

Stock code: 2809

King's Town Bank Co., Ltd.

2021 Annual Shareholders' Meeting

# Meeting Handbook

Time: 9:00 a.m. on Tuesday, May 18, 2021

Place: 14F., No.506, Sec. 1, Ximen Rd., West Central Dist., Tainan City

# Table of Contents

	Page(s)
I. Meeting Agenda .....	1
Reporting Items .....	2
Proposals for Ratification .....	3
Proposals for Discussion .....	4
Extempore Motion .....	4
Adjournment .....	4
II. Attachments	
1. 2020 Business Report .....	5
2. Audit Committee’s Review Report on the 2020 Financial Statements ....	8
3. Amendment to the “Code of Ethical Conduct” .....	9
4. Amendment to the “Regulations Governing Transfer of Repurchased Shares to Employees” .....	17
5. 2020 Financial Statements .....	19
6. 2020 Earnings Distribution .....	39
7. Comparison Table for the “Rules of Procedure for Shareholders’ Meetings” .....	40
8. Comparison Table for the “Procedures for Election of Directors” .....	43
III. Appendices	
1. Rules of Procedure for Shareholders’ Meetings .....	50
2. King’s Town Bank Articles of Incorporation .....	58
3. Shareholdings of the Board of Directors .....	66

# King's Town Bank Co., Ltd.

## Agenda of 2021 Annual Shareholders' Meeting

Time: 9:00 a.m. on Tuesday, May 18, 2021

Place: King's Town Bank Co., Ltd.'s headquarters, 14F., No.506, Sec. 1, Ximen Rd., West Central Dist., Tainan City

- I. Call the Meeting to Order (Number of shares reported on attendance)
- II. Chairman's Remarks
- III. Report Items
  - 1. 2020 Business Report
  - 2. Audit Committee's Review Report on the 2020 Financial Statements
  - 3. Report on the Distribution of Remuneration for Employees and Directors of 2020
  - 4. Acquisition of Wan Tai Securities Corporation
  - 5. Amendment to the "Code of Ethical Conduct"
  - 6. Amendment to the "Regulations Governing Transfer of Repurchased Shares to Employees"
- IV. Proposals for Ratification
  - 1. 2020 Financial Statements
  - 2. 2020 Earnings Distribution
- V. Proposals for Discussion
  - 1. Amendment to the "Rules of Procedure for Shareholders' Meetings"
  - 2. Amendment to the "Procedures for Election of Directors"
- VI. Extempore Motion
- VII. Adjournment

## Reporting Items

1. 2020 Business Report (Please refer to Attachment 1 on page 5-6 of this Handbook)
2. Audit Committee's Review Report on the 2020 Financial Statements (Please refer to Attachment 2 on page 8 of this Handbook)
3. Report on the Distribution of Remuneration for Employees and Directors of 2020

Explanation:

On February 22, 2021, the Board of Directors of the Company approved the total amount and distribution of 2020 remuneration for employees and Directors to be paid in cash, as listed in the following table.

Item	Amount (Unit: NT\$)	Ratio to the Revenue (%)
Employees' Remuneration	630,000	0.01%
Directors' Remuneration	0	0%

4. Acquisition of Wan Tai Securities Co., Ltd

Explanation:

- (I) In order to provide customers with more comprehensive and diversified financial services, the Company acquired the equity of Wan Tai Securities Co., Ltd. (hereinafter referred to as "Wan Tai Securities") in accordance with Article 30, paragraph 1 of Business Mergers And Acquisitions Act and relevant regulations. With reference to the price reasonableness opinion issued by appointed independent expert, CPA Chiu Fang Cai of Qinxin Certified Public Accountants, the Company fixed the acquisition price at NT\$16.11 per share. The price was within the reasonable price range of NT \$9.45 to NT \$18.41 per share assessed by the independent expert, and the Audit Committee has determined that the acquisition price is reasonable.
- (II) The Company obtained a full stake in Wan Tai Securities on January 5, 2021. Since then, Wan Tai Securities is a 100% owned subsidiary of the Company.
- (III) The acquisition was approved by Financial Supervisory Commission with its approval letter No. 1090146571 on October 27, 2020.

