office reviews the risk management and operating procedures of the Group regularly (at least once a year) and as necessary to ensure that the Group's risk management mechanism is operating effectively. Audit records related to various risks - such as transaction records, statements, and valuations - are kept for review by 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 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.

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

(Unless otherwise provided, Unit: NTD Thousand)

- 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 capital adequacy and comprehensively handles risk management and reports to the competent authorities in accordance with various risk management guidelines. It submits a risk control report to the Committee on a quarterly basis and forwards it to the Board of Directors, while 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.

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

(Unless otherwise provided, Unit: NTD Thousand)

- 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.

(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 has been established as the highest management unit responsible for the Group's investment business. The 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 holds meetings 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 trends in government policy.
- 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.
- 4) Review the source of funds and cost structure of the investment.

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

(Unless otherwise provided, Unit: NTD Thousand)

(5) Information Security Management Committee

The Information Security Management Committee was 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 heads of the Risk Management Department, Information Office, Digital Service Department, and Compliance Department, and the department head or designated individual from 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. Regarding the Group'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, 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

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

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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 were formulated to establish a credit risk control mechanism when planning various business to implement 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:

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

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

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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.

1) 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.

2) 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".

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

(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.

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 formulated a Credit Policy to properly plan and control the credit of the same natural person, legal person, public enterprise, related party, associate, or group; control single credit risks and enhance the efficiency of capital utilization by setting a ceiling on their respective ratios to the net worth of the Company (where 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 outlook). For the ratio of total credit balance of the same industry to the net value of the Company, the ceiling will be approved according to the industry and the overall economy and with reference to the non-performing loan ratio of the industry and future economic outlook. To strengthen the credit risk control of each enterprise overseas and in mainland China, respective limits

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)
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are 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. Credit orientation is also dynamically adjusted to hedge the overall risk and avoid excessive credit risk concentration.

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.

(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	
	2022.12.31	2021.12.31
Customer's developed and irrevocable loan commitments	\$43,384,378	\$36,238,690
Customer's outstanding letters of credit amount	81,757	16,154
Guarantee payments	8,949,674	10,015,515
Total	\$52,415,809	\$46,270,359

(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:

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December 31, 2022	Collateral	Master netting arrangement	Total
<u>On-balance sheet items</u>			
Discounts and loans	\$163,066,904	\$ -	\$163,066,904
<u>Off-balance sheet items</u>			
Customer's developed and irrevocable loan commitments	15,874,381	-	15,874,381
Customer's outstanding letters of credit amount	-	-	-
Guarantee payments	2,727,520	-	2,727,520
Total	\$181,668,805	\$ -	\$181,668,805

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

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.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)
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(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 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	2022.12.31		2021.12.31	
	Amount	%	Amount	%
I. Private enterprises	\$185,921,033	76	\$158,300,965	76
II. Government agencies	-	-	-	-
III. Non-profit groups	226,027	-	232,055	-
IV. Private	59,763,982	24	50,993,704	24
V. Financial institutions	-	-	-	-
Total	\$245,911,042	100	\$209,526,724	100

2) By region

The Group's main business is conducted in Taiwan and there is no significant concentration of credit risk by region.

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

Collateral categories	2022.12.31		2021.12.31	
	Amount	%	Amount	%
Unsecured	\$82,844,138	34	\$65,015,275	31
Secured				
- Financial collateral	27,968,988	11	27,679,616	13
- Real estate	120,301,499	49	105,152,750	50
- Guarantee	7,422,926	3	5,714,758	3
- Other collateral	7,373,491	3	5,964,325	3
Total	\$245,911,042	100	\$209,526,724	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, 2022 and 2021.

(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.

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

(Unless otherwise provided, Unit: NTD Thousand)

- 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 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 instruments of the Group.

(9) Definition of the Group's default and credit impairment financial assets

Credit extension

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

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

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.

The foregoing definition of default and credit impairment is applicable to all financial assets held by the Group, is consistent with the definitions used for the purposes of internal credit risk management of financial assets, and is 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.

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(Unless otherwise provided, Unit: NTD Thousand)

(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

For financial instruments that have not significantly increased in credit risk (Stage 1) after their original recognition, the Group measures the allowance for loss of the financial instrument according to the expected credit loss amount within 12 months. For financial instruments with significant increases in credit risk after their original recognition (Stage 2) or with credit impairment (Stage 3), these are 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

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

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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 the 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 macroeconomic information (e.g. global economic growth rate and inflation rate).

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 were no significant changes in the estimation techniques or material assumptions that were used in the first half of 2022 to assess the expected credit loss.

(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 2022 was the economic growth rate. The relevant economic factors of debt instrument identified by the Group in 2022 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)
(Unless otherwise provided, Unit: NTD Thousand)

(13) Allowance for losses

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, 2022 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non-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	\$239,069	\$9,673	\$29,344	\$278,086	\$2,891,703	\$3,169,789
Changes in financial instruments recognized at the beginning of the period:						
- Converted to expected credit losses for the duration	(387)	826	(767)	(328)	-	(328)
- Converted to financial assets with credit impairment	(8)	(27)	6,626	6,591	-	6,591
- Converted to 12-month expected credit loss	1,699	(5,889)	-	(4,190)	-	(4,190)
- Financial assets derecognized in the current period	(128,791)	(2,001)	(14,671)	(145,463)	-	(145,463)
Purchased or originated new financial assets	182,120	636	370,310	553,066	-	553,066
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"	-	-	-	-	346,298	346,298
Write-off bad debts	-	-	(370,310)	(370,310)	-	(370,310)
Recovered amount after write-off bad debts	-	-	754,944	754,944	-	754,944
Other Changes (Note)	-	-	(754,944)	(754,944)	-	(754,944)
Changes in exchange rate	-	-	-	-	20,678	20,678
Ending balance	\$293,702	\$3,218	\$20,532	\$317,452	\$3,258,679	\$3,576,131

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)
(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, 2021 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non- 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 for 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>\$29,344</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 consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (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, 2022 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non-purchased or originated credit impairment)	Total
Beginning balance	\$206,426,018	\$3,003,338	\$97,368	\$209,526,724
Converted to expected credit losses for the duration	(438,856)	427,161	(3,376)	(15,071)
Converted to financial assets with credit impairment	(9,802)	(20,028)	26,102	(3,728)
Transferred out from the financial assets with credit impairment	1,914,816	(1,920,333)	-	(5,517)
Discount and loan assessed collectively	-	-	-	-
Originated or purchased discounts and loans	146,602,977	629,274		147,232,251
Write-off bad debts	-	-	(370,310)	(370,310)
Derecognition	(110,158,358)	(615,558)	320,609	(110,453,307)
Ending balance	<u>\$244,336,795</u>	<u>\$1,503,854</u>	<u>\$70,393</u>	<u>\$245,911,042</u>

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

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 (financial assets with non-purchased or originated credit impairment)	Total
Beginning balance	\$186,504,097	\$1,084,368	\$254,064	\$187,842,529
Converted to expected credit losses for 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)
Ending balance	<u>\$206,426,018</u>	<u>\$3,003,338</u>	<u>\$97,368</u>	<u>\$209,526,724</u>

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

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:

	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
Financial assets measured at FVTOCI - allowance for losses					
Expected credit losses on January 1, 2022	\$14,542	\$79,009	\$-	\$-	\$93,551
Changes arising from the recognition of financial instruments on January 1, 2022					
Converted to expected credit losses for the duration	(561)	85,309	-	-	84,748
Converted to financial assets with credit impairment	(872)	-	-	1,106,527	1,105,655
Converted to 12-month expected credit loss	-	-	-	-	-
Financial assets derecognized in the current period	(2,420)	(2,718)	-	-	(5,138)
Purchased or originated new financial assets	5,517	-	-	-	5,517
Changes in model/risk parameters	7,659	159,525	-	-	167,184
Other changes and exchange rate changes	1,133	8,315	-	-	9,448
Expected credit losses on December 31, 2022	\$24,998	\$329,440	\$-	\$1,106,527	\$1,460,965

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 measured at FVTOCI - 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 for 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>

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

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, 2022 (Note)	\$37,600,533	\$1,858,109	\$-	\$-	\$39,458,642
Converted to expected credit losses for the duration	(1,062,436)	1,176,440	-	-	114,004
Converted to financial assets with credit impairment	(1,636,185)	-	-	1,807,401	171,216
Transferred out from the financial assets with credit impairment	-	-	-	-	-
Purchased or originated new financial assets	8,284,554	-	-	-	8,284,554
Financial assets derecognized in period	(6,886,087)	(57,307)	-	-	(6,943,394)
Other changes and exchange rate changes	2,281,154	190,234	-	-	2,471,388
Total book value on December 31, 2022 (Note)	<u>\$38,581,533</u>	<u>\$3,167,476</u>	<u>\$-</u>	<u>\$1,807,401</u>	<u>\$43,556,410</u>

Note: Total book value does not include evaluation adjustments.

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 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 for 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: Total book value does not include evaluation adjustments.

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

(Unless otherwise provided, Unit: NTD Thousand)

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, 2022 and 2021 is described as follows:

The Group's receivables are not overdue. The allowances for loss were measured by taking into consideration the credit ratings, regions, and industries of counterparties and by the use of the provision matrix. Total book values were NTD 12,008,636 thousand and NTD 8,709,383 thousand, respectively, the allowances for loss were measured at an expected credit loss rate of 0% - 2%, and thus at the amounts of NTD 145,255 thousand and NTD 111,145 thousand, respectively.

Changes in allowances or loss of notes and accounts receivables of the Group in 2022 and 2021 are as follows:

	<u>Receivables</u>
2022.1.1	\$111,145
Amount appropriated in current period	139,290
Write-off amount	(190,739)
Recovery of write-off amount	85,559
2022.12.31	<u>\$145,255</u>
2021.1.1	\$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>

(14)The Group's financial assets with the maximum credit risk exposures as of December 31, 2022 and 2021 amounted to NTD 279,549,759 thousand and NTD 247,998,834 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>2022.12.31</u>	<u>2021.12.31</u>
Financial assets measured at FVTPL		
- Debt instruments	\$35,787,190	\$33,627,978
- Derivatives	7,389	33,039

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

(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 used 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.

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.

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 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:

	Total book value	Provision for impairment	Total exposure (cost after amortization)
Impaired financial assets:			
Discounts and loans	\$63,948	\$16,682	\$47,266
Total financial assets with impairment	\$63,948	\$16,682	\$47,266

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, 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,

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

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.

- (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 contractual cash flows, so the amount disclosed in some of projects does not correspond to the related items on the consolidated balance sheet.

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

(Unless otherwise provided, Unit: NTD Thousand)

2022.12.31

	Not more than 1 month	1~3 months	3 months ~ 1 year	More than 1 year	Total
<u>Non-derivative</u>					
<u>financial liabilities</u>					
Deposits from the Central Bank and other banks	\$24,092,259	\$-	\$-	\$-	\$24,092,259
Funds borrowed from Central Bank and other banks	1,100,000	1,800,000	1,800,000	349,000	5,049,000
Securities sold under agreements to repurchase	11,340,985	4,486,144	-	-	15,827,129
Deposits and remittances	39,389,804	43,560,035	90,085,223	110,474,972	283,510,034
Lease liabilities (Note)	7,638	15,103	64,588	255,474	342,803
Other financial liabilities	1,219,493	2,715,441	693,759	-	4,628,693
<u>Derivative financial</u>					
<u>liabilities</u>					
Derivative financial liabilities measured at FVTPL					
Foreign exchange derivatives					
Cash outflow	\$4,490,237	\$-	\$-	\$-	\$4,490,237
Cash inflow	4,455,034	-	-	-	4,455,034
Net cash flow	<u>\$(35,203)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(35,203)</u>

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

	Not more than 1 month	1~3 months	3 months ~ 1 year	More than 1 year	Total
Non-derivative financial instruments					
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
Derivative financial instruments					
Derivative financial instruments 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>

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	
2022.12.31	\$87,329	\$224,353	\$31,121	\$-	\$342,803
2021.12.31	\$79,626	\$217,296	\$53,095	\$-	\$350,017

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

(Unless otherwise provided, Unit: NTD Thousand)

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 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:
 - 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 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:
 - 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 Group shall establish an approval hierarchy and regulate the standard operating procedure for overrun.

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

(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

- I. 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.
- 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 Group shall identify the market risk in business activities or financial products.

2) Risk measurement

- I. 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.
- 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 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

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

(Unless otherwise provided, Unit: NTD Thousand)

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

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 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.

II. External disclosure

- i The market risks faced by the Group should be fully disclosed.
- ii The computed capital of the following risks should be disclosed:
- iii Interest rate risk, equity securities risk, foreign exchange risk, and product risk.
- iv The extent of information disclosure should be in line with the scale, risk profile, and complexity of the Group's sales operations.

4) Risk monitoring

- I. 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.
- 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 Group 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 Group shall stipulate the limits management, stop-loss mechanism, and overrun process to effectively monitor market risks.
 - i Limits management
The responsible business department shall set the limits for financial

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

(Unless otherwise provided, Unit: NTD Thousand)

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.
- 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: exchange rates, interest rates, stocks, etc.

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

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IV. Foreign exchange market transactions: foreign exchange spot, swap, forward foreign exchange, and forward rate agreements.

3) Evaluation mechanism of the transaction book:

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: These 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

- 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

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

(Unless otherwise provided, Unit: NTD Thousand)

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.
 - 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 (Δ 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

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

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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 (Δ 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 business units are to provide the information of relevant electronic files or written materials to the Risk Management Department in order to effectively grasp overall risk position and provide appropriate risk measurement results 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 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

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

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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

a. Domestic bond investment: 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

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

(Unless otherwise provided, Unit: NTD Thousand)

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. Changes in each risk factor lead to different benefits and losses depending on the severity of the scenario. Among all risk factors and domestic and foreign scenarios, there may be losses in certain parts of the position and gains in other parts in the same scenario. The greatest loss resulting from fluctuations in 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

Assuming 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, 2022, the Group's net profit or loss would increase/decrease by NTD 1,518,924 thousand.

B. Exchange rate risk

Assuming that all other factors are unchanged, if the major currency exchange rates on December 31, 2022 were relatively appreciated/depreciated by 3%, the Group's net profit or loss before tax would increase/decrease by NTD 25,467 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, 2022 were relatively increased/decreased by 15%, the Group's net profit or loss before tax would increase/decrease by NTD 150,366 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:

2022.01.01 ~ 2022.12.31

Market category	Scenario	Affected profit or loss amount	Minimum capital computed for market risk	Percentage
Equity market	Major stock markets +15%	\$150,366	\$1,428,797	10.52%
	Major stock markets -15%	(150,366)		-10.52%
Interest rate market	Main interest rate +100bp	(1,518,924)		-106.31%
	Main interest rate -100bp	1,518,924		106.31%
Foreign exchange market	Main currency +3%	25,467		1.78%
	Main currency -3%	(25,467)		-1.78%
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%	(1,643,823)		-115.05%

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%

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(7) Exchange rate risk concentration information

The Group's foreign currency financial assets and liabilities with significant impact are as follows:

	2022.12.31			2021.12.31		
	Foreign currency (thousand)	Exchange rate	NTD	Foreign currency (thousand)	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$1,558,354	30.71	\$47,853,926	\$1,629,430	27.69	\$45,118,927
HKD	214,942	3.94	846,504	145,906	3.55	518,053
AUD	4,750	20.83	98,942	46,160	20.09	927,312
JPY	8,615,067	0.23	2,002,141	10,399,994	0.24	2,501,199
EUR	2,357	32.71	77,113	4,198	31.32	131,474
RMB	38,061	4.41	167,764	179,232	4.35	779,069
<u>Non-monetary items</u>	-	-	-	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$1,657,626	30.71	\$50,902,392	\$1,587,761	27.69	\$43,965,100
HKD	11,429	3.94	45,010	20,269	3.55	71,966
AUD	33,971	20.83	707,598	46,272	20.09	929,553
JPY	2,098,883	0.23	487,780	902,110	0.24	216,957
EUR	2,355	32.71	77,024	4,199	31.32	131,521
RMB	226,959	4.41	1,000,389	253,507	4.35	1,101,918
<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

Notes to the consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries (continued)
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liabilities by each foreign currency with significant impact. The Group's foreign currency exchange gain (loss) for the twelve-month periods ended December 31, 2022 and 2021 were NTD (97,203) thousand and NTD (217,619) thousand, respectively.