5. Amendment to the "Code of Ethical Conduct"

Explanation:

- (I) Based on the Letter No. 10900094681 issued by TWSE on June 3, 2020 and with reference to the relevant regulations on corporate governance principles for TWSE/TPEX Listed Companies, the Company's "Code of Ethical Conduct" has been amended.
- (II) A comparison table of amendments is attached. (Please refer to Attachment 3 on page 9-16 of this Handbook)

6. Amendments to the “Regulations Governing Transfer of Repurchased Shares to Employees”

Explanation:

- (I) Article 7 of the Company’s “Regulations Governing Transfer of Repurchased Shares to Employees” was amended in consideration of shareholders’ rights and interests, so the Company will transfer repurchased shares to employees at a price higher than the average price of the actual repurchased shares as the agreed transfer price per share.
- (II) A comparison table of amendments is attached. (Please refer to Attachment 4 on page 17-18 of this Handbook)

## **Proposals for Ratification**

1. Adoption of 2020 Financial Statements (Proposed by the Board of Directors)

Explanation:

- (I) The Company’s 2020 Financial Statements and Consolidated Financial Statements have been audited by Ernst & Young. The aforesaid Financial Statements together with the Business Report were reviewed by the Audit Committee, by which a Review Report is presented.
- (II) Attachments:
  - 1. Business Report (Please refer to Attachment 1 on page 5-7 of this Handbook)
  - 2. Independent Auditors’ Report and Financial Statements (including Consolidated Financial Statements) (Please refer to Attachment 5 on page 19-38 of this Handbook)

Resolution:

2. Adoption of 2020 Earnings Distribution (Proposed by the Board of Directors)

Explanation:

- (I) The Company’s net profit after tax for the year for 2020 amounted to NT\$5,490,966,371. After allocating NT\$1,637,705,369 as the 30% legal reserve stipulated in accordance with Bank Act and Letter No.10802432410 issued by the Ministry of Economic Affairs on January 9, 2020, as well as NT\$4,719,550 as the special reserve stipulated in accordance with Order No. 10310006310 issued by Financial Supervisory Commission, the unappropriated earnings are NT\$15,962,726,076. The proposed cash dividends to shareholders is NT\$1.8 per common share, based on the total number of outstanding common shares. It is proposed that the Chairman of the Board of Directors shall be authorized to resolve the record date and ex-dividend date.
- (II) If the number of outstanding shares is affected by any situations leading to change in shareholder’s distribution ratios, the Chairman of the Board of Directors will be authorized to make relevant adjustments.
- (III) 2020 Earnings Distribution (Please refer to Attachment 6 on page 39 of this Handbook)

Resolution:

## **Proposals for Discussion**

1. Amendment to the “Rules of Procedure for Shareholders’ Meetings” (Proposed by the Board of Directors)

Explanation:

- (I) In accordance with Letter No. 10900094681 dated June 3, 2020 and Letter No. 11000014461 dated January 28, 2021 issued by TWSE, the Company’s “Rules of Procedure for Shareholders’ Meetings” have been amended.
- (II) A comparison table of amendments is attached. Please refer to Attachment 7 on page 40-42 of this Handbook for resolution.

Resolution:

2. Amendments to the “Procedures for Election of Directors” (Proposed by the Board of Directors)

Explanation:

- (I) In accordance with Letter No. 10900094681 dated June 3, 2020 issued by TWSE and with reference to the relevant regulations on corporate governance principles for TWSE/TPEX Listed Companies, the Company’s “Procedures for Election of Directors” have been amended.
- (II) A comparison table of amendments is attached. Please refer to Attachment 8 on page 43-49 of this Handbook for resolution.

Resolution:

**Extempore Motion:**

**Adjournment:**

## 2020 Business Report

The world has been ravaged by COVID-19 pandemic in 2020. Following the outbreak in the beginning of the year, countries around the world announced various isolation policies ranging from home quarantines, domestic lock-downs to border shutdowns, thus leading to near-stagnation of economies. Over time, people have accustomed to the “new normal” and adjusted routines to continue living and working amid the pandemic, preventing more severe economic impact. Coupled with various bail-out packages and policies such as offering financing options for affected industries, subsidizing domestic consumption, injecting liquidity into the market, etc. rolled out by local governments and central banks, pressure on the global economy was relieved. However, the battle against COVID-19 is far from over. In the medium and long term, the impact of economic slump will continue to pose as a challenge for all walks of life. Whether the benefits of the policies will gradually subside and whether more policies will be progressively introduced to stimulate the economic development remains to be seen.

With the support of customers and shareholders and the efforts of our employees, the Bank will stay on the course of improving its financial structure and providing more diverse and innovative product service offerings in the face of challenges. The Bank’s business results in 2020 and the business plan for 2021 are illustrated as follows:

### I. 2020 business plan implementation and results

#### i. Business strategy implementation and results

1. Profitability: The Bank’s after-tax net income in 2020 was NT\$5.5 billion with the after-tax return on assets of 1.81%.
2. Asset quality: Under prudent risk management and credit policy, the Bank’s asset quality has maintained a certain level. As of the end of 2020, the non-performing loan rate was 0.01%, and the bad debt coverage rate was 11,760.49%, way better than the average of the other banks.
3. Capital level: As of the end of 2020, the capital adequacy ratio was 16.23% and Category I capital ratio was 14.46%.
4. Awards: Ranked as top 5% of listed companies in the 5th Corporate Governance Evaluation of 2019.

#### ii. Implementation of operating income and expenditure budget and profitability analysis

1. Total deposit balance: NT\$226.9 billion
2. Total loan balance: NT\$187.8 billion
3. Net interest income: NT\$5,245,953 thousand
4. Net income other than interest: NT\$3,660,967 thousand
5. Bad debt expense: NT\$744,664 thousand

6. Operating expenses: NT\$1,899,734 thousand
7. Net income before tax of continuing business units: NT\$6,262,522 thousand
8. After-tax net income: NT\$5,490,971 thousand
9. Earnings per share: NT\$4.90



## II. Business plan for 2021

### i. Business strategies and important management policies

1. Train local management talents.
2. Improve quality and emphasis on risk control.
3. Create business opportunities through digital finance.
4. Realign structure and strengthen profitability.
5. Improve information defense capabilities.

### ii. Expected business goals

The Bank's expected business goals in 2021 are as follows:

1. Annual average value of total deposits in NTD and foreign currency: NT\$222.3 billion
2. Annual average value of total loans in NTD and foreign currency: NT\$186.9 billion
3. Non-performing loan rate (NPL): 0.01%

## III. Conclusion

In 2020, the COVID-19 pandemic disrupted everyone's lives and severely affected the global economy and trade, leading to negative growth in the economies, decline in global trade volume and spikes in unemployment rate, etc. Thanks to the support from loyal customers and shareholders, as well as the efforts of all employees, the Bank's profits did not decline due to the pandemic; on the opposite, it actually bucked the trend and achieved substantial growth. The trust and support of our customers is the driving force for the Bank to continuously strive to self-transform. Moving forward, the bank also endeavors to uphold the spirit of being customer-centric, provide the best products and services, generate greatest benefits for shareholders, and create a differentiated bank.

Chairman:  
Chen-Chih Tai

President:  
Jih-Cheng Chang

Accounting Supervisor:  
Yu-Hsuan Chen

King's Town Bank Co., Ltd.

Audit Committee's Review Report

The Company's 2020 individual and consolidated financial statements have been completely audited by Ernst & Young. The business report, financial statements and profit allocation proposal have been reviewed and determined to be correct and accurate by the undersigned, the Audit Committee members of King's Town Bank Co. Ltd. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To

King's Town Bank Co., Ltd. 2021 Annual Shareholders' Meeting

Audit Committee convener: Hung-Liang Chiang

February 22, 2021

## Comparison Table of Amendments to King's Town Bank Co., Ltd Code of Ethical Conduct

Amended Articles	Original Articles	Notes
King's Town Bank Co., Ltd. Code of Ethical Conduct	King's Town Bank Co., Ltd. Code of Ethical Conduct for Directors, Supervisors and Managers	The Bank has established Independent Directors. Accordingly, the relevant provisions of Supervisors are deleted, and title of the Code is amended.
1. Purpose and Basis In order to guide the Company's Directors and Managers (including President and Vice Presidents or their equivalents, deputy assistant managers or their equivalents, managers of Department of Treasury and Accounting, and other persons authorized to manage affairs and sign documents on behalf of the Company) to act in line with ethical standards, and to help interested parties better understand the ethical standards of such companies, the Company has stipulated the "Code of Ethical Conduct" ("the Code") in accordance to the Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEX Listed Companies issued by Taiwan Stock Exchange Cooperation for them to comply.	1. Purpose and Basis In order to guide the Company's Directors, Supervisors and Managers (including President and Vice Presidents or their equivalents, deputy assistant managers or their equivalents, managers of Department of Treasury and Accounting, and other persons authorized to manage affairs and sign documents on behalf of the Company) to act in line with ethical standards, and to help interested parties better understand the ethical standards of such companies, the Company has stipulated the "Code of Ethical Conduct" ("the Code") in accordance to the Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEX Listed Companies issued by Taiwan Stock Exchange Cooperation for them to comply.	The Bank has established Independent Directors. Accordingly, the relevant provisions of Supervisors are deleted.
2. The Code is applicable to the Company's Directors and Managers: i. Prevention of conflict of interests:	2. The Code is applicable to the Company's Directors, Supervisors and Managers: i. Prevention of conflict of interests:	The Bank has established Independent Directors. Accordingly, the relevant provisions of Supervisors are