(8) Others

Due to the outbreak of Russo-Ukrainian War, credit rating agencies have downgraded the sovereign rating of Russia, which has increased the credit risk of financial instruments in the Group's investment in Russia in 2022. When preparing the financial report, the Group has considered the relevant impacts and made appropriate provision for impairment. However, it is assessed that the overall economic environment has no material impact on the Group's financial condition and ability as a going concern.

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 “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 fair value and 45% of the unrealized benefits of the financial assets measured at FVTOCI, 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, 2022 and 2021 were 14.05% and 16.62%, 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)

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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) 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.
- (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

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

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

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.

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.

2022

	Branch business	Financial market	Adjustments and elimination	Total
Interest revenue	\$4,702,318	\$1,310,943	\$-	\$6,013,261
Service fee income	2,296,541	-	-	2,296,541
Investment profit	(35,898)	(3,035,547)	-	(3,071,445)
Other income and expenditures	114,013	-	-	114,013
Total revenue	7,076,974	(1,724,604)	-	5,352,370
Depreciation and amortization	(77,658)	(61,825)	-	(139,483)
Total operating expenses	(1,804,791)	(247,182)	-	(2,051,973)
Other major non-cash accounts				
Bad debt appropriation	(216,683)	-	-	(216,683)
Segment profit/loss	\$4,977,842	\$(2,033,611)	\$-	\$2,944,231

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

(Unless otherwise provided, Unit: NTD Thousand)

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	6,298,988	3,962,970	-	10,261,958
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>

The information relating to the assets of the Group's operating department on December 31, 2022 and 2021 is shown in the following table:

	Branch business	Financial market	Adjustments and elimination	Total
2022.12.31				
Segment assets	<u>\$283,040,645</u>	<u>\$96,499,536</u>	<u>\$446,615</u>	<u>\$379,986,796</u>
2021.12.31				
Segment assets	<u>\$240,069,937</u>	<u>\$102,908,868</u>	<u>\$170,475</u>	<u>\$343,149,280</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.

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)	2022.01.01~2022.12.31			
				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	27,187	General	0.01
0	The Company	Kings Town Bank International Lease Corporation	1	Other non-interest net profit or loss	1,341	General	0.03
0	The Company	Kings Town Intl. Construction Management Corporation	1	Deposits and remittances	14,827	General	-
0	The Company	Kings Town Intl. Construction Management Corporation	1	Other non-interest net profit or loss	214	General	-
0	The Company	Kings Town Securities Co., Ltd.	1	Deposits and remittances	507,710	General	0.13
0	The Company	Kings Town Securities Co., Ltd.	1	Payables	400	General	-
0	The Company	Kings Town Securities Co., Ltd.	1	Other business and administrative expenses	1,856	General	0.03
0	The Company	Kings Town Securities Co., Ltd.	1	Other non-interest net profit or loss	995	General	0.02

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:

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)
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Table 2

Loaning to Others

Unit: NTD thousand

No. (Note 1)	Lender of funds	Borrower of funds	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 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	549,971	549,659	519,659	5%~16%	1	500		5,358	Real estate	501,315	2,100,551	16,804,406
1	King's Town Bank International Leasing Co., Ltd	Company B	Accounts Receivable	No	500,000	500,000	300,000	5%~16%	1	500		3,140	Real estate	238,717	2,100,551	16,804,406
1	King's Town Bank International Leasing Co., Ltd	Company C	Accounts Receivable	No	500,000	452,000	452,000	5%~16%	1	500		4,579	Real estate	527,508	2,100,551	16,804,406
1	King's Town Bank International Leasing Co., Ltd	Company D	Accounts Receivable	No	418,000	418,000	418,000	5%~16%	1	80,000		4,305	Real estate	201,464	2,100,551	16,804,406
1	King's Town Bank International Leasing Co., Ltd	Company E	Accounts Receivable	No	400,000	400,000	300,000	5%~16%	1	100		3,270	Real estate	436,882	2,100,551	16,804,406
1	King's Town Bank International Leasing Co., Ltd	Company F	Accounts Receivable	No	396,000	395,942	395,942	5%~16%	1	4,000		4,011	Real estate	509,815	2,100,551	16,804,406
1	King's Town Bank International Leasing Co., Ltd	Other customers	Accounts Receivable	No	7,750,914	4,476,829	3,692,128	5%~16%	1	1,056,860		45,134	No/Movable property/Real estate	5,742,065	2,100,551	16,804,406
1	King's Town Bank International Leasing Co., Ltd	Other customers	Accounts Receivable	No	530,316	430,353	255,353	5%~16%	2	-	Operation needs	5,736	No/Real estate	534,479	350,092	560,147

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".

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

(2) Investee is numbered starting from number 1.

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: The investee, King's Town International Leasing Co., Ltd., has granted loans to 109 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	12,416	103,548	0.75%	103,548	
King's Town Bank International Leasing Co., Ltd	Hoyii Life Co., Ltd.	-	Financial assets measured at FVTOCI	526	2,479	2.49%	2,479	
King's Town Bank International Leasing Co., Ltd	Cathay No. 1 Real Estate Investment Trust (Trustee - Land Bank)	-	Financial assets measured at FVTOCI	8,064	145,805	-	145,805	
King's Town Bank International Leasing Co., Ltd	Forest Water Environmental Engineering Co., Ltd.	-	Financial assets measured at FVTPL	3,758	103,346	2.61%	103,346	
King's Town Bank International Leasing Co., Ltd	Radium Life Tech Co., Ltd.	-	Financial assets measured at FVTPL	1,530	13,969	0.17%	13,969	
King's Town Bank International Leasing Co., Ltd	Mirle Automation Corporation	-	Financial assets measured at FVTPL	1,163	44,020	0.59%	44,020	
King's Town Bank International Leasing Co., Ltd	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Financial assets measured at FVTPL	185	82,973	-	82,973	
King's Town Bank International Leasing Co., Ltd	WPG Holdings	-	Financial assets measured at FVTPL	830	39,923	0.05%	39,923	
King's Town Bank International Leasing Co., Ltd	YAGEO Corporation	-	Financial assets measured at FVTPL	48	21,537	0.01%	21,537	
King's Town Bank International Leasing Co., Ltd	Gloria Material Technology Corp.	-	Financial assets measured at FVTPL	1,000	37,150	0.22%	37,150	
King's Town Bank International Leasing Co., Ltd	Lian Ding Capital Investment Limited Partnership	-	Financial assets measured at FVTPL	-	196,539	10.23%	196,539	
King's Town Securities Co., Ltd.	Taiwan Futures Exchange	-	Financial assets measured at FVTOCI	227	18,751	0.05%	18,751	
King's Town Securities Co., Ltd.	Cathay No. 1 Real Estate Investment Trust (Trustee - Land Bank)	-	Financial assets measured at FVTOCI	16,100	291,088	-	291,088	

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

Name of major shareholder	No. of shares held (shares)	Shareholding ratio
Chen-Chih Tai	78,209,000	7.03%
Tien-Tsan Tsai	72,752,033	6.54%
Hsinray Investment Co., Ltd.	55,563,869	5.00%

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, 2022					December 31, 2021				
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	\$28,338	\$145,467,588	0.02%	\$ 2,152,522	7,595.89%	\$28,444	\$125,157,157	0.02%	\$1,925,833	6,770.61%
	Unsecured	-	83,022,009	-	1,149,618	-	-	65,274,322	-	937,778	-
Consumer banking	Residential mortgage loans (Note 4)	8,055	13,620,582	0.06%	218,737	2,715.54%	5,976	14,822,471	0.04%	246,805	4,192.94%
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small credit loans (Note 5)	274	128,554	0.21%	3,171	1,157.30%	283	137,637	0.21%	3,345	1,181.98%
	Others (Note 6)	3,649	3,626,127	0.10%	51,461	1,410.21%	3,591	4,084,565	0.09%	55,330	1,540.90%
	Unsecured	-	46,182	-	622	-	-	50,572	-	698	-
Total amount		\$40,316	\$245,911,042	0.02%	\$3,576,131	8,870.25%	\$38,294	\$209,526,724	0.02%	\$3,169,789	8,277.51%
		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%	\$469	\$469	100.00%	\$337	71.86%
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 Jin-Guan-Yin-(IV)-Zi Letter No. 0944000378, dated July 6, 2005.

Note 2: Non-performing loan ratio = Non-performing loans/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. These are also subject to Jin-Guan-Yin-(IV)-Zi Official Letter No. 09440010950 dated, dated December 19, 2005.

Note 6: "Other" consumer finance refers to secured or unsecured consumer finance loans other than 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 Jin-Guan-Yin-(V)-Zi 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, 2022		December 31, 2021	
	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)	\$1,285	\$ 19	\$2,007	\$28
Performance of debt clearance program and rehabilitation program (Note 2)	4,308	3	5,787	12
Total	\$ 5,593	\$ 22	\$7,794	\$40

Note 1: FSC Letter Jin-Guan-Yin-(I)-Zi 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 cases approved according to the Unsecured Debt Negotiation Mechanism for Consumer Finance Cases of the Bankers Association of the Republic of China.

Note 2: FSC Letter Jin-Guan-Yin-(I)-Zi No. 09700318940 dated September 15, 2008 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, 2022		
Ranking (Note 1)	Industry that the company or the group is engaged in (Note 2)	Total balance of loan (Note 3)	Ratio of the current net value (%)
1	Company (Group) A - Construction engineering business	7,820,450	18.44%
2	Company (Group) B - Unclassified other financial service business	4,852,891	11.44%
3	Company (Group) C - Unclassified other financial service business	4,806,039	11.33%
4	Company (Group) D - Glass container manufacturing business	4,684,000	11.04%
5	Company (Group) E - Real estate development business	4,355,888	10.27%
6	Company F - Other holding business	3,684,960	8.69%
7	Company (Group) G - Power supply business	3,586,609	8.46%
8	Company (Group) H - Real estate development business	3,492,280	8.23%
9	Company (Group) I - Unclassified other financial service business	3,217,655	7.59%
10	Company (Group) J—Wholesale of metal building materials	3,072,800	7.24%

Note 1: Ranked according to the total credit balance of the debtors. Please list the names of the top 10 debtors that are not government agencies or a state-owned enterprises. If the debtor is an enterprise of the Group, the credit amount of 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 under 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 the 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, 2021		
Ranking (Note 1)	Industry that the company or the group is 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 10 debtors that are not government agencies or a state-owned enterprises. If the debtor is an enterprise of the Group, the credit amount of 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 under 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 the 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)

2022.01.01~2022.12.31

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	\$258,039,749	\$2,508,728	\$613,622	\$38,090,947	\$299,253,046
Interest rate sensitivity liabilities	242,486,972	8,317,666	15,603,847	1,191,017	267,599,502
Interest rate sensitivity gap	15,552,777	(5,808,938)	(14,990,225)	36,899,930	31,653,544
Net value					45,513,749
Interest rate sensitivity assets and liabilities rate					111.83
Interest rate sensitivity gap and net value rate					69.55

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

- 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)

2022.01.01~2022.12.31

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	\$421,075	\$7,099	\$8,680	\$1,093,095	\$1,529,949
Interest rate sensitivity liabilities	1,489,977	29,924	129,183	-	1,649,084
Interest rate sensitivity gap	(1,068,902)	(22,825)	(120,503)	1,093,095	(119,135)
Net value					(100,854)
Interest rate sensitivity assets and liabilities rate					92.78
Interest rate sensitivity gap and net value rate					118.13

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

- 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		2022.12.31	2021.12.31
Return on Assets (ROA)	Before tax	0.81	1.95
	After tax	0.61	1.68
Return on Equity (ROE)	Before tax	6.45	13.63
	After tax	4.84	11.80
Net profit rate		41.30	54.87

(Note):

Note 1: ROA = Income before (after) tax/Average total assets

Note 2: ROE=Income before (after) tax / Average net value

Note 3: Profit rate = Income after tax/income-net

Note 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)

2022.12.31

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	\$322,369,816	\$74,605,730	\$20,302,096	\$23,309,351	\$65,670,661	\$138,481,978
Outward remittance of due fund	362,016,137	55,514,187	48,033,788	47,264,533	54,627,103	156,576,526
Period difference	(39,646,321)	19,091,543	(27,731,692)	(23,955,182)	11,043,558	(18,094,548)

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)

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)

2022.12.31

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	\$1,639,473	\$183,423	\$9,134	\$8,425	\$23,776	\$1,414,715
Outward remittance of due fund	1,622,865	939,124	465,918	30,190	129,888	57,745
Period difference	16,608	(755,701)	(456,784)	(21,765)	(106,112)	1,356,970

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

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, 2022	December 31, 2021
Self-owned capital	Common stock equity		42,301,965	46,068,265
	Other Tier 1 Capital			-
	Tier 2 Capital		3,713,615	4,484,950
	Self-owned capital		46,015,580	50,553,215
Total risk-weighted assets	Credit Risk	Standardized approach	292,957,404	257,536,524
		Internal ratings-based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	15,593,389	16,450,703
		Standard Method/Selective Standard Method	-	-
		Advanced Measurement Method	-	-
	Market Risk	Standardized approach	18,938,873	30,160,509
		Internal models approach	-	-
	Total risk-weighted assets		327,489,666	304,147,736
Capital adequacy ratio		14.05%	16.62%	
Ratio of Common Stock Equity to Risk-Based assets		12.92%	15.15%	
Ratio of Tier 1 capital to Risk-Based Assets		12.92%	15.15%	
Leverage ratio		10.72%	12.91%	

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.

King's Town Bank Co., Ltd.
Financial Statements and Independent Auditors' Report
From January 1 to December 31, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021.