<p><u>The Company's Directors and Managers shall conduct business in an objective and efficient way and are not allowed to obtain any illegitimate benefit for themselves, their spouses or relatives within the second degree of consanguinity through their position in the Company.</u></p> <p><u>When the Company has lending or borrowing agreements with a related company of any person mentioned in the preceding paragraph, or gives guarantee for, or has material asset transactions with, or business dealings with such related parties, the Company shall take the initiative to prevent conflicts of interest, and the Directors and Managers of the Company shall, in accordance to the "King's Town Bank Co., Ltd. Ethical Corporate Management Operational Procedures and Guidelines," voluntarily elaborate any possible conflict of interests between the Company and himself/herself.</u></p>	<ol style="list-style-type: none"> <li><u>1. The Directors, Supervisors and Managers shall prevent conflicts of interest when personal interest intervenes or is likely to intervene in the overall interest of the company, and perform their duties in an objective and efficient manner.</u></li> <li><u>2. The Directors, Supervisors and Managers are not allowed to obtain any illegitimate benefit for themselves, their spouses, parents, children or relatives within the second degree of consanguinity through their position in the Company.</u></li> <li><u>3. The loan of funds and/or guarantee for the affiliated enterprises of the persons referred to in the preceding paragraph, and the transaction of major assets shall be handled in accordance with the key points of the Company's credit policy and the procedures for obtaining or disposing of assets; if the loan exceeds the specified standards, it shall be</u></li> </ol>	<p>deleted.</p> <ol style="list-style-type: none"> <li>2. With reference to paragraph 1 (1) of Article 2 of the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEX Listed Companies," as both parents and children are relatives within the second degree of consanguinity, text amendments are made to paragraph 1 (1) of the Article, and paragraphs 1-3 of the article are merged and text amendments are made.</li> <li>3. With reference to paragraph 1 (5) of Article 2 of the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEX Listed Companies," text amendments are made to the text of paragraph 1 (5) of the Article.</li> <li>4. With reference to paragraph 1 (7) of Article 2 of the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEX Listed Companies," whistle-blowing</li> </ol>
--	---	---

<p>ii. Minimizing incentives to pursue personal gain: The Company's Directors and Managers shall avoid the following conduct:</p> <ol style="list-style-type: none"> <li>1. Seeking opportunities to pursue personal benefit through using the Company's properties, information or through their positions in the Company;</li> <li>2. Obtaining personal benefit through using the Company's properties, information or through their positions in the Company;</li> <li>3. Competing with the Company. When the Company has an opportunity for profit, it is the</li> </ol>	<p><u>voluntarily reported to the Board of Directors to explain whether there is any potential conflict of interest with the Company. Such transactions require the concurrence of at least three-quarters of all of the Company's Directors present at a Board of Directors meeting attended by at least two-thirds of the Directors:</u></p> <p>ii. Minimizing incentives to pursue personal gain: The Company's Directors, Supervisors and Managers shall avoid the following conduct:</p> <ol style="list-style-type: none"> <li>1. Seeking opportunities to pursue personal benefit through using the Company's properties, information or through their positions in the Company;</li> <li>2. Obtaining personal benefit through using the Company's properties, information or through their positions in the Company;</li> <li>3. Competing with the Company. When the Company has an opportunity for profit, it is the</li> </ol>	<p>mechanism is incorporated.</p>
--	--	-----------------------------------

<p>responsibility of the Directors and Managers to maximize the reasonable and proper benefits that can be obtained by the Company.</p> <p>iii. Confidentiality: The Directors and Managers shall be bound by the obligation to maintain the confidentiality of any information regarding the Company itself and its customers, except when authorized or required by law to disclose such information. Information to be kept confidential includes all undisclosed information which may be used by third parties or may harm the Company or customers if it is revealed.</p> <p>iv. Fair trade: The Directors and Managers shall treat all customers, competitors and employees based on the principle of ethics and reasonableness and shall not manipulate, hide or misuse information obtained through their positions, make misrepresentation on important matters or obtain illegitimate benefits through unfair trading.</p> <p>v. Proper protection and use of the Company's assets: <u>The Directors and Managers have the responsibility to safeguard company</u></p>	<p>responsibility of the Directors Supervisors or Managers to maximize the reasonable and proper benefits that can be obtained by the Company.</p> <p>iii. Confidentiality: The Directors, Supervisors and Managers shall be bound by the obligation to maintain the confidentiality of any information regarding the Company itself and its customers, except when authorized or required by law to disclose such information. Information to be kept confidential includes all undisclosed information which may be used by third parties or may harm the Company or customers if it is revealed.</p> <p>iv. Fair trade: The Directors, Supervisors and Managers shall treat all customers, competitors and employees based on the principle of ethics and reasonableness and shall not manipulate, hide or misuse information obtained through their positions, make misrepresentation on important matters or obtain illegitimate benefits through unfair trading.</p> <p>v. Proper protection and use of the Company's assets: The Directors, Supervisors and Managers have the responsibility to</p>	
---	--	--