In our opinion, based on our audit results and the audit reports of other CPAs (please refer to the section titled “Other Matters”), the individual financial statements referred to above present fairly, in all material aspects, the financial position of King's Town Bank Co., Ltd. as of December 31, 2022 and 2021, and the results of its financial performance and cash flows for the year ended December 31, 2022 and 2021 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 individual financial statements in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants", 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 section titled “Independent Auditor's Responsibilities for the Audit of the Individual Financial Statements”. We are independent of King's Town Bank Co., Ltd. in accordance with the Code of Professional 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. Based on our audit results and the audit reports of other CPAs, 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 matters that, in our professional judgment, were of most significance in our audit of the individual financial statements of King's Town Bank Co., Ltd. for the year ended December 31, 2022. These matters were addressed in the context of our audit of the individual 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. invests in different types of financial assets. As of December 31, 2022, the total financial assets measured at fair value were NT\$79,000,078 thousand, accounting for about 21% of total assets. Of which, for the investments classified in the Level II fair value hierarchy, including bonds and the derivative financial instruments of FX Swap contracts, there was a book value of NT\$39,146,092 thousand, accounting for 50% of the financial assets measured at fair value. Since the Level 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) assessing and testing the effectiveness of internal controls related to financial instrument evaluation, including the evaluation models and their assumptions determined 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 seek 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, 2022, the book value of the loans of King's Town Bank Co., Ltd. was NT\$242,334,911 thousand, accounting for 66% 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 and "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 evaluation 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 disclosures 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 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 the equity method as of December 31, 2022 and 2021 were NT\$1,013,424 thousand and NT\$1,029,354 thousand, accounting for 0.27% and 0.3% of the total assets respectively. The Company's shares of profit (loss) of associates and joint ventures under the equity method for the fiscal year 2022 and 2021 were NT\$(18,902) thousand and NT\$(1,724) thousand, accounting for (0.66)% and (0.3)% of the net income before tax respectively. The Company's shares of other comprehensive income of associates and joint ventures under the equity method were NT\$2,972 thousand and NT\$266 thousand, accounting for (0.05)% and (0.02)% of the net other comprehensive income.

Responsibilities of Management and Those in Charge of Governance with Regard to 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" and the "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 material 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. to continue 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 overseeing 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 auditing standards of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of King's Town Bank Co., Ltd.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
4. Conclude on the appropriateness of the use of the going concern basis of accounting by the management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of King's Town Bank Co., Ltd. to continue as a going concern. If we conclude that a material 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 presentation, structure and content of the individual financial statements (including related notes) and whether the individual financial statements adequately represent the relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence for the financial information of the entities within 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 audit opinion.

We communicate with the governance unit regarding, among other matters, 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 the governance unit with a statement that the personnel of the CPA Firm who are subject to the regulation of independence have complied with the independence requirements in accordance with the Code of Professional Ethics. Also, we communicate with the governance unit all relationships and other matters (including related protective measures) that may be considered to affect our independence.

From the matters communicated with the governance unit, we determine the Key Audit Matters for the audit of the 2022 individual financial statements of King's Town Bank Co., Ltd. We describe these matters in our auditor's 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-Shen-Zi No. 1030025503

Jin-Guan-Cheng-Shen-Zi No. 1100352201

Cheng-Tao Chang

CPA

Kuo-Sen Hung

February 20, 2023

King's Town Bank Co., Ltd.
Individual Balance Sheets
December 31, 2022 and 2021

Unit: NTD thousand

Assets			December 31, 2022		December 31, 2021	
Code	Account Item	Note	Amount	%	Amount	%
10000	Assets					
11000	Cash and cash equivalents	IV/VI.1	\$5,037,635	1	\$4,637,425	1
11500	Due from the Central Bank and call loans to other banks	IV/VI.2/VIII	15,206,369	4	12,724,231	4
12000	Financial assets measured at FVTPL	IV/VI.3/VIII	36,707,318	10	39,422,088	12
12100	Financial assets measured at FVTOCI	IV/VI.4、25/VIII	42,292,760	11	46,442,931	14
12200	Debt instrument investments measured at amortized cost	IV/VI.5、25	17,598,455	5	18,199,019	5
13000	Receivables, net	IV/VI.6、25/VIII	1,269,696	-	850,565	-
13500	Discounts and loans, net	IV/V/VI.7、25	242,334,911	66	206,356,935	61
15000	Investments using the equity method, net	IV/VI.8	2,673,570	1	2,429,721	1
15500	Other financial assets, net	IV/VI.9	42	-	776	-
18500	Property, plant, and equipment, net	IV/VI.10	4,614,394	1	3,639,520	1
18600	Right-of-use assets, net	III/IV/VI.26	290,400	-	329,537	-
19300	Deferred tax assets	IV/VI.29	410,995	-	158,494	-
19500	Other assets, net	VI.11	1,963,820	1	1,579,941	1
	Total assets		<u>\$370,400,365</u>	<u>100</u>	<u>\$336,771,183</u>	<u>100</u>

(Please refer to the Notes to the Individual Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd.
Individual Balance Sheets (continued)
December 31, 2022 and 2021

Unit: NTD thousand

Liabilities and Equity			December 31, 2022		December 31, 2021	
Code	Account Item	Note	Amount	%	Amount	%
20000	Liabilities					
21000	Deposits from the Central Bank and other banks	IV/VI.12	\$24,092,259	7	\$18,451,547	5
21500	Funds borrowed from Central Bank and other banks	VI.13	-	-	567,450	-
22000	Financial liabilities measured at FVTPL	IV/VI.14	35,203	-	14,692	-
22500	Securities sold under agreements to repurchase	IV/VI.15	15,827,129	4	12,129,935	4
23000	Payables	VI.16	2,221,563	1	2,290,680	1
23200	Current income tax liabilities	IV/VI.29	730,764	-	598,742	-
23500	Deposits and remittances	VI.17	284,191,511	76	252,815,445	75
25600	Provisions	IV/VI.18、19、25	268,501	-	357,754	-
26000	Lease liabilities	III/IV/VI.26	295,487	-	333,056	-
29300	Deferred tax liabilities	IV/VI.29	52,560	-	188,861	-
29500	Other liabilities	VI.20	268,652	-	141,993	-
	Total liabilities		<u>327,983,629</u>	<u>88</u>	<u>287,890,155</u>	<u>85</u>
31000	Equity	VI.21				
31100	Share capital		11,112,343	3	11,212,343	3
31500	Capital surplus		55,192	-	77,735	-
32000	Retained earnings					
32001	Legal reserve		14,831,519	4	13,076,248	4
32003	Special reserve		120,039	-	120,039	-
32011	Unappropriated retained earnings		17,763,770	5	19,795,409	6
32500	Other equity interest	IV	(1,466,127)	-	4,599,254	2
	Total equity		<u>42,416,736</u>	<u>12</u>	<u>48,881,028</u>	<u>15</u>
	Total liabilities and equity		<u>\$370,400,365</u>	<u>100</u>	<u>\$336,771,183</u>	<u>100</u>

(Please refer to the Notes to the Individual Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd.
Individual Statements of Comprehensive Income
From January 1 to December 31, 2022 and 2021

Unit: NTD thousand

Code	Account Item	Note	2022		2021	
			Amount	%	Amount	%
41000	Interest income	IV	\$7,668,647	153	\$6,120,160	61
51000	Less: Interest expenses	IV	(2,111,836)	(42)	(821,747)	(8)
	Net interest income	VI.22	5,556,811	111	5,298,413	53
	Non-interest net income					
49100	Net service fee income	IV/VI.23	2,161,407	43	2,004,921	20
49200	Gain (loss) on financial assets and liabilities at FVTPL	IV/VI.24	(1,409,086)	(28)	962,281	10
49310	Realized gain (loss) on financial assets at FVTOCI	IV	(224,242)	(5)	1,144,390	11
49600	Net exchange gain (loss)	IV	(97,203)	(2)	(217,619)	(2)
47003	Profit in the subsidiary, affiliated company and joint ventures recognized under the equity method	IV	226,384	5	153,127	2
49700	Impairment of assets loss (reversal gain)	IV/VI.25	(1,264,373)	(25)	593,641	6
49800	Other non-interest net income	IV	50,423	1	26,011	-
	Net income		5,000,121	100	9,965,165	100
58200	Allowances for bad debts, commitments and guarantees (provision)	IV/VI.6、7、18、25	(71,756)	(2)	(1,594,999)	(16)
58400	Operating expenses					
58500	Employee benefits expenses	VI.19、27	(1,069,702)	(21)	(1,048,693)	(11)
59000	Depreciation and amortization expenses	IV/VI.10、26、27	(130,055)	(3)	(125,388)	(1)
59500	Other business and administrative expenses	IV	(858,739)	(17)	(731,188)	(7)
61000	Net income before taxes from continuing operations		2,869,869	57	6,464,897	65
61003	Income tax (expenses)	IV/VI.29	(659,447)	(13)	(834,594)	(8)
64000	Net income after tax		2,210,422	44	5,630,303	57
65000	Other comprehensive income (loss)					
65200	Items that will not be reclassified to profit or loss	IV/VI.28、29				
65201	Remeasurements of the defined benefit plan		23,219	-	(4,719)	-
65204	Gain (loss) on evaluation of equity instruments at FVTOCI		(263,895)	(4)	1,193,888	12
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		17,465	-	6,972	-
65220	Income tax expenses related to items that will not be reclassified subsequently to profit or loss		14,400	-	566	-
65300	Items that may be reclassified subsequently to profit or loss	IV/VI.28、29				
65301	Exchange differences from the translation of financial statements of foreign operations		33,855	1	27,617	-
65308	Gains or loss from debt instrument investment measured at FVTOCI		(5,789,990)	(116)	(2,654,055)	(26)
65320	Income tax related to components of other comprehensive income that may be reclassified to profit or loss		(4,665)	-	(3,314)	-
	Other comprehensive income (after tax)		(5,969,611)	(119)	(1,433,045)	(14)
66000	Total comprehensive income (after tax)		\$(3,759,189)	(75)	\$4,197,258	43
	Earnings per share (NTD)	VI.30				
67500	Basic Earnings Per Share		\$1.98		\$5.02	
67700	Diluted earnings per share		\$1.98		\$5.02	

(Please refer to the Notes to the Individual Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd.
Individual Statements of Changes in Equity
From January 1 to December 31, 2022 and 2021

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, 2021	\$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 transactions	-	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
2021 Appropriation and Distribution of Earnings									
Appropriation of legal reserve	-	-	1,755,271	-	(1,755,271)	-	-	-	-
Common stock cash dividends	-	-	-	-	(2,354,592)	-	-	-	(2,354,592)
Net income for the year ended December 31, 2022	-	-	-	-	2,210,422	-	-	-	2,210,422
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	37,619	29,190	(6,036,420)	-	(5,969,611)
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	2,248,041	29,190	(6,036,420)	-	(3,759,189)
Cost of treasury stocks repurchase	-	-	-	-	-	-	-	(350,511)	(350,511)
Cost of disposal of treasury stocks	(100,000)	(22,543)	-	-	(227,968)	-	-	350,511	-
Disposal of equity instruments measured at FVTOCI	-	-	-	-	58,151	-	(58,151)	-	-
Balance on December 31, 2022	\$11,112,343	\$55,192	\$14,831,519	\$120,039	\$17,763,770	\$6,025	\$(1,472,152)	\$-	\$42,416,736

(Please refer to the Notes to the Individual Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd.
Individual Statements of Cash Flows
From January 1 to December 31, 2022 and 2021

Unit: NTD thousand

Item	2022	2021	Item	2022	2021
	Amount	Amount		Amount	Amount
Cash flows from operating activities:			Cash flows from investing activities:		
Profit before tax for the period	\$2,869,869	\$6,464,897	Acquisition of property and equipment	(1,024,453)	(232,682)
Adjustments:			Proceeds from disposal of property and equipment	1,650	
Non-cash income and expense items			Acquisition of investment under equity method	-	(1,101,589)
Expected credit impairment loss/bad debt expenses	71,756	1,594,999	Proceeds from disposal of other assets	20,000	
Impairment loss (reversal gain) on assets	1,264,373	(593,641)	Net cash flow (outflow) from investing activities	(1,002,803)	(1,334,271)
Depreciation and amortization expenses	130,055	125,388	Cash flows from financing activities:		
Net interest income	(5,556,811)	(5,298,413)	Funds borrowed from the Central Bank and other banks (decrease)	(567,450)	(340,200)
(Profit) in the subsidiary recognized under the equity method	(226,384)	(153,127)	Increase (decrease) in securities sold under agreements to repurchase	3,697,194	(9,860,999)
Compensation cost of share-based payments	-	22,070	Cash dividend paid	(2,354,592)	(2,018,222)
Loss (profit) on disposal and retirement of property, plant and equipment	(1,236)	148	Cost of treasury stocks repurchase	(350,511)	-
Gains on disposal of other assets	(2,000)	-	Repayment of the principal amount of lease liabilities	(82,874)	(79,036)
Changes in operating assets and liabilities			Treasury shares transferred to employees	-	98,422
Due from the Central Bank and call loans to other banks (increase)	(1,534,868)	(893,925)	Net cash inflow (outflow) from financing activities	341,767	(12,200,035)
Financial assets measured at FVTPL decrease	2,714,770	5,299,760	Effect of exchange rate changes on cash and cash equivalents	33,855	27,617
Receivables (increase)	(67,241)	(2,361)	Current cash and cash equivalents (decrease) increase	1,347,480	(94,554)
Discount and loan (increase)	(35,979,006)	(22,768,123)	Cash and cash equivalents at beginning of the year	10,325,488	10,420,042
Financial assets measured at FVTOCI (increase) decrease	(3,167,522)	1,323,195	Cash and cash equivalents at end of the period	\$11,672,968	\$10,325,488
Debt instrument investments measured at amortized cost decrease	599,999	700,000	Composition of cash and cash equivalents		
Other financial assets (increase)	(105,604)	(318,640)	Cash and cash equivalents recorded on the balance sheets	\$5,037,635	\$4,637,425
Other assets (increase)	(401,879)	(375,543)	Due from the Central Bank and call loans to banks meeting the definition of cash and cash equivalents as stated in IAS No. 7 endorsed by the FSC	6,635,333	5,688,063
Deposits from the Central Bank and other banks increase (decrease)	5,640,712	(2,665,921)	Due from the Central Bank and call loans to banks meeting the definition of cash and cash equivalents as stated in IAS 7 Statement of Cash Flows, recognized by FSC	-	-
Financial liabilities measured at FVTPL increase	20,511	1,630	Cash and cash equivalents at end of the period	\$11,672,968	\$10,325,488
Payables (decrease) increase	(282,073)	867,141			
Deposits and remittances increase	31,376,066	25,668,248			
Liability reserve decrease	(36,059)	(36,069)			
Other liabilities increase (decrease)	126,659	(22,519)			
Interest received	7,322,394	6,193,079			
Interest paid	(1,895,328)	(826,821)			
Income tax paid	(906,492)	(893,317)			
Net cash inflow from operating activities	1,974,661	13,412,135			

(Please refer to the Notes to the Individual Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd.
Notes to the Individual Financial Statements
From January 1 to December 31, 2022 and 2021
(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 in July 1983. The place of registration and the general management office are both located at No. 506, Section 1, Ximen Road, West Central District, Tainan City, and branches have been 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 1,001 employees and 971 employees as of December 31, 2022 and 2021, 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, 2022 and 2021 were approved for publication by the Board of Directors on February 20, 2023.

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, 2022. The first-time application has no significant impact on the Company.

2. As of the date of the issuance of the financial report, the Company has not adopted the following newly published, revised, or amended standards or interpretations announced by the International Accounting Standards Board but not yet approved by the FSC.

No.	New/Amended/Revised Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	Disclosure Initiative - Accounting Policies (Amendment to IAS 1)	January 1, 2023
2	Definition of Accounting Estimates (Amendment to IAS 8)	January 1, 2023
3	Deferred income tax relating to assets and liabilities arising from a single transaction (Amendment to IAS 12)	January 1, 2023

- (1) 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.

- (2) 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.

Notes to the individual financial statements of King’s Town Bank Co., Ltd. (continued)
(Unless otherwise provided, Unit: NTD Thousand)

- (3) 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 above-mentioned standards and interpretations have been issued by the IASB and recognized by the FSC, so they are applicable for annual periods beginning on or after January 1, 2023. According to the Company’s evaluation, the new standards, amendments or interpretations have no significant impact on the Company.

3. As of the date of the issuance of the financial report, the Company has not adopted the following newly published, revised, or amended standards or interpretations announced by the International Accounting Standards Board but not yet 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	Classification of Liabilities as Current or Non-current (Amendment to IAS 1)	January 1, 2024
4	Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)	January 1, 2024
5	Non-current Liabilities with Covenants (Amendment to IAS 1)	January 1, 2024

- (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 has 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.

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 2020 and 2021. 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”)

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(3) Classification of Liabilities as Current or Non-current (Amendment to IAS 1)

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) Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)

These amendments specify a seller-lessee adds additional accounting treatment to a sale and leaseback transaction in IFRS 16 "Lease" to improve the consistent application of the standard.

(5) Non-current Liabilities with Covenants (Amendment to IAS 1)

The amendments aim to improve the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

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, 2022 and 2021 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".

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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.

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

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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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.

Financial assets and 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

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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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: 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:

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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- 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: 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.

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

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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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."

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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 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."

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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 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.

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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.

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

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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.

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.

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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

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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

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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:

- (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 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.

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;

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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- (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.

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.

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

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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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 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.

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

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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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;
- (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.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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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.

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

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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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.

(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.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Cash on Hand	\$2,983,898	\$1,367,730
Foreign currency on hand	40,169	155,213
Notes and checks for clearing	1,213,439	1,356,730
Due from Central Bank and other banks	800,129	1,757,752
Total	<u>\$5,037,635</u>	<u>\$4,637,425</u>

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Cash and cash equivalents recorded on the balance sheets	\$5,037,635	\$4,637,425
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"	6,635,333	5,688,063
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"	-	-
Cash and cash equivalents on the Statement of Cash Flows	<u>\$11,672,968</u>	<u>\$10,325,488</u>

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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2. Due from the Central Bank and call loans to other banks

	2022.12.31	2021.12.31
Reserve for deposits - Type A	\$4,395,412	\$4,456,236
Reserve for deposits - Type B	8,571,036	7,036,168
Reserve for deposits - Foreign currency	39,921	36,827
Call loans to other banks	2,200,000	1,195,000
Total	<u>\$15,206,369</u>	<u>\$12,724,231</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.

3. Financial assets measured at FVTPL

	2022.12.31	2021.12.31
Mandatorily measured at fair value through		
Stock	\$912,739	\$5,321,636
Domestic and foreign bonds	35,787,190	33,554,028
Derivatives	7,389	33,039
Convertible corporate bonds	-	73,950
Real estate investment trust fund	-	439,435
Total	<u>\$36,707,318</u>	<u>\$39,422,088</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.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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4. Financial assets measured at FVTOCI

	2022.12.31	2021.12.31
Debt instrument investments measured at FVTOCI:		
Government bonds	\$5,521,383	\$7,946,643
Corporate bonds	35,035,969	30,013,912
Financial bonds	2,999,058	1,498,087
Subtotal (total book value)	43,556,410	39,458,642
Valuation adjustment	(4,880,597)	2,276,808
Subtotal	38,675,813	41,735,450
Equity instrument investments measured at FVTOCI:		
Listed stocks	89,700	803,466
Non-TWSE/TPEX-listed stocks	3,527,247	3,591,670
Foreign Stock	-	312,345
Subtotal	3,616,947	4,707,481
Total	\$42,292,760	\$46,442,931

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.

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 twelve-month period ended December 31, 2022 and 2021 were NTD 228,914 thousand and NTD 140,290 thousand, respectively, of which NTD 136,881 thousand and NTD 57,224 thousand were related to investments held on the balance sheet date and the remainders were related to investments derecognized in the twelve-month period ended December 31, 2022 and 2021.

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, 2022 and 2021, the fair values at the time of disposition were

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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NTD 983,033 thousand and NTD 1,296,391 thousand, respectively. Also, the accumulated unrealized gain in valuation at the time of disposal for the amounts of NTD 58,151 thousand and NTD 224,755 thousand were transferred from other equity to retained earnings.

5. Financial assets measured at cost after amortization

	2022.12.31	2021.12.31
Convertible certificate of deposit (total)	\$17,600,000	\$18,200,000
Less: Allowance for losses	(1,545)	(981)
Total	<u>\$17,598,455</u>	<u>\$18,199,019</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. Receivables, net

	2022.12.31	2021.12.31
Accounts receivable and notes	\$64,314	\$28,991
Interests receivable	1,129,594	783,341
Clearing amount receivable	60,860	4,263
Other receivables	19,022	38,604
Subtotal (total book value)	<u>1,273,790</u>	<u>855,199</u>
Less: loss allowance	(4,094)	(4,634)
Net	<u>\$1,269,696</u>	<u>\$850,565</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)
(Unless otherwise provided, Unit: NTD Thousand)

7. Discounts and loans, net

	<u>2022.12.31</u>	<u>2021.12.31</u>
Export Negotiations	\$7,081	\$2,460
Overdrafts	111,897	69,756
Loans	245,756,243	209,422,415
Collections of overdue loans	35,821	32,093
Total amount	<u>245,911,042</u>	<u>209,526,724</u>
Less: allowance for bad debt	<u>(3,576,131)</u>	<u>(3,169,789)</u>
Net	<u>\$242,334,911</u>	<u>\$206,356,935</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. Investment under the equity method

	<u>2022.12.31</u>		<u>2021.12.31</u>	
	Book value	Shareholding (%)	Book value	Shareholding()
Invested companies:				
Kings Town Bank International Lease Corporation	\$1,660,146	100.00	\$1,400,367	100.00
King's Town Securities Co., Ltd. (Note)	1,013,424	100.00	1,029,354	100.00
Total	<u>\$2,673,570</u>		<u>\$2,429,721</u>	

The gains and losses of the investment in subsidiaries under the equity method from January 1 to December 31, 2022 and 2021 were recognized for an amount of NTD 226,384 thousand and NTD 153,127 thousand, respectively.

Note: The Company acquired the remaining outstanding shares of WanTai Securities Corporation on January 5, 2021, with the latter becoming a 100% subsidiary of the Company. In the same year, it was renamed to King's Town Securities Co., Ltd. as approved by the Financial Supervisory Commission and the Ministry of Economic Affairs on September 7, 2021.

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

9. Other financial assets, net

	<u>2022.12.31</u>	<u>2021.12.31</u>
Short-term advance	\$42	\$776
Subtotal (total book value)	42	776
Less: loss allowance	-	-
Total	<u>\$42</u>	<u>\$776</u>

10. 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:						
2022.01.01	\$3,169,370	\$1,191,735	\$15,082	\$229,624	\$38,194	\$4,644,005
Acquisition	-	-	6,221	38,553	979,679	1,024,453
Disposal	-	-	(5,792)	(7,562)	-	(13,354)
Other Changes	957,106	-	-	-	(957,106)	-
2022.12.31	<u>\$4,126,476</u>	<u>\$1,191,735</u>	<u>\$15,511</u>	<u>\$260,615</u>	<u>\$60,767</u>	<u>\$5,655,104</u>
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>
Depreciation and impairment:						
2022.01.01	\$-	\$799,495	\$14,064	\$190,926	\$-	\$1,004,485
Depreciation	-	18,696	2,033	28,436	-	49,165
Disposal	-	-	(5,562)	(7,378)	-	(12,940)
Gain on reversal on impairment	-	-	-	-	-	-
2022.12.31	<u>\$-</u>	<u>\$818,191</u>	<u>\$10,535</u>	<u>\$211,984</u>	<u>\$-</u>	<u>\$1,040,710</u>
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>
Net book value:						
2022.12.31	<u>\$4,126,476</u>	<u>\$373,544</u>	<u>\$4,976</u>	<u>\$48,631</u>	<u>\$60,767</u>	<u>\$4,614,394</u>
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>

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)
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11. Other assets, net

	2022.12.31	2021.12.31
Prepayments	\$9,041	\$20,991
Inter-bank clearing fund	1,636,270	1,404,201
Refundable deposits	302,476	131,189
Others	16,033	23,560
Net	<u>\$1,963,820</u>	<u>\$1,579,941</u>

As of December 31, 2022 and 2021, the other asset – other accumulated impairment of each period amounted to NTD 3,280 thousand and NTD 20,280 thousand, respectively.

12. Deposits from the Central Bank and other banks

	2022.12.31	2021.12.31
Deposits of other banks	\$2,775	\$1,207
Call loans to other banks	24,089,484	18,450,340
Total	<u>\$24,092,259</u>	<u>\$18,451,547</u>

13. Funds borrowed from Central Bank and other banks

	2022.12.31	2021.12.31
Other funds borrowed from Central Bank	<u>\$-</u>	<u>\$567,450</u>

14. Financial liabilities measured at FVTPL

	2022.12.31	2021.12.31
Available-for-sale financial liabilities:		
Derivatives	<u>\$35,203</u>	<u>\$14,692</u>

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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15. Securities sold under agreements to repurchase

	2022.12.31	2021.12.31
Government bonds	\$4,576,847	\$3,404,497
Corporate bonds	10,586,187	8,386,492
Financial bonds	664,095	338,946
Total	<u>\$15,827,129</u>	<u>\$12,129,935</u>

The Company's liabilities of bonds and securities sold under repurchase agreements were processed at the agreed price for an amount of NTD 15,901,719 thousand and NTD 12,134,511 thousand on December 31, 2022 and 2021, respectively.

16. Payables

	2022.12.31	2021.12.31
Accrued expenses	\$296,652	\$373,866
Interest payable	296,171	83,215
Notes and checks in clearing	1,213,439	1,356,730
Clearing amount payable	-	42,562
Other payables - taxation	11,011	9,262
Others	404,290	425,045
Total	<u>\$2,221,563</u>	<u>\$2,290,680</u>

17. Deposits and remittances

	2022.12.31	2021.12.31
Check deposits	\$3,474,325	\$2,971,892
Demand deposits	51,810,315	52,948,947
Time deposits	74,112,372	49,108,037
Savings deposit	154,786,762	147,785,323
Remittances	7,737	1,246
Total	<u>\$284,191,511</u>	<u>\$252,815,445</u>

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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18. Provisions

	2022.12.31	2021.12.31
Retirement benefits plan	\$90,370	\$149,655
Reserve for guarantee liability	152,313	186,281
Provision for commitment of financing	25,818	21,818
Total	<u>\$268,501</u>	<u>\$357,754</u>

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

	2022	2021
Beginning balance	\$186,281	\$183,642
Amount (reversed) for current period	(33,975)	2,647
Foreign exchange impact amount	7	(8)
Ending balance	<u>\$152,313</u>	<u>\$186,281</u>

The changes in the financing commitment reserve are as follows:

	2022	2021
Beginning balance	\$21,818	\$30,318
Amount appropriated (reversed) for the	4,000	(8,500)
Foreign exchange impact amount	-	-
Ending balance	<u>\$25,818</u>	<u>\$21,818</u>

19. 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, 2022 and 2021 were NTD 34,737 thousand and NTD 32,865 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, 2022, the Company's defined benefit plan is expected to distribute NTD 36,663 thousand in the next year.

As of December 31, 2022 and 2021, the Company's defined benefit plans are expected to expire in 2029.

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.

	2022	2021
Current service costs	\$300	\$574
Net interests of net defined benefit liability	2,333	3,805
Expected return on plan assets	(1,674)	(2,574)
Total	<u>\$959</u>	<u>\$1,805</u>

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

	2022.12.31	2021.12.31
Defined benefit obligation	\$470,032	\$502,604
Fair value of the plan asset	(379,662)	(352,949)
Amount of provisions - net defined benefit liabilities	<u>\$90,370</u>	<u>\$149,655</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)
2021.1.1	\$527,801	\$(346,804)	\$180,997
Current service costs	574	-	574
Interest expense (income)	<u>3,805</u>	<u>(2,574)</u>	<u>1,231</u>
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	<u>-</u>	<u>(1,806)</u>	<u>(1,806)</u>
Subtotal	<u>6,525</u>	<u>(1,806)</u>	<u>4,719</u>
Benefits paid	(36,101)	36,101	-
Distribution by employer	-	(37,866)	(37,866)

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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	Present value of the defined benefit obligation	Fair value of the plan asset	Net defined benefit liabilities (assets)
2021.12.31	\$502,604	\$(352,949)	\$149,655
Current service costs	300	-	300
Interest expense (income)	2,333	(1,674)	659
Subtotal	505,237	(354,623)	150,614
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	4,561	-	4,561
Adjustment by experience	-	-	-
Remeasurements of the defined benefit assets	-	(27,779)	(27,779)
Subtotal	4,561	(27,779)	(23,218)
Benefits paid	(39,766)	39,766	-
Distribution by employer	-	(37,026)	(37,026)
2022.12.31	\$470,032	\$(379,662)	\$90,370

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

	2022.12.31	2021.12.31
Discount Rate	1.25%	0.50%
Expected salary increase rate	2.00%	2.00%

Sensitivity analysis on each significant actuarial assumption:

	2022		2021	
	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	\$-	\$(3,886)	\$-	\$(4,940)
0.25% decrease in discount rate	3,992	-	5,089	-
0.5% increase in expected salary	8,201	-	10,367	-
0.5% decrease in expected salary	-	(7,850)	-	(9,880)

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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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.

20. Other liabilities

	2022.12.31	2021.12.31
Deposits received	\$7,020	\$4,831
Advance income	74,143	110,943
Temporary receipts and suspense	186,878	25,809
Others	611	410
Total	<u>\$268,652</u>	<u>\$141,993</u>

21. Equity

(1) Common stock

As of December 31, 2022 and 2021, the authorized capital stock of the Company all amounted to NTD 30,000,000 thousand, and the issued capital stock amounted to NTD 11,112,343 thousand and NTD 11,212,343 thousand, respectively, for 1,111,234 thousand and 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

	2022.12.31	2021.12.31
Common stock premium	\$52,563	\$53,036
Treasury stock transactions	-	22,070
Others	2,629	2,629
Total	<u>\$55,192</u>	<u>\$77,735</u>

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

The various capital reserve balances from January 1 to December 31, 2022 and 2021 are adjusted as follows:

	Common stock premium	Treasury stock transactions	Others	Total
Balance as of January 1, 2022	\$53,036	\$22,070	\$2,629	\$77,735
Share-based payment transaction	-	-	-	-
Retirement of treasury stock	(473)	(22,070)	-	(22,543)
Adjustment based on percentage of ownership	-	-	-	-
Balance as of December 31, 2022	<u>\$52,563</u>	<u>\$-</u>	<u>\$2,629</u>	<u>\$55,192</u>
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>

According to the law, additional paid-in capital shall not be used for any purpose except for making up for Company losses. When the Company has no losses, a certain percentage of the additional paid-in capital from the stock premium and gifts 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.