<p><u>assets and to ensure that they can be effectively and lawfully used for official business purposes; any theft, negligence in care, or waste of the assets will all directly impact the Company's profitability.</u></p> <p>vi. Legal compliance: The Company's Directors and Managers shall comply with the Banking Act of the Republic of China, Securities and Exchange Act and other laws and regulations.</p> <p>vii. Encouraging reporting on illegal or unethical activities: The Company shall raise awareness of ethics internally and encourage employees to report to Independent Directors, Managers, chief internal auditors, or any appropriate individuals upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethical conduct. To encourage employees to report illegal conduct, it is advisable that the Company adopts reporting mechanisms and ensures employees are aware that the Company will use its best efforts to ensure the safety of informants and protect them from reprisals.</p> <p>viii. Disciplinary measures: When the Directors and Managers violate the code of ethical conduct, the Company shall</p>	<p>safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes; any theft, negligence in care, or waste of the assets will all directly impact the Company's profitability.</p> <p>vi. Legal compliance: The Company's Directors, Supervisors and Managers shall comply with the Banking Act of the Republic of China, Securities and Exchange Act and other laws and regulations.</p> <p>vii. Proactive reporting of any illegal or ethical conduct: The Company shall raise awareness of ethics internally and encourage employees to report to Supervisors, Managers, chief internal auditors, or any appropriate individuals upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethical conduct (in accordance to established procedures for handling reports), and the Company shall ensure the safety of informants.</p> <p>viii. Disciplinary measures: 1. When the Directors, Supervisors and Managers violate the</p>	
---	---	--

<p>handle the matter in accordance with the disciplinary measures prescribed in the Code, and shall without delay disclose on the Market Observation Post System (MOPS) the date of the violation, reasons for the violation, provisions of the code violated, and the disciplinary actions taken.</p> <p><u>The Company established an appeal system to provide the violator with remedies:</u></p> <ol style="list-style-type: none"> <li>1. <u>A Director or management level personnel with duties equivalent to that of Vice Presidents may appeal to an Independent Director to prove that he/she has not violated the Code;</u></li> <li>2. <u>A department manager may file a plea in accordance with the “Measures for the Establishment of the Personnel Appraisal Committee” of the Company.</u></li> </ol>	<p>code of ethical conduct, the Company shall handle the matter in accordance with the disciplinary measures prescribed in the Code, and shall without delay disclose on the Market Observation Post System (MOPS) the name and title of the violator, the date of the violation, reasons for the violation, the provisions of the code violated, and the disciplinary actions taken.</p> <p>Should an alleged violator claim to have not violated the Code, he/she may appeal to the Supervisors and provide evidence to prove it.</p> <ol style="list-style-type: none"> <li>2. <u>If the Board of Directors approves the exemption mentioned in the preceding paragraph, it shall be handled in accordance with the procedure applicable to the exemption.</u></li> </ol>	
<ol style="list-style-type: none"> <li>3. Procedures for exemption Any exemption for Directors or Managers from compliance with the Code shall be adopted by a resolution of the Board of Directors,</li> </ol>	<ol style="list-style-type: none"> <li>3. Procedures for exemption Any exemption for Directors, Supervisors or Managers from compliance with the Code shall be adopted by a resolution of the Board of Directors,</li> </ol>	<p>The Bank has established Independent Directors. Accordingly, the relevant provisions of Supervisors are deleted, and text amendments are made with reference to the “Guidelines</p>



<p>and that information on the name and title of the person entitled to such exemption, opposition or reservations by the Independent Directors, the date on which the Board of Directors adopted the resolution for exemption, and the period of, reasons for, and principles behind the application of the exemption be disclosed without delay on the MOPS, in order that the shareholders may evaluate the appropriateness of the Board resolution to forestall any arbitrary or dubious exemption from the code, and to safeguard the interests of the Company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.</p>	<p>and that information on the name and title of the person entitled to such exemption, the date on which the Board of Directors adopted the resolution for exemption, and the period of, reasons for, and principles behind the application of the exemption be disclosed without delay on the MOPS to safeguard the interests of the Company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.</p>	<p>for the Adoption of Codes of Ethical Conduct for TWSE/TPEX Listed Companies.”</p>
<p>4. Method of disclosure The Company shall disclose the Code it has adopted, and any amendments to it, on its corporate website, annual reports and prospectuses and on the MOPS.</p>	<p>4. Method of disclosure The Company shall disclose the Code it has adopted, and any amendments to it, on its annual report, prospectuses and MOPS.</p>	<p>With reference to the “Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEX Listed Companies,” new methods of disclosure are added.</p>
<p>5. Enforcement The Code, and any amendments to it, shall be implemented after the approval of the Audit Committee and the resolution of the Board of</p>	<p>5. Enforcement The Code, and any amendments to it, shall be implemented after the approval of the Board of Directors, and reported to</p>	<p>The Bank has established Independent Directors. Accordingly, the relevant provisions of Supervisors are replaced with Audit Committee.</p>

Directors, and reported to the shareholders' meeting.	Supervisors and the shareholders' meeting.	
---	--	--