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

(3) Treasury stock

a. Changes in Treasury Stocks are as follows:

From January 1 to December 31, 2022:

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

January 1, 2021 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	-
Total	3,000 thousand shares	-	3,000 thousand shares	-

- b. In the year ended December 31, 2022, the buy-back amount of treasury stocks was NTD 350,511 thousand for 10,000 thousand shares. Based on the resolution of the Board of Directors, it had scheduled September 30, 2022 as the base date of de-capitalization. A total of 10,000 thousand shares of treasury stock were bought back and canceled with a total of NTD 100,000 thousand.
- c. The Company transferred treasury shares of 3,000 thousand shares to the employees on February 26, 2021.
- d. 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 NT\$ 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.

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'

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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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, 2022 and 2021, the special reserve at the first-time adoption amounted to NT\$ 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, 2022 and 2021 that caused the reversal of special reserve to the undistributed earnings. As of December 31, 2022 and 2021, the special reserve for the first time was NTD 45,549 thousand.

The 2021 earnings appropriation and distribution and the dividend per share were resolved in the Shareholders' Meeting on May 9, 2022 as follows:

	Distribution of retained earnings		Dividends per share (NTD)	
	2022	2021	2022	2021
Legal reserve	(Note)	\$1,755,271		-
Special reserve	(Note)	-		-
Common stock cash dividends	(Note)	2,354,592	(Note)	\$2.1
Total		<u>\$4,109,863</u>		-

Note: The 2022 earnings appropriation and distribution have not been proposed.

Please refer to Note VI for the relevant information on the estimation basis and recognition amount of the employee compensation and the remuneration to directors and supervisors.

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

22. Net interest income

	2022	2021
<u>Interest revenue</u>		
Discount and loan interest income	\$5,691,015	\$4,361,497
Due from bank and interbank offered interest income	44,600	20,854
Security investment interest income	1,896,093	1,697,042
Other interest incomes	36,939	40,767
Subtotal	<u>7,668,647</u>	<u>6,120,160</u>
<u>Interest expenses</u>		
Deposits Interest expenses	(1,510,449)	(724,965)
Interest expense of funds borrowed from Central Bank and other banks	(317,651)	(37,060)
Interest expense of the RP bonds	(279,267)	(56,002)
Others	(4,469)	(3,720)
Subtotal	<u>(2,111,836)</u>	<u>(821,747)</u>
Total	<u>\$5,556,811</u>	<u>\$5,298,413</u>

23. Net service fee income

	2022	2021
Service fee income	\$2,211,220	\$2,051,193
Service fee expenses	(49,813)	(46,272)
Total	<u>\$2,161,407</u>	<u>\$2,004,921</u>

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

	2022	2021
Stock investment	\$(1,024,588)	\$1,128,937
Bond investment	(777,760)	(351,429)
Derivatives	398,183	191,913
Others	(4,921)	(7,140)
Total	<u>\$(1,409,086)</u>	<u>\$962,281</u>

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

25. Gain (impairment loss) on reversal of assets impairment and bad debts, commitments, and reserve reversal (appropriation) of for guarantee liability

	2022	2021
Financial assets measured at FVTOCI	\$(1,263,808)	\$509,204
Financial assets measured at cost after amortization	(565)	1,637
Fixed assets	-	82,800
Subtotal	<u>(1,264,373)</u>	<u>593,641</u>
Loan and receivables bad debt (appropriation)	(101,731)	(1,600,852)
Reversal (provision) of allowances for guarantees	33,975	(2,647)
Reversal (provision) of allowances for financing commitments	(4,000)	8,500
Subtotal	<u>(71,756)</u>	<u>(1,594,999)</u>
Total	<u><u>\$(1,336,129)</u></u>	<u><u>\$(1,001,358)</u></u>

Please refer to Note XIV for credit risk related information.

26. 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 3–10 years.

The impacts of the lease on the Company's financial position, financial performance, and cash flow are as follows:

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

A. Amount recognized on the balance sheet

(a) Right-of-use assets

The book value of the right-of-use assets

	2022.12.31	2021.12.31
Buildings and structures	\$284,169	\$328,427
Other equipment	6,231	1,110
Total	<u>\$290,400</u>	<u>\$329,537</u>

The Company had added right-of-use assets for the amounts from January 1 to December 31, 2022 and 2021 were NTD 41,753 thousand and NTD 188,474 thousand, respectively.

(b) Lease liabilities

	2022.12.31	2021.12.31
Lease liabilities	<u>\$295,487</u>	<u>\$333,056</u>
Current	<u>\$295,487</u>	<u>\$333,056</u>

The interest expenses of the Company's lease liabilities in the year ended December 31, 2022 and 2021 were NTD 3,552 thousand and NTD 3,720 thousand, respectively. For the maturity analysis of the lease liabilities on December 31, 2022 and 2021, 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

	2022	2021
Buildings and structures	\$79,335	\$74,777
Other equipment	1,555	1,664
Total	<u>\$80,890</u>	<u>\$76,441</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

	2022	2021
Short-term lease expense	\$2,505	\$1,844
Low-value asset lease expense (excluding the low-value assets lease expense of the short-term leases)	2,893	2,444

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, 2022 and 2021 were NTD 82,874 thousand and NTD 79,036 thousand, respectively.

27. Operating expenses

The employee benefits, depreciation, and amortization expenses are summarized by function as follows:

	2022	2021
Employee benefits expenses		
Salaries and wages	\$900,919	\$886,502
Labor insurance and national health insurance	76,709	73,204
Pension expenses	35,696	34,670
Director remuneration	17,999	17,868
Other employee benefits expenses	38,379	36,449
Depreciation	130,055	125,388
Total	<u>\$1,199,757</u>	<u>\$1,174,081</u>

The number of employees of the Company for the current year and the previous year was 1,001 and 971, respectively, of which 7 were directors who were not concurrently serving as employees for both years.

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

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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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, 2022 and 2021, the Company appropriates 0.01% of the earnings to be remuneration to employees, which were NTD 290 thousand and NTD 650 thousand, respectively, and were listed in the "salary expense" account.

The Company's Board of Directors had resolved on February 20, 2023 to distribute the 2022 remuneration to employees and the remuneration to directors and supervisors at the amount of NTD 290 thousand and NTD 0, respectively, which was not significantly different from the expenses booked in the 2022 financial report.

The Company's Board of Directors resolved on February 21, 2022 to distribute the 2021 remuneration to employees and the remuneration to directors and supervisors at the amounts of NTD 650 thousand and NT\$ 0 thousand respectively, which was not significantly different from the expenses booked in the 2021 financial report.

There is no significant difference between the actual employees' remuneration and remuneration to directors and supervisors distributed in 2022 and the expenses booked in the 2021 financial report.

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

28. Other comprehensive income

Other comprehensive income from January 1 to December 31, 2022 is as follows.

	Accrued in the 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	\$(263,895)	\$-	\$(263,895)	\$-	\$(263,895)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	17,465	-	17,465	-	17,465
Remeasurements of the defined benefit plan	23,219	-	23,219	14,400	37,619
Items may be re- classified subsequently to income:					
Exchange differences from the translation of financial statements of foreign operations	33,855	-	33,855	(4,665)	29,190
Gains or loss from debt instrument investment measured at FVTOCI	<u>(6,243,146)</u>	<u>453,156</u>	<u>(5,789,990)</u>	<u>-</u>	<u>(5,789,990)</u>
Total	<u>\$(6,432,502)</u>	<u>\$453,156</u>	<u>\$(5,979,346)</u>	<u>\$9,735</u>	<u>\$(5,969,611)</u>

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

Other comprehensive income from January 1 to December 31, 2021 is as follows.

	Accrued in the 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 reclassified 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	<u>(1,649,955)</u>	<u>(1,004,100)</u>	<u>(2,654,055)</u>	<u>-</u>	<u>(2,654,055)</u>
Total	<u>\$ (426,197)</u>	<u>\$ (1,004,100)</u>	<u>\$ (1,430,297)</u>	<u>\$ (2,748)</u>	<u>\$ (1,433,045)</u>

The Company's debt instrument investment measured at fair value through other comprehensive income for the year ended December 31, 2022 and 2021 are reclassified to profit or loss from the cumulative other comprehensive income at the time of de-recognition for an amount of NTD (453,156) thousand and NTD 1,004,100 thousand, respectively.

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

29. Income tax

The main composition of income tax expenses (benefit) is as follows:

Income tax recognized in the profit or loss

	<u>2022</u>	<u>2021</u>
Current income tax expenses:		
Current income tax liabilities of the current period	\$1,007,250	\$925,343
The income tax of the previous years adjusted in the current period	31,264	(20)
Deferred income tax expense (benefit):		
Deferred income tax expense (benefit) related to the original generation of the temporary difference and its reversal	(379,067)	(90,729)
Income tax expenses	<u>\$659,447</u>	<u>\$834,594</u>

Income tax recognized in the other comprehensive income

	<u>2022</u>	<u>2021</u>
Deferred income tax expense (benefit):		
Exchange differences from the translation of financial statements of foreign operations	\$4,665	\$3,314
Actuarial gain (loss) from defined benefit plan	(14,400)	(566)
The other comprehensive income related income tax	<u>\$(9,735)</u>	<u>\$2,748</u>

The amount of income tax expense and applicable income tax rate is adjusted accounting profit multiplied by the

	<u>2022</u>	<u>2021</u>
Net income before tax of the continuing business units	<u>\$2,869,869</u>	<u>\$6,464,897</u>
Tax amount calculated according to the domestic tax rate applicable to the income of the country concerned	\$573,974	\$1,292,979
Income tax effects of tax-exempt income	(415,602)	(1,019,255)
Income tax effects of non-deductible expenses on tax returns	(3,444)	1,882
Income tax effect of deferred income tax assets/liabilities	388,802	87,981
Basic tax adjustment	-	382,796
Surtax on undistributed earnings	84,453	88,231
The income tax of the previous years adjusted in the current period	31,264	(20)
Total income tax expense recognized in profit or loss	<u>\$659,447</u>	<u>\$834,594</u>

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

Deferred income tax assets (liabilities) balances related to the following items

2022

	<u>Beginning balance</u>	<u>Recognized in the profit or loss</u>	<u>Recognized in the other comprehensive income (loss)</u>	<u>Ending balance</u>
Temporary differences:				
Financial assets				
valuation measured				
at FVTPL	\$(137,807)	\$227,761	\$-	\$89,954
Allowance for bad debt	119,447	88,521	-	207,968
Impairment of Assets	2,434	71,462	-	73,896
Employees' leave				
benefits liabilities	3,815	2,543	-	6,358
Compensation payable	1,149	754	-	1,903
Reserve for guarantee				
liability	10,344	2,185	-	12,529
Net determined benefit				
liability - non-current	18,146	(14,159)	14,400	18,387
Conversion difference				
of the financial				
statements of foreign				
institutions	3,159	-	(4,665)	(1,506)
Gain on bargain				
purchase	(919)	-		(919)
Deferred income tax				
benefit		<u>379,067</u>	<u>9,735</u>	
Net deferred income tax				
assets	<u>\$19,768</u>			<u>\$408,570</u>
The information expressed				
on the balance sheet is as				
follows:				
Deferred tax assets	<u>\$158,494</u>			<u>\$410,995</u>
Deferred tax liabilities	\$138,726			2,425
Deferred income tax				
liabilities - land				
value incremental				
tax reserve	<u>50,135</u>			<u>50,135</u>
Total	<u>\$188,861</u>			<u>\$52,560</u>

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 (expense)		<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	\$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>

Income tax declaration and audit

The Company's income tax returns before 2020 (inclusive) had already been assessed and approved by the tax authority.

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

30. 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.

	2022	2021
(1) Basic earnings per share		
Net income (NTD thousands)	\$ 2,210,422	\$ 5,630,303
Weighted average number of common stock shares (thousand shares) of the earnings per share	1,117,220	1,120,774
Base earnings per share (NTD)	<u>\$1.98</u>	<u>\$5.02</u>
(2) Diluted earnings per share		
Net income (NTD thousands)	\$ 2,210,422	\$ 5,630,303
Weighted average number of common stock shares (thousand shares) of the earnings per share	1,117,220	1,120,774
Dilutive effect	-	-
Weighted average number of common stock shares (thousand shares) after adjusting the dilutive effect	1,117,220	1,120,774
Diluted earnings per share (NTD)	<u>\$1.98</u>	<u>\$5.02</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

Name	Relationship with the Company
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
Chen-Chih Tai	Chairman of the Company
Chiung-Ting Tsai	Vice Chairman of the Company
Hung-Liang Chiang	President of the Company (assumed office on March 1, 2022)
Jih-Cheng Chang	President of the Company (Resigned on February 28, 2022)
Tiangang Investment Co., Ltd	Director of the Company
Fu Chiang Investment Co., Ltd.	Director of the Company
Chao-Long Chen	Independent Director of the Company
Bing-Sung Wu	Independent Director of the Company (assumed office on May 9, 2022)
Chuan-Fu Hou	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

Account Item	Amount	% of the account balance
<u>2022.12.31</u>		
Deposits	\$1,203,047	0.42%
<u>2021.12.31</u>		
Deposits	\$2,077,616	0.82%

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,

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

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>2022.12.31</u>		
Loans	\$43,278	0.02%
<u>2021.12.31</u>		
Loans	\$64,023	0.03%

December 31, 2022

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	\$5,249	\$5,083	\$5,083	\$-	None	None
Residential mortgage Loan	7	12,794	12,567	12,567	-	Real estate	None
Other loans	Chou, OO	1,100	1,100	1,100	-	Real estate	None
Other loans	You, OO	1,175	1,175	1,175	-	Certificate of Deposit	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	12,853	12,853	12,853	-	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, 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

(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, 2022 and 2021 were NTD 2,532 thousand and NTD 1,806 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, 2022 and 2021 were NTD 4,688 thousand and NTD 3,840 thousand, respectively.

- (4) The rebates paid to related parties by the Company for the periods from January 1 to December 31, 2022 and 2021 (recorded in the "statements of comprehensive income - other business and administrative expenses") are as follows.

	2022	2021
King's Town Securities Co., Ltd.	\$1,856	\$2,071

- (5) Guarantees: None.

- (6) Derivative financial instrument transactions: None.

- (7) Sales of non-performing loan: None.