## Amendment to the “Regulations Governing Transfer of Repurchased Shares to Employees by King’s Town Bank Co., Ltd.”

Amended Articles	Original Articles	Notes
<p>(Articles 1 to 6 are omitted)</p> <p>Article 7:</p> <p>The transfer of repurchased shares to employees shall be based on the actual average repurchase price (hereinafter referred to as “average price”) as the agreed transfer price per share. If the closing price of the Bank’s shares on the trading day prior to the resolution of the Board of Directors for the share repurchase is higher than the average price, the Board of Directors shall, on the basis of considerations such as shareholders’ equity or cost of capital, use 99.5% of the closing price on the previous trading day of the Board meeting as the agreed transfer price per share. However, in the event of an increase in the Bank’s issued common stock shares before the transfer, it may be adjusted proportionally to the increase in the number of shares issued.</p> <p><u>If the shares are transferred to employees at a price lower than the average price, prior to the transfer, it should be presented in the most recent shareholders’ meeting with shareholders representing the</u></p>	<p>(Article 1 to 6 are omitted)</p> <p>Article 7:</p> <p>The transfer of repurchased shares to employees is based on the actual average repurchase price as the transfer price. However, in the event of an increase in the Bank’s issued common stock shares before the transfer, it may be adjusted proportionally to the increase in the number of shares issued. Or, in accordance with the provisions of the Company’s Articles of Incorporation, it is transferred to employees at a price lower than the actual average purchase price; also, prior to the transfer, it should be presented in the most recent shareholders’ meeting with shareholders representing the majority shares in attendance and with the consent of the attending shareholders representing more than two thirds of the voting shares. The matters stated in Article 10-1 of the “Regulations Governing Share Repurchased by Exchange-Listed and OTC-Listed Companies” should be illustrated in the “Reason for Convening the Shareholders Meeting” for further processes.</p>	<p>In consideration of shareholders’ equity, it is established that the agreed transfer price per share as the average price shall be higher than the actual price of the shares the Bank repurchased and transferred to employees.</p>

<u>majority shares in attendance and</u> <u>with the consent of the attending</u> <u>shareholders representing more than</u> <u>two thirds of the voting shares. The</u> <u>matters stated in Article 10-1 of the</u> <u>“Regulations Governing Share</u> <u>Repurchased by Exchange-Listed</u> <u>and OTC-Listed Companies” should</u> <u>be illustrated in the “Reason for</u> <u>Convening the Shareholders</u> <u>Meeting” for further processes.</u> (Omitted)	(Omitted)	
--	-----------	--

## 2020 Financial Statements

### Independent Auditors' Report

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, 2020 and 2019, 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, 2020 and 2019.

In our opinion, the individual financial statements referred to above present fairly in all significant aspects of the financial position of King's Town Bank Co., Ltd. as of December 31, 2020 and 2019, and the results of its financial performance and cash flows for the year ended on December 31, 2020 and 2019 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 financial reports 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 responsibilities of auditors for the audit of the individual financial statements section. We are independent of King's Town Bank Co., Ltd. in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the financial statements of King's Town Bank Co., Ltd., and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matters**

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the individual financial statements of King's Town Bank Co., Ltd. in 2020. These matters were addressed in the context of our audit of the individual financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

### Financial instrument evaluation

King's Town Bank Co., Ltd. invests in different types of financial assets. As of December 31, 2020, the total financial assets measured at fair value were NT\$ 93,438,937 thousand, accounting for about 29% of total assets. Of which, for the investments classified in the Class II fair value hierarchy, including the derivative financial instruments of bonds and FX Swap contracts, there was a book value of NT\$ 42,130,155 thousand, accounting for 45% of the financial assets measured at fair value. Since the Class II investment evaluation is based on an internal evaluation model, the key input values are the yield rate and exchange rate, which have a significant impact on the estimation of fair value. Therefore, we consider it to be a "Key Audit Matter."

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

Please refer to Notes V, VI, VIII, 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, 2020, the book value of the loans of King's Town Bank Co., Ltd. was NT\$ 184,901,230 thousand, accounting for 58% of the total assets, which was significant for the financial statements and was subject to the assessment of expected credit losses as stipulated in IFRS 9 "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans." The assumptions adopted by the management in estimating the expected credit losses include the conditions for determining whether the credit risk is significantly increased, whether credit impairment has occurred, the selection and evaluation of the forward-looking factors, the probability of default (PD), the loss given default (LGD) parameters, etc., and involve a high degree of professional judgment. Therefore, we consider them to be "Key Audit Matters."

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

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

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

We did not audit the financial statements of certain investees furnished to the individual financial statements. The financial statements of these investees were audited by other independent accountants. Therefore, our opinions regarding to the amounts listed in such investee financial reports from the individual financial statements mentioned above are based on the audit report from other CPAs. The investments in the aforementioned investees under equity method as of December 31, 2020 were NT\$329,223 thousand, accounting for 0.1% of the total assets. The Company's share of profit of associates under equity method for the fiscal year 2020 was NT\$946 thousand accounting for 0.02% of the net income before tax. The Company's share of other comprehensive income of associates under equity method was NT\$5 thousand accounting for 0% of the net other comprehensive income.