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

(8) Remuneration of directors and key management personnel of the Company

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$32,351	\$48,434
Retirement benefits	<u>2,236</u>	<u>2,100</u>
Total	<u>\$34,587</u>	<u>\$50,534</u>

VIII. Pledged Assets

The Company has the following assets provided as collateral:

Item	<u>Book value</u>		Guaranteed debt
	<u>2022.12.31</u>	<u>2021.12.31</u>	
Financial assets measured at FVTPL	\$5,371,489	\$3,354,619	RP transaction
Financial assets measured at FVTPL	698,814	722,109	Various business reserves and collaterals
Financial assets measured at FVTOCI	11,711,565	9,797,258	RP transaction
Financial assets measured at FVTOCI	1,509,874	1,636,713	Funds borrowed from other banks
Due from the Central Bank and call loans to other banks	-	2,000,000	Funds borrowed from Central Bank and other banks
Total	<u>\$19,291,742</u>	<u>\$17,510,699</u>	

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) The Company has the following or various trust agents and guarantees:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Receivable and collection	\$11,808,019	\$13,430,429
Receivable guarantees	8,949,674	10,015,515
Receivables from L/C	14,325	6,728
Trust and custody	41,681,285	39,182,570
Agreed financing amount	43,384,378	36,238,690

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

(2)

Major contents	Contract amount	Amount paid	Amount yet to be
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

Trust assets	2022.12.31	2021.12.31	Trust liabilities	2022.12.31	2021.12.31
Bank deposits			Mid-term borrowings	\$4,581,230	\$4,671,230
	\$1,941,864	\$2,860,836	Long-term borrowings	614,806	614,806
Stock	3,281,381	2,651,747	Payables	31,533	33,813
Funds	10,547,586	9,456,028	Other liabilities	90,884	90,060
Real estate	24,683,104	23,657,805	Trust capital	36,647,197	33,754,173
Other assets	1,069,145	407,221	Reserves		
			Cumulative earnings	(442,570)	(130,445)
Total trust assets	\$41,523,080	\$39,033,637	Total trust liabilities	\$41,523,080	\$39,033,637

Income Statement of Trust Accounts

Item	2022	2021
Trust revenue		
Interest revenue	\$3,045	\$861
Rent revenue	628,404	446,534
Dividend income	215,612	109,180
Unrealized capital	-	158,457
Other profits	24,232	1,164
Subtotal	871,293	716,196
Trust expenses		
Administrative expenses	(72,816)	(51,650)
Tax expenses	(40,342)	(32,100)

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

Item	2022	2021
Interest expenses	(76,838)	(66,829)
Unrealized capital loss	(930,274)	(244,326)
Unrealized exchange losses	169,410	(251,104)
Appraisal fee	(1,280)	(3,772)
Remuneration fee	(1,200)	(2,700)
Other Expenses	(65,265)	(18,064)
Subtotal	(1,018,605)	(670,545)
Net profit (loss) before Income tax expenses	(147,312)	45,651
Income tax expenses	-	-
Profit after tax	\$(147,312)	\$45,651

Property Catalog of Trust Accounts

	2022.12.31	2021.12.31
Bank deposits	\$1,941,864	\$2,860,836
Stock	3,281,381	2,651,747
Funds	10,547,586	9,456,028
Real estate		
Land	17,036,126	16,274,305
Buildings and structures	7,463,149	7,249,538
Construction in progress	183,829	133,962
Others	1,069,145	407,221
Total	\$41,523,080	\$39,033,637

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, 2022 and 2021 amounted to NTD 0 thousand and NTD 17,722 thousand, respectively.

XI. Significant Disaster Loss

No such event.

XII. Significant Subsequent Events

No such event.

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

XIII. Fair Value and Grade Information of Financial Instruments

1. Information on the fair value of financial instruments

Financial assets:

	2022.12.31		2021.12.31	
	Book value	Fair value	Book value	Fair value
Financial assets measured at FVTPL:				
Mandatorily measured at fair value through profit or loss	\$36,707,318	\$36,707,318	\$39,422,088	\$39,422,088
Financial assets measured at FVTOCI	42,292,760	42,292,760	46,442,931	46,442,931
Financial assets measured at cost after amortization:				
Debt instrument investments measured at amortized cost	17,598,455	17,598,455	18,199,019	18,199,019
Cash and cash equivalents (excluding cash on hand)	2,013,568	2,013,568	3,114,482	3,114,482
Due from the Central Bank and call loans to other banks	15,206,369	15,206,369	12,724,231	12,724,231
Receivables	1,269,696	1,269,696	850,565	850,565
Discounts and loans	242,334,911	242,334,911	206,356,935	206,356,935
Other financial assets	42	42	776	776

Financial liabilities:

	2022.12.31		2021.12.31	
	Book value	Fair value	Book value	Fair value
Financial liabilities measured at cost after amortization:				
Deposits from Central Bank and other banks	\$24,092,259	\$24,092,259	\$18,451,547	\$18,451,547
Funds borrowed from Central Bank and other banks	-	-	567,450	567,450
Securities sold under agreements to repurchase	15,827,129	15,827,129	12,129,935	12,129,935
Payables	2,221,563	2,221,563	2,290,680	2,290,680
Deposits and remittances	284,191,511	284,191,511	252,815,445	252,815,445
Lease liabilities	295,487	295,487	333,056	333,056
Financial liabilities measured at fair value through profit or loss:				
Held for transaction purposes	35,203	35,203	14,692	14,692

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

The derivative financial instrument transactions are detailed as follows:

Item	Contract amount	Fair value
2022.12.31		
Foreign exchange contracts	\$3,797,927	\$(27,814)
2021.12.31		
Foreign exchange contracts	\$5,937,077	\$18,347

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.
- (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.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (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 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.

3. Fair value hierarchy

(1) The definition of the Company's three-level fair value

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 Company is classified as Level I.

2) Level II

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.

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

This includes the convertible corporate bonds, Taiwan Central Government bonds, and general derivatives invested by the Company.

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 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.

2022.12.31

	Total	Level I	Level II	Level III
<u>Assets measured at fair value</u>				
Financial assets				
measured at FVTPL				
Stock investment	\$912,739	\$912,739	\$-	\$-
Bond investment	35,787,190	2,083,063	33,704,127	-
Derivatives	7,389	-	7,389	-
Financial assets				
measured at FVTOCI				
Stock investment	3,616,947	89,700	-	3,527,247
Bond investment	38,675,813	33,241,237	5,434,576	-
<u>Liabilities measured at fair value</u>				
Financial liabilities				
measured at FVTPL				
Derivatives	35,203	-	35,203	-

Notes to the individual financial statements of King's Town Bank Co., Ltd. (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	\$5,321,636	\$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	-

(3) Transfer between Level I and Level II fair value

From January 1 to December 31, 2022 and 2021, 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:

	<u>Financial assets measured at FVTOCI - Stock</u>
2022.1.1	\$3,591,670
Total benefits recognized in 2022:	
Recognized in other comprehensive income (reported in "Unrealized gain (loss) on investments in equity instruments measured at fair value through other comprehensive income")	(64,423)
Acquired in the period	-
2022.12.31	<u><u>\$3,527,247</u></u>

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

	Financial assets measured at FVTOCI - Stock
2021.1.1	\$2,693,294
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>\$3,591,670</u>

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:

	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 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 input values and information required for the evaluation model, and any other necessary fair value adjustments to ensure that the valuation results are reasonable.

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

(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>2022.12.31</u>				
Debt instrument investments measured at amortized cost				
Convertible certificate of deposit	\$-	\$ 17,598,455	\$-	\$ 17,598,455
<u>2021.12.31</u>				
Debt instrument investments measured at amortized cost				
Convertible certificate of deposit	\$-	\$18,199,019	\$-	\$18,199,019

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.

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

The table below shows the financial assets not qualified under all conditions and related financial liabilities:

December 31, 2022					
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	\$5,371,489	\$5,444,867	\$5,371,489	\$5,444,867	\$(73,378)
Financial assets measured at FVTOCI with R/P agreement	11,711,565	10,382,262	11,711,565	10,382,262	1,329,303

XIV. Financial Risk Management

1. Overview

The Company uses its business growth scale to establish a capital adequacy assessment process that meets the risk profile in order to maintain adequate capital. Also, based on 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, and interest rate risk in the banking book, are included in the Company' scope of risk management. Policies and methods such as the Credit Policy, Rules Governing Credit Review and Authorization, and Rules Governing Risks are stipulated according to different risks. Furthermore, management guidelines are formulated according to the needs of the policies and methods in accordance with the Rules Governing Risks, including the Regulations Governing Credit Risk, Regulations Governing Market Risk, and Regulations Governing Operational Risk, and these are reviewed and approved by the Board of Directors 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 holds meetings 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 capital adequacy and comprehensively handles risk management and reports to the competent authorities in accordance with various risk management guidelines. It submits a risk control report to the Committee on a quarterly basis and forwards it to the Board of Directors, while 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 trends in government policy 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, the Company 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 trends in government policy.
- 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 was 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, who is either the President or an individual appointed by the President, while

the members are the heads of the Risk Management Department, Information Office, Digital Service Department, and Compliance Department, and the department head or a designated individual from a 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, 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)
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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 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 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.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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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

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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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 collateral on a regular basis or as necessary, carrying out credit checks or revaluations of collateral 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 formulated a Credit Policy to properly plan and control the credit of the same natural person, legal person, public enterprise, related party, associate, or group; control single credit risks and enhance the efficiency of capital utilization by setting a ceiling on their respective ratios to the net worth of the Company (where 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 outlook). For the ratio of total credit balance of the same industry to the net value of the Company, the ceiling will be approved according to the industry and the overall economy and with reference to the non-performing loan ratio of the industry and future economic outlook. To strengthen the credit risk control of each enterprise overseas and in mainland China, respective limits are 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. Credit orientation is also dynamically adjusted to hedge the overall risk and avoid excessive credit risk concentration.

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.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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(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	
	2022.12.31	2021.12.31
Customer's developed and irrevocable loan commitments	\$43,384,378	\$36,238,690
Customer's outstanding letters of credit amount	81,757	16,154
Guarantee payments	8,949,674	10,015,515
Total	\$52,415,809	\$46,270,359

(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, 2022	Collateral	Master netting arrangement	Total
<u>On-balance sheet items</u>			
Discounts and loans	\$163,066,904	\$ -	\$163,066,904
<u>Off-balance sheet items</u>			
Customer's developed and irrevocable loan commitments	15,874,381	-	15,874,381
Customer's outstanding letters of credit amount	-	-	-
Guarantee payments	2,727,520	-	2,727,520
Total	\$181,668,805	\$ -	\$181,668,805

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

December 31, 2021	Collateral	Master netting arrangement	Total
<u>On-balance sheet</u>			
<u>items</u>			
Discounts and loans	\$144,511,449	\$ -	\$144,511,449
 <u>Off-balance sheet</u>			
<u>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

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 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 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

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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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:

1) Industry

Industry	2022.12.31		2021.12.31	
	Amount	%	Amount	%
I. Private enterprises	\$185,921,033	76	\$158,300,965	76
II. Government agencies	-	-	-	-
III. Non-profit groups	226,027	-	232,055	-
IV. Private	59,763,982	24	50,993,704	24
V. Financial institutions	-	-	-	-
Total	\$245,911,042	100	\$209,526,724	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	2022.12.31		2021.12.31	
	Amount	%	Amount	%
Unsecured	\$82,844,138	34	\$65,015,275	31
Secured				
- Financial collateral	27,968,988	11	27,679,616	13
- Real estate	120,301,499	49	105,152,750	50
- Guarantee	7,422,926	3	5,714,758	3
- Other collateral	7,373,491	3	5,964,325	3
Total	\$245,911,042	100	\$209,526,724	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, 2022 and 2021.

- (8) Judgment that the Company's credit risk 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 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)
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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 financial instruments that have not significantly increased in credit risk (Stage 1) after their original recognition, the Company measures the allowance for loss of the financial instrument according to the expected credit loss amount within 12 months. For financial instruments with significant increases in credit risk after their original recognition (Stage 2) or with credit impairment (Stage 3), these are 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 loss given default (LGD) and multiplies this by 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, off-balance sheet credit assets must be multiplied by the credit conversion factor (CCF) that is regulated by the Basel II standardized approach.

PD and 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 macroeconomic information (e.g. global economic growth rate and inflation rate).

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 were no significant changes in the estimation techniques or material assumptions that were used in the first half of 2022 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 Group in 2022 was the economic growth rate. The relevant economic factors of debt instrument identified by the Company in 2022 were the global economic growth rate and inflation rate.

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

(13) Allowance for loss

Changes in allowances for bad debts related to discounts and loans

Changes in the allowances for bad debts related to discounts and loans for the period from January 1 to December 31, 2022 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non- 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	\$239,069	\$9,673	\$29,344	\$278,086	\$2,891,703	\$3,169,789
Changes in financial instruments recognized at the beginning of the period:						
- Converted to expected credit losses for the duration	(387)	826	(767)	(328)	-	(328)
- Converted to financial assets with credit impairment	(8)	(27)	6,626	6,591	-	6,591
- Converted to 12-month expected credit loss	1,699	(5,889)	-	(4,190)	-	(4,190)
- Financial assets derecognized in the current period	(128,791)	(2,001)	(14,671)	(145,463)	-	(145,463)
Purchased or originated new financial assets	182,120	636	370,310	553,066	-	553,066
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"	-	-	-	-	346,298	346,298
Write-off bad debts	-	-	(370,310)	(370,310)	-	(370,310)
Recovered amount after write-off bad debts	-	-	754,944	754,944	-	754,944
Other Changes (Note)	-	-	(754,944)	(754,944)	-	(754,944)
Changes in exchange rate	-	-	-	-	20,678	20,678
Ending balance	<u>\$293,702</u>	<u>\$3,218</u>	<u>\$20,532</u>	<u>\$317,452</u>	<u>\$3,258,679</u>	<u>\$3,576,131</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)
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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, 2021 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non- 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 for 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>\$29,344</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)
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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, 2022 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non-purchased or originated credit impairment)	Total
Beginning balance	\$206,426,018	\$3,003,338	\$97,368	\$209,526,724
Converted to expected credit losses for the duration	(438,856)	427,161	(3,376)	(15,071)
Converted to financial assets with credit impairment	(9,802)	(20,028)	26,102	(3,728)
Transferred out from the financial assets with credit impairment	1,914,816	(1,920,333)	-	(5,517)
Discount and loan assessed collectively	-	-	-	-
Originated or purchased discounts and loans	146,602,977	629,274	-	147,232,251
Write-off bad debts	-	-	(370,310)	(370,310)
Derecognition	(110,158,358)	(615,558)	320,609	(110,453,307)
Ending balance	<u>\$244,336,795</u>	<u>\$1,503,854</u>	<u>\$70,393</u>	<u>\$245,911,042</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 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 (financial assets with non-purchased or originated credit impairment)	Total
Beginning balance	\$186,504,097	\$1,084,368	\$254,064	\$187,842,529
Converted to expected credit losses for 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)
Ending balance	<u>\$206,426,018</u>	<u>\$3,003,338</u>	<u>\$97,368</u>	<u>\$209,526,724</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 loss	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, 2022	\$14,542	\$79,009	\$-	\$-	\$93,551
Changes arising from the recognition of financial instruments on January 1, 2022					
Converted to expected credit losses for the duration	(561)	85,309	-	-	84,748
Converted to financial assets with credit impairment	(872)	-	-	1,106,527	1,105,655
Converted to 12-month expected credit loss	-	-	-	-	-
Financial assets derecognized in the current period	(2,420)	(2,718)	-	-	(5,138)
Purchased or originated new financial assets	5,517	-	-	-	5,517
Changes in model/risk parameters	7,659	159,525	-	-	167,184
Other changes and exchange rate changes	1,133	8,315	-	-	9,448
Expected credit losses on December 31, 2022	<u>\$24,998</u>	<u>\$329,440</u>	<u>\$-</u>	<u>\$1,106,527</u>	<u>\$1,460,965</u>

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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Financial assets at FVTOCI - 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 for 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

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, 2022 (Note)	\$37,600,533	\$1,858,109	\$-	\$-	\$39,458,642
Converted to expected credit losses for the duration	(1,062,436)	1,176,440	-	-	114,004
Converted to financial assets with credit impairment	(1,636,185)	-	-	1,807,401	171,216
Transferred out from the financial assets with credit impairment	-	-	-	-	-
Purchased or originated new financial assets	8,284,554	-	-	-	8,284,554
Financial assets derecognized in period	(6,886,087)	(57,307)	-	-	(6,943,394)
Other changes and exchange rate changes	2,281,154	190,234	-	-	2,471,388
Total book value on December 31, 2022	<u>\$38,581,533</u>	<u>\$3,167,476</u>	<u>\$-</u>	<u>\$1,807,401</u>	<u>\$43,556,410</u>

Note: Total book value does not include an evaluation adjustment.