## **Responsibilities of Management and Those in Charge with Governance of the Individual Financial Statements**

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a significant misstatement when it exists. Misstatement may arise from frauds or errors. If fraud or errors are considered significant, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements.

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

1. Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a significant misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control effective in King's Town Bank Co., Ltd.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and based on the audit evidence obtained, whether a significant uncertainty exists related to events or conditions that may cast significant doubt on King's Town Bank Co., Ltd. and its ability to continue as a going concern. If we conclude that a significant uncertainty exists, we are required to draw attention in auditor's report to the related disclosures in the individual financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause King's Town Bank Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall expression, structure, and content of the individual financial statements (including related notes) and whether the individual financial statements include the relevant transactions and events expressed adequately.
6. Obtain sufficient and appropriate audit evidence for the individual financial information of the Group to express an opinion on the individual financial statements. We are responsible for guiding, supervising, and implementing the audit of the Group. We remain solely responsible for our opinion.

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



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

We use the matters communicated with the governance unit to decide the Key Audit Matters for the audit of the 2020 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 communications.

Ernst & Young Global Limited  
The Securities and Futures Bureau of the Financial  
Supervisory Commission approved the financial report  
of the public offering company  
Auditing and Certification No.:  
Jin-Guan-Cheng-6-Zi No. 0950104133  
Jin-Guan-Cheng-Shen-Zi No. 1030025503

Shih-Chieh Huang

CPA

Cheng-Tao Chang

February 22, 2021

King's Town Bank Co., Ltd.  
Individual Balance Sheets  
December 31, 2020 and 2019

Unit: NTD thousand

Assets			December 31, 2020		December 31, 2019	
Code	Item	Note	Amount	%	Amount	%
10000	Assets					
11000	Cash and cash equivalents	IV/VI. 1	\$3,819,429	1	\$3,505,067	1
11500	Due from the central bank and call loans to banks	IV/VI. 2	12,542,608	4	11,162,682	4
12000	Financial assets measured at FVTPL	IV/VI. 3/VIII	44,721,848	14	34,733,596	13
12100	Financial assets measured at FVTOCI	IV/VI. 4, 26/VIII	48,717,089	15	50,810,145	18
12200	Debt instrument investments measured at amortized cost	IV/VI. 5, 26	18,897,382	6	17,698,135	6
12500	Securities purchased under agreements to resell	IV/VI. 6	200,248	-	150,022	-
13000	Receivables, net	IV/VI. 7	891,330	-	1,270,450	1
13500	Discounts and loans, net	IV/V/VI. 8	184,901,230	58	155,350,678	56
15000	Investments under the equity method, net	IV/VI. 9	1,167,990	-	699,890	-
15500	Other financial assets, net	IV/VI. 10	363	-	4,396	-
18500	Property, plant, and equipment, net	IV/VI. 11	3,373,133	1	2,706,831	1
18600	Right-of-use assets, net	III/IV/VI. 27	217,504	-	215,683	-
19300	Deferred income tax assets	IV/VI. 30	180,966	-	142,041	-
19500	Other assets, net	VI. 12	1,204,398	1	956,932	-
	Total assets		<u>\$320,835,518</u>	<u>100</u>	<u>\$279,406,548</u>	<u>100</u>

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

Chairman: Chen-Chih Tai

Manager: Jih-Cheng Chang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd.  
Individual Balance Sheets (continued)  
December 31, 2020 and 2019

Unit: NTD thousand

Liabilities and Equity			December 31, 2020		December 31, 2019	
Code	Item	Note	Amount	%	Amount	%
20000	Liabilities					
21000	Deposits from the Central Bank and other banks	IV/VI. 13	\$21,117,468	7	\$14,533,849	5
21500	Due to the Central Bank and banks	VI. 14	907,650	-	1,655,830	1
22000	Financial liabilities measured at FVTPL	IV/VI. 15	13,062	-	6,002	-
22500	Securities sold under agreements to repurchase	IV/VI. 16	21,990,934	7	28,218,020	10
23000	Payables	VI. 17	1,432,333	-	1,223,956	-
23200	Current income tax liabilities	IV/VI. 30	566,736	-	71,953	-
23500	Deposits and remittances	VI. 18	227,147,197	71	191,812,314	69
25600	Provisions	IV/VI. 19, 20, 26	394,957	-	383,414	-
26000	Lease liabilities	III/IV/VI. 27	219,898	-	217,256	-
29300	Deferred income tax liabilities	IV/VI. 30	299,314	-	135,832	-
29500	Other liabilities	VI. 21	164,512	-	216,613	-
	Total liabilities		274,254,061	85	238,475,039	85
31000	Equity	VI. 22				
31100	Share capital		11,212,343	3	11,312,343	4
31500	Capital surplus		55,622	-	56,095	-
32000	Retained earnings					
32001	Legal reserve		11,438,543	4	10,418,637	4
32003	Special reserve		115,319	-	538,481	-
32011	Unappropriated retained earnings		17,605,151	6	14,596,680	5
32500	Other equity interest	IV	6,252,901	2	4,107,695	2
32600	Treasury stock	IV	(98,422)	-	(98,422)	-
	Total equity		46,581,457	15	40,931,509	15
	Total liabilities and equity		\$320,835,518	100	\$279,406,548	100