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

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 for 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	<u>\$37,600,533</u>	<u>\$1,858,109</u>	<u>\$-</u>	<u>\$-</u>	<u>\$39,458,642</u>

Note: Total book value does not include an evaluation adjustment.

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, 2022 and 2021 is described as follows:

The Company's receivables are not overdue. Considering counterparties' credit rating and regional and industrial factors, along with measuring the allowance for loss with the provision matrix, total book values were NTD 1,273,790 thousand and NTD 855,199 thousand, respectively, and the allowance for loss is measured with an expected credit loss rate of 0%~5%, for amounts of NTD 4,094 thousand and NTD 4,634 thousand, respectively.

Changes in allowances or loss of notes and accounts receivables of the Company in 2022 and 2021 are as follows:

	<u>Receivables</u>
2022.1.1	\$4,634
Amount appropriated (reversed) in current period	(5,637)
Write-off amount	(2,890)
Recovery of write-off amount	7,987
2022.12.31	<u>\$4,094</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>

(14) The Company's financial assets with the maximum credit risk exposures as of December 31, 2022 and 2021 amounted to NTD 279,549,759 thousand and NTD 247,998,834 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>2022.12.31</u>	<u>2021.12.31</u>
Financial assets measured at FVTPL		
- Debt instruments	\$35,787,190	\$33,627,978
- Derivatives	7,389	33,039

(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 borrowers 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 determines 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	\$63,948	\$16,682	\$47,266
Total financial assets with impairment	\$63,948	\$16,682	\$47,266

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 contractual cash flows, so the amount disclosed in some of projects does not correspond to the related items on the individual balance sheet.

2022.12.31

	<u>Not more than 1 month</u>	<u>1~3 months</u>	<u>3 months ~ 1 year</u>	<u>More than 1 year</u>	<u>Total</u>
<u>Non-derivative</u>					
<u>financial liabilities</u>					
Deposits from the Central Bank and other banks	\$24,092,259	\$-	\$-	\$-	\$24,092,259
Securities sold under agreements to repurchase	11,340,985	4,486,144	-	-	15,827,129
Deposits and remittances	39,520,781	43,994,035	90,201,723	110,474,972	284,191,511
Lease liabilities (Note)	6,902	13,631	57,962	225,007	303,502
<u>Derivative financial</u>					
<u>liabilities</u>					
Derivative financial liabilities measured at FVTPL					
Foreign exchange derivatives					
Cash outflow	\$4,490,237	\$-	\$-	\$-	\$4,490,237
Cash inflow	4,455,034	-	-	-	4,455,034
Net cash flow	<u>\$(35,203)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(35,203)</u>

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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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>

Note: 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	
2022.12.31	\$78,495	\$193,886	\$31,121	\$-	\$303,502
2021.12.31	\$79,626	\$217,296	\$53,095	\$-	\$350,017

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

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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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:
 - 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 the 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 or insufficient market price transparency should be evaluated conservatively in order to fully assess the market risks faced by the Company.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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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.

i. Limits management

The responsible business department shall set the limits for financial product transactions according to the product

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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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.
- 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: exchange rates, interest rates, stocks, etc.
- IV. Foreign exchange market transactions: foreign exchange spot, swap, forward foreign exchange, and forward rate agreements.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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- 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: These should be handled in accordance with the Company'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 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.

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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- 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 considers the ratio of change in economic value of equity (Δ EVE) accounting for net tier 1 capital when the banking book position is under interest rate volatility of six management and supervision recommendations the supervision and management index for controlling the Company's interest rate risk in the banking book, keeping it within tolerance and reporting it to the Risk Management Committee on a monthly basis. The Company analyzes changes and compares them to the previous month's conditions. The Company also provides the management with correct, consistent, and prompt information as a reference for their decision-making and has 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 (Δ EVE accounting for net tier 1 capital when the banking book position is under interest rate volatility of six management and supervision recommendations); (II) Stress tests: (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 business units are to provide the information of relevant electronic files or written materials to the Risk Management Department to enable an effective grasp on the overall risk position and provide appropriate risk measurement results to assist with the management of interest rate risk in banking book.

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 head office business units shall report such 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: 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

Notes to the individual financial statements of King's Town Bank Co., Ltd. (continued)
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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 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 scenario. Among all risk factors and domestic and foreign scenarios, there may be losses in certain parts of the position while gains in other parts under the same scenario. The greatest loss resulting from fluctuations 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, 2022, the Company's net profit or loss would increase/decrease by NTD 1,518,924 thousand.

B. Exchange rate risk

Assume that all other factors are unchanged, if the major currency exchange rates on December 31, 2022 were relatively appreciated/depreciated by 3%, the Company's net profit or loss before tax would increase/decrease by NTD 25,467 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, 2022 were relatively increased/decreased by 15%, the Company's net profit or loss before tax would increase/decrease by NTD 150,366 thousand.

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

D. Sensitivity analysis is compiled as follows:

2022

Market category	Scenario	Affected profit or loss amount	Minimum capital computed for market risk	Percentage
Equity market	Major stock markets +15%	150,366	\$1,428,797	10.52%
	Major stock markets -15%	(150,366)		-10.52%
Interest rate market	Main interest rate +100bp	(1,518,924)		-106.31%
	Main interest rate -100bp	1,518,924		106.31%
Foreign exchange market	Main currency +3%	25,467		1.78%
	Main currency -3%	(25,467)		-1.78%
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%	(1,643,823)		-115.05%

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%

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:

	2022.12.31			2021.12.31		
	Foreign currency (thousand)	Exchange rate	NTD	Foreign currency (thousand)	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$1,558,354	30.71	\$47,853,926	\$1,629,430	27.69	\$45,118,927
HKD	214,942	3.94	846,504	145,906	3.55	518,053
AUD	4,750	20.83	98,942	46,160	20.09	927,312
JPY	8,615,067	0.23	2,002,141	10,399,994	0.24	2,501,199
EUR	2,357	32.71	77,113	4,198	31.32	131,474
RMB	38,061	4.41	167,764	179,232	4.35	779,069
<u>Non-monetary items</u>	-	-	-	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$1,657,626	30.71	\$50,902,392	\$1,587,761	27.69	\$43,965,100
HKD	11,429	3.94	45,010	20,269	3.55	71,966
AUD	33,971	20.83	707,598	46,272	20.09	929,553
JPY	2,098,883	0.23	487,780	902,110	0.24	216,957
EUR	2,355	32.71	77,024	4,199	31.32	131,521
RMB	226,959	4.41	1,000,389	253,507	4.35	1,101,918
<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, 2022 and 2021 were NTD (97,203) thousand and NTD (217,619) thousand, respectively.

(8) Others

Due to the outbreak of Russo-Ukrainian War in the first quarter of 2022, credit rating agencies have downgraded the sovereign rating of Russia, which has increased the credit risk of financial instruments in the Company's investment in Russia. When preparing the financial report, the Company has considered the relevant impacts and made appropriate provision for impairment. However, the assessment is that the overall economic environment has no material impact on the Company's financial condition and capability as a going concern.

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 "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.

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

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:

Tier 1 Capital:

- (1) 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.

- (2) 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 fair value and 45% of the unrealized benefits of the financial assets measured at FVTOCI, 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

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

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) Legal capital is managed 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 Company'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, 2022 and 2021 were 14.33% and 16.31%, 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) 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.

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

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.
 - (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) 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.
 - (7) Maturity date structure analysis table: Please refer to Table 10 and Table 10-1.
 - (8) Capital adequacy: Please refer to Table 11.

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

XVII. Operation Department Information

The Company has the operation department 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

2022.01.01~2022.12.31

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%	1,660,146	245,286	137,711	-	137,711	100.00%	
King's Town International Construction Management Co., Ltd	Taiwan	Construction Management	100.00%	27,128	13,769	1,000	-	1,000	100.00%	
King's Town Securities Co., Ltd.	Taiwan	Securities brokerage	100.00%	1,013,424	(18,902)	90,000	-	90,000	100.00%	

Explanation:

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 funds	Borrower of funds	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 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	549,971	549,659	519,659	5%~16%	1	500		5,358	Real estate	501,315	2,100,551	16,804,406
1	King's Town Bank International Leasing Co., Ltd	Company B	Accounts Receivable	No	500,000	500,000	300,000	5%~16%	1	500		3,140	Real estate	238,717	2,100,551	16,804,406
1	King's Town Bank International Leasing Co., Ltd	Company C	Accounts Receivable	No	500,000	452,000	452,000	5%~16%	1	500		4,579	Real estate	527,508	2,100,551	16,804,406
1	King's Town Bank International Leasing Co., Ltd	Company D	Accounts Receivable	No	418,000	418,000	418,000	5%~16%	1	80,000		4,305	Real estate	201,464	2,100,551	16,804,406
1	King's Town Bank International Leasing Co., Ltd	Company E	Accounts Receivable	No	400,000	400,000	300,000	5%~16%	1	100		3,270	Real estate	436,882	2,100,551	16,804,406
1	King's Town Bank International Leasing Co., Ltd	Company F	Accounts Receivable	No	396,000	395,942	395,942	5%~16%	1	4,000		4,011	Real estate	509,815	2,100,551	16,804,406
1	King's Town Bank International Leasing Co., Ltd	Other customers	Accounts Receivable	No	7,750,914	4,476,829	3,692,128	5%~16%	1	1,056,860		45,134	No/Movable property/Real estate	5,742,065	2,100,551	16,804,406
1	King's Town Bank International Leasing Co., Ltd	Other customers	Accounts Receivable	No	530,316	430,353	255,353	5%~16%	2	-	Operation needs	5,736	No/Real estate	534,479	350,092	560,147

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: The investee, King's Town International Leasing Co., Ltd., has granted loans to 109 customers; however, a detailed list has not been prepared as no individual loan amount exceeds 5% of the total loaned.

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	12,416	103,548	0.75%	103,548	
King's Town Bank International Leasing Co., Ltd	Hoyii Life Co., Ltd.	-	Financial assets measured at FVTOCI	526	2,479	2.49%	2,479	
King's Town Bank International Leasing Co., Ltd	Cathay No. 1 Real Estate Investment Trust (Trustee - Land Bank)	-	Financial assets measured at FVTOCI	8,064	145,805	-	145,805	
King's Town Bank International Leasing Co., Ltd	Forest Water Environmental Engineering Co., Ltd.	-	Financial assets measured at FVTPL	3,758	103,346	2.61%	103,346	
King's Town Bank International Leasing Co., Ltd	Radium Life Tech Co., Ltd.	-	Financial assets measured at FVTPL	1,530	13,969	0.17%	13,969	
King's Town Bank International Leasing Co., Ltd	Mirle Automation Corporation	-	Financial assets measured at FVTPL	1,163	44,020	0.59%	44,020	
King's Town Bank International Leasing Co., Ltd	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Financial assets measured at FVTPL	185	82,973	-	82,973	
King's Town Bank International Leasing Co., Ltd	WPG Holdings	-	Financial assets measured at FVTPL	830	39,923	0.05%	39,923	
King's Town Bank International Leasing Co., Ltd	YAGEO Corporation	-	Financial assets measured at FVTPL	48	21,537	0.01%	21,537	
King's Town Bank International Leasing Co., Ltd	Gloria Material Technology Corp.	-	Financial assets measured at FVTPL	1,000	37,150	0.22%	37,150	
King's Town Bank International Leasing Co., Ltd	Lian Ding Capital Investment Limited Partnership	-	Financial assets measured at FVTPL	-	196,539	10.23%	196,539	
King's Town Securities Co., Ltd.	Taiwan Futures Exchange	-	Financial assets measured at FVTOCI	227	18,751	0.05%	18,751	
King's Town Securities Co., Ltd.	Cathay No. 1 Real Estate Investment Trust (Trustee - Land Bank)	-	Financial assets measured at FVTOCI	16,100	291,088	-	291,088	

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	7.03%
Tien-Tsan Tsai	72,752,033	6.54%
Hsinray Investment Co., Ltd.	55,563,869	5.00%

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, 2022					December 31, 2021				
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	\$28,338	\$145,467,588	0.02%	\$ 2,152,522	7,595.89%	\$28,444	\$125,157,157	0.02%	\$1,925,833	6,770.61%
	Unsecured	-	83,022,009	-	1,149,618	-	-	65,274,322	-	937,778	-
Consumer banking	Residential mortgage loans (Note 4)	8,055	13,620,582	0.06%	218,737	2,715.54%	5,976	14,822,471	0.04%	246,805	4,129.94%
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small credit loans (Note 5)	274	128,554	0.21%	3,171	1,157.30%	283	137,637	0.21%	3,345	1,181.98%
	Others (Note 6)	Secured	3,649	3,626,127	0.10%	51,461	1,410.21%	3,591	4,084,565	0.09%	55,330
	Unsecured	-	46,182	-	622	-	-	50,572	-	698	-
Total amount		\$40,316	\$245,911,042	0.02%	\$3,576,131	8,870.25%	\$38,294	\$209,526,724	0.02%	\$3,169,789	8,277.51%
		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%	\$469	\$469	100.00%	\$337	71.86%
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 Jin-Guan-Yin-(IV)-Zi Letter No. 0944000378, dated July 6, 2005.

Note 2: Non-performing loan ratio = Non-performing loans/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. These are also subject to Jin-Guan-Yin-(IV)-Zi Official Letter No. 09440010950 dated, dated December 19, 2005.

Note 6: "Other" consumer finance refers to secured or unsecured consumer finance loans other than 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 Jin-Guan-Yin-(V)-Zi 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, 2022		December 31, 2021	
	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)	\$1,285	\$ 19	\$2,007	\$28
Performance of debt clearance program and rehabilitation program (Note 2)	4,308	3	5,787	12
Total	\$ 5,593	\$ 22	\$7,794	\$40

Note 1: FSC Letter Jin-Guan-Yin-(I)-Zi No. 09510001270, dated April 25, 2006, concerns matters to be disclosed additionally according to the credit reporting methods and information disclosure requirement of cases approved according to the Unsecured Debt Negotiation Mechanism for Consumer Finance Cases of the Bankers Association of the Republic of China.

Note 2: FSC Letter Jin-Guan-Yin-(I)-Zi No. 09700318940 dated September 15, 2008 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, 2022		
Ranking (Note 1)	Industry that Company or Group is engaged in (Note 2)	Total balance of loan (Note 3)	Ratio of the current net value (%)
1	Company (Group) A - Construction engineering business	7,820,450	18.44%
2	Company (Group) B - Unclassified other financial service business	4,852,891	11.44%
3	Company (Group) C - Unclassified other financial service business	4,806,039	11.33%
4	Company (Group) D - Glass container manufacturing business	4,684,000	11.04%
5	Company (Group) E - Real estate development business	4,355,888	10.27%
6	Company F - Other holding business	3,684,960	8.69%
7	Company (Group) G - Power supply business	3,586,609	8.46%
8	Company (Group) H - Real estate development business	3,492,280	8.23%
9	Company (Group) I - Unclassified other financial service business	3,217,655	7.59%
10	Company (Group) J—Wholesale of metal building materials	3,072,800	7.24%

Note 1: Ranked according to the total credit balance of the debtors. Please list the names of the top 10 debtors that are not government agencies or state-owned enterprises. If the debtor is an enterprise of the Group, the credit amount of 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 under 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 the 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, 2021		
Ranking (Note 1)	Industry that Company or Group is 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 10 debtors that are not government agencies or a state-owned enterprises. If the debtor is an enterprise of the Group, the credit amount of 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 under 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 the 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 8

Interest Rate Sensitive Assets and Liabilities Analysis Table (NTD)

2022.1.1~2022.12.31

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	\$258,039,749	\$2,508,728	\$613,622	\$38,090,947	\$299,253,046
Interest rate sensitivity liabilities	242,486,972	8,317,666	15,603,847	1,191,017	267,599,502
Interest rate sensitivity gap	15,552,777	(5,808,938)	(14,990,225)	36,899,930	31,653,544
Net value					45,513,749
Interest rate sensitivity assets and liabilities rate					111.83
Interest rate sensitivity gap and net value rate					69.55

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

- 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)

2022.1.1~2022.12.31

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	\$421,075	\$7,099	\$8,680	\$1,093,095	\$1,529,949
Interest rate sensitivity liabilities	1,489,977	29,924	129,183	-	1,649,084
Interest rate sensitivity gap	(1,068,902)	(22,825)	(120,503)	1,093,095	(119,135)
Net value					(100,854)
Interest rate sensitivity assets and liabilities rate					92.78
Interest rate sensitivity gap and net value rate					118.13

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

- 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		2022.12.31	2021.12.31
Return on Assets (ROA)	Before tax	0.81	1.97
	After tax	0.63	1.71
Return on Equity (ROE)	Before tax	6.29	13.54
	After tax	4.84	11.80
Net profit rate		44.21	56.50

- 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)

2022.12.31

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	\$322,369,816	\$74,605,730	\$20,302,096	\$23,309,351	\$65,670,661	\$138,481,978
Outward remittance of due fund	362,016,137	55,514,187	48,033,788	47,264,533	54,627,103	156,576,526
Period difference	(39,646,321)	19,091,543	(27,731,692)	(23,955,182)	11,043,558	(18,094,548)

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)

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)

2022.12.31

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	\$1,639,473	\$183,423	\$9,134	\$8,425	\$23,776	\$1,414,715
Outward remittance of due fund	1,622,865	939,124	465,918	30,190	129,888	57,745
Period difference	16,608	(755,701)	(456,784)	(21,765)	(106,112)	1,356,970

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	35,821	(497,265)	(458,952)	(140,363)	43,409	1,088,992

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, 2022	December 31, 2021
Self-owned capital	Common stock equity		42,302,701	\$44,853,404
	Other Tier 1 Capital		-	-
	Tier 2 Capital		3,648,652	3,167,981
	Self-owned capital		45,951,353	48,021,385
Total risk-weighted assets	Credit Risk	Standardized approach	287,786,905	249,367,841
		Internal ratings-based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	15,056,024	16,007,478
		Standard Method/Selective Standard Method	-	-
		Advanced Measurement Method	-	-
	Market Risk	Standardized approach	17,859,960	29,120,643
		Internal models approach	-	-
Total risk-weighted assets			320,702,889	294,495,962
Capital adequacy ratio			14.33%	16.31%
Ratio of Common Stock Equity to Risk-Based assets			13.19%	15.23%
Ratio of Tier 1 capital to Risk-Based Assets			13.19%	15.23%
Leverage ratio			10.99%	12.84%

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.
 - Ratio of Tier 1 capital to risk-based 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

Account Item	No./Index
Statements of Assets, Liabilities and Equity Items	
Cash and cash equivalents	Note VI.1
Due from the Central Bank and call loans to other banks	Note VI.2
Financial assets measured at FVTPL	Statement 1
Financial assets measured at FVTOCI	Statement 3
Statement of Investment of debt instruments at amortized cost	Statement 5
Receivables	Note VI.6
Discounts and loans	Statement 2
Investment under the equity method	Statement 4
Other financial assets	Note VI.9
Statement of changes in property and equipment accumulated depreciation and impairment	Note VI.10
Statement of changes in right-of-use assets	Statement 6
Statement of changes in accumulated depreciation of right-of-use assets	Statement 7
Deferred income tax assets and liabilities	Note VI.29
Other assets	Note VI.11
Deposits from the Central Bank and other banks	Note VI.12
Funds borrowed from Central Bank and other banks	Note VI.13
Financial liabilities measured at FVTPL	Note VI.14
Securities sold under agreements to repurchase	Note VI.15
Payables	Note VI.16
Deposits and remittances	Statement 8
Statement of lease liabilities	Statement 9
Provisions	Note VI.18
Other liabilities	Note VI.20
Profit and Loss Statements	
Interest revenue	Statement 10
Interest expenses	Statement 11
Net service fee income	Statement 12
Statement of changes in measure at fair value through profit and loss	Statement 13
Statement of loss or gain on reversal of assets impairment	Statement 14
Other non-interest net income	Statement 15
Business and administrative expenses	Statement 16
Statement of employee benefits expenses	Statement 17

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
From January 1 to December 31, 2022

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	-	9,905 thousand shares	NTD 10	\$99,050	-	\$1,091,739	\$(179,000)	29.9-797	\$912,739	
Government bonds	2026/9/7-2052/5/20	-	-	33,100,000	0.5-2.0	32,847,085	(242,951)	93.95-109.30	32,604,134	
Financial bonds	2030/8/7			1,100,000	0.71	1,100,000	(6)	100.000	1,099,994	
Foreign exchange contracts	-	-	-	-	-	-	7,389	-	7,389	
Subtotal						35,038,824	(414,568)		34,624,256	
Overseas financial instruments										
Bonds	2027/4/6-2100/3/22		-	2,303,100	2.55-4.95	2,106,375	(23,313)	USD82.6-98.2	2,083,062	
Subtotal						2,106,375	(23,313)		2,083,062	
Total						\$37,145,199	\$(437,881)		\$36,707,318	

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
From January 1 to December 31, 2022

Unit: NTD thousand

Item	Amount	Note
Short-term loans	\$23,553,460	
Short-term secured loans	62,753,788	
Mid-term loans	49,044,961	
Mid-term secured loans	49,579,731	
Long-term loans	11,193,473	
Long-term secured loans	49,630,830	
Others	154,799	
Total	245,911,042	
Less: allowance for bad debt	(3,576,131)	
Net	<u>\$242,334,911</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 measured at FVTOCI
December 31, 2022

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	-	200 thousand shares	NTD 10	\$2,000	-	\$118,677	\$-	\$(28,977)	448.50	\$89,700	
Stocks – non-listed	-	43,946 thousand shares	-	-	-	1,540,754	-	1,986,493	5.82-93.07	3,527,247	
Subtotal						1,659,431	-	1,957,516		3,616,947	
Debt instruments measured at FVOCI											
Government bonds	2023/2/18-2032/10/17	-	-	5,500,000	0.38-2.50	5,521,383	-	(86,807)	93.45-104.28	5,434,576	
Corporate bonds	2022/4/5-2166/6/15	-	-	34,230,029	0.75-8.38	35,035,969	-	(3,436,199)	USD27.33-116.44	31,599,770	
Financial bonds	2023/11/21-2052/6/15	-	-	2,963,322	2.16-6.80	2,999,058	-	(1,357,591)	USD6.50-99.55	1,641,467	
Subtotal						43,556,410	-	(4,880,597)		38,675,813	
Total						\$45,215,841	\$-	\$(2,923,081)		\$42,292,760	

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
From January 1 to December 31, 2022

Unit: NTD thousand / thousand shares

Investee company	Balance on January 1, 2022		Increase in the period		Decrease in the period		Balance on December 1, 2022			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	123,947	\$1,400,367	13,764 (Note 3)	\$245,286 (Note 1) 14,493 (Note 2)	-	\$-	137,711	100%	\$1,660,146	-	\$1,660,146	None	
King's Town Securities Co., Ltd.	90,000	1,029,354		2,972 (Note 2)	-	(18,902) (Note 1)	90,000	100%	1,013,424	-	1,013,424	None	
Total		<u>\$2,429,721</u>		<u>\$262,751</u>		<u>\$(18,902)</u>			<u>\$2,673,570</u>		<u>\$2,673,570</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: 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
From January 1 to December 31, 2022

Unit: NTD thousand

	Summary	Units	Book value	Total amount	Interest rate	Acquisition cost	Accumulated impairment	Book value	Note
Central Bank convertible certificates of deposit	-	-	-	\$17,600,000	0.705%~0.965%	\$17,600,000	\$(1,545)	\$17,598,455	
Total				<u>\$17,600,000</u>		<u>\$17,600,000</u>		<u>\$17,598,455</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, 2022

Unit: NTD thousand

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance	Note
Buildings and structures	\$452,262	\$35,077	\$(9,629)	\$477,710	
Other equipment	6,102	6,676	(6,102)	6,676	
Total	<u>\$458,364</u>	<u>\$41,753</u>	<u>\$(15,731)</u>	<u>\$484,386</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, 2022

Unit: NTD thousand

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance	Note
Buildings and structures	\$123,835	\$79,335	\$(9,629)	\$193,541	
Other equipment	4,992	1,555	(6,102)	445	
Total	<u>\$128,827</u>	<u>\$80,890</u>	<u>\$(15,731)</u>	<u>\$193,986</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
From January 1 to December 31, 2022

Unit: NTD thousand

Item	Amount	Note
Check deposits	\$1,878,130	
Cashier's check	1,596,195	
Demand deposits	45,685,349	
Foreign currency demand deposits	6,124,966	
Time deposits	50,363,138	
Convertible certificate of deposit	1,076,000	
Foreign currency time deposits	22,673,234	
Demand saving deposits	91,804,266	
Staff demand saving deposits	552,489	
Regular savings deposit for lump sum payment	5	
Round-amount savings deposit for lump sum payment	4,017,582	
Withdrawals of interest savings deposit	58,412,420	
Outward remittances	7,737	
Total	<u>\$284,191,511</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
From January 1 to December 31, 2022

Unit: NTD thousand

Item	Summary	Lease term	Discount Rate	Ending balance	Note
Buildings and structures	Branch office	2 ~ 10 years	0.26%~1.94%	\$289,254	
Other equipment	Offsite backup equipment	5 years	0.26%~1.57%	6,233	
Total				<u>\$295,487</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, 2022

Unit: NTD thousand

Item	Amount	Note
Security investment interest income	\$1,896,093	
Interests of due from Central Bank	33,027	
Interests of due from other banks	3,359	
Interests of lend to other banks	8,214	
Interests of short-term loan	562,410	
Interests of short-term guarantee	1,333,870	
Interests of mid-term loan	1,304,518	
Interests of mid-term guarantee	1,192,928	
Interests of long-term loan	280,459	
Interests of long-term guarantee	1,015,915	
Miscellaneous interests	37,854	
Total	<u>\$7,668,647</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, 2022

Unit: NTD thousand

Item	Amount	Note
Interest expense of funds borrowed from other banks	\$195	
Interests of securities sold under agreements to repurchase	279,267	
Interbank offered interests	317,456	
Time deposit interests	283,334	
Foreign currency time deposit interests	330,683	
Demand deposit interests	216,579	
Round-amount deposit interests	36,261	
Withdrawals of interest deposit interests	551,818	
Miscellaneous interests	96,243	
Total	<u>\$2,111,836</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, 2022

Unit: NTD thousand

Item	Amount	Note
Service fee income		
Remittance fee income	\$46,133	
Guarantee service fee income	148,999	
Trust business income	68,903	
Joint loan income	50,792	
Financing usage fee	1,377,355	
Insurance agency income	201,505	
Change in credit conditions service fee	1,849	
Startup fee	138,829	
Miscellaneous service fee	176,855	
Subtotal	<u>2,211,220</u>	
Service fee expenses		
Inter-bank service fee	11,778	
Trust service fee	580	
Credit card service fee	1,056	
Remittance fee expenditures	1,927	
Letter of inquiry for ticket booking fee	1,329	
Miscellaneous service fee	33,143	
Subtotal	<u>49,813</u>	
Net service fee income	<u><u>\$2,161,407</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, 2022

Unit: NTD thousand

Item	Amount	Note
Realized		
Stock investment	\$(603,839)	
Bond investment	327,627	
Derivatives	444,344	
Others	47,343	
Unrealized		
Stock investment	(420,749)	
Bond investment	(1,105,387)	
Derivatives	(46,161)	
Others	(52,264)	
Total	<u><u>\$(1,409,086)</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.
 14. Statement of loss or gain on reversal of assets impairment
 From January 1 to December 31, 2022

Unit: NTD thousand

Item	Amount of impairment loss	Amount of gain on reversal	Note
Debt instrument measured at FVTOCI	\$(1,368,055)	\$104,247	
Debt instrument measured at amortized cost	(566)	1	
Total	<u>\$(1,368,621)</u>	<u>\$104,248</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, 2022

Unit: NTD thousand

Item	Amount	Note
Other non-interest revenue		
Rental revenue	\$16,351	
Gain on property transactions	3,420	
Others	32,869	
Subtotal	<u>52,640</u>	
Other non-interest loss		
Loss on disposal of assets	184	
Others	2,033	
Subtotal	<u>2,217</u>	
Net	<u><u>\$50,423</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.
16. Statement of business and administrative expenses
From January 1 to December 31, 2022

Unit: NTD thousand

Item	Amount	Note
Lease expenditures	\$5,398	
Repair expenses	21,411	
Utility expenses	16,204	
Insurance expenses	74,764	
Tax expenses	409,481	
Entertainment expenses	23,893	
Membership expenses	34,783	
Consumption expenses	40,519	
Professional service expenses	92,852	
Other Expenses	139,434	
Total	<u>\$858,739</u>	

King's Town Bank Co., Ltd.
17. Statement of employee benefits expenses
From January 1 to December 31, 2022

Unit: NTD thousand

Item	Amount				Note
	Employee benefits expenses	Non-interest net income	Other business and administrative expenses	Total	
Salaries and wages	\$900,919	\$-	\$-	\$900,919	
Labor insurance and national health insurance	76,709	-	-	76,709	
Pension expenses	35,696	-	-	35,696	
Director remuneration	17,999	-	81	18,080	
Other employee benefits expenses	38,379	-	-	38,379	
Total	\$1,069,702	\$-	\$81	\$1,069,783	

Note:

1. The number of employees of the Company for the current year and the previous year was 1,001 and 971, respectively, of which 7 were directors who were not concurrently serving as employees for both years.
2. The average employee benefits expense was NTD 1,058 thousand for this year ($[(\text{Total employee benefit expenses for the current year} - \text{Total directors' remuneration}) / (\text{Number of employees for the current year} - \text{Number of directors who do not serve as employees})]$).

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

3. The average employee benefits expense was NTD 1,069 thousand for the previous year ([Total employee benefit expenses for the previous year - Total directors' remuneration] / [Number of employees for the previous year - Number of directors who do not serve as employees]).
4. The average employees' salary expense was NTD 906 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 920 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 -1.52%. ([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).
7. 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.
8. 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

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

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 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