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

Chairman: Chen-Chih Tai

Manager: Jih-Cheng Chang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd.  
Individual Statements of Comprehensive Income  
From January 1 to December 31, 2020 and 2019

Unit: NTD thousand

Code	Item	Note	2020		2019	
			Amount	%	Amount	%
41000	Interest revenue	IV	\$6,233,702	72	\$6,649,901	80
51000	Less: Interest expenses	IV	(1,217,287)	(14)	(2,046,344)	(25)
	Net interest income	VI. 23	5,016,415	58	4,603,557	55
	Non-interest net income					
49100	Net service fee income	IV/VI. 24	1,857,694	21	1,647,842	20
49200	Gain on financial assets and financial liabilities measured at FVTPL	IV/VI. 25	2,009,215	23	1,456,344	18
49310	Realized gain or loss on financial assets at FVTOCI	IV	306,334	4	128,683	2
49600	Net exchange (loss) gain	IV	(134,144)	(2)	181,050	2
47003	Profit in the subsidiary, affiliated company and joint ventures recognized under the equity method	IV	135,706	2	214,445	3
49700	Impairment loss on assets	IV/VI. 26	(512,890)	(6)	(27,311)	-
49800	Other non-interest net income	IV	30,515	-	75,647	-
	Net income		8,708,845	100	8,280,257	100
58200	Allowances for bad-debts, commitments and guarantees	IV/VI. 7, 8, 26	(636,327)	(7)	(2,553,305)	(31)
58400	Operating expenses					
58500	Employee benefits expenses	VI. 20, 28	(1,008,083)	(12)	(990,007)	(12)
59000	Depreciation and amortization expenses	IV/VI. 11, 28	(130,886)	(2)	(124,825)	(2)
59500	Other business and administrative expenses	IV	(702,348)	(8)	(766,569)	(9)
61000	Net income before taxes from continuing operations		6,231,201	71	3,845,551	46
61003	Income tax (expense)	IV/VI. 30	(740,235)	(8)	(445,864)	(5)
64000	Net income after tax		5,490,966	63	3,399,687	41
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		(2,903)	-	6,589	-
65204	Gain or loss on evaluation of equity instruments at FVTOCI		375,313	4	423,680	5
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		4,122	-	6,815	-
65220	Income tax expenses related to items that will not be reclassified subsequently to profit or loss		349	-	(19,752)	-
65300	Items that may be reclassified subsequently to profit or loss	IV/VI. 29, 30				
65301	Exchange differences on translation of foreign financial statements		(3,825)	-	(85,655)	(1)
65308	Gain or loss from debt instrument investment at FVTOCI		1,739,742	20	4,124,894	50
65320	Income tax related to components of other comprehensive income that will be reclassified to profit or loss		459	-	13,122	-
	Other comprehensive income (after tax)		2,113,257	24	4,469,693	54
66000	Total comprehensive income (after tax)		\$7,604,223	87	\$7,869,380	95
	Earnings per share (NTD)	VI. 31				
67500	Basic earnings per share		\$4.90		\$2.99	
67700	Diluted earnings per share		\$4.90		\$2.99	

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

Chairman: Chen-Chih Tai

Manager: Jih-Cheng Chang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd.  
Individual Statements of Changes in Equity  
From January 1 to December 31, 2020 and 2019

Unit: NTD thousand

Items	Share capital	Capital surplus	Retained earnings			Other equity items		Treasury stock	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized (loss) profit of financial assets in other comprehensive income measured at FVTPL		
Balance on January 1, 2019	\$11,512,343	\$99,585	\$9,555,297	\$100,930	\$14,699,482	\$28,431	\$(497,142)	\$(314,865)	\$35,184,061
The 2018 appropriation and distribution of earnings									
Appropriation of legal reserve			863,340		(863,340)				-
Appropriation of special reserve				437,551	(437,551)				-
Common stock cash dividends					(1,711,852)				(1,711,852)
Net income for the year ended December 31, 2019	-	-	-	-	3,399,687	-	-	-	3,399,687
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(13,163)	(72,533)	4,555,389	-	4,469,693
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	3,386,524	(72,533)	4,555,389	-	7,869,380
Buyback of treasury stocks								(410,080)	(410,080)
Disposal of treasury stocks	(200,000)	(43,490)			(383,033)			626,523	-
Disposal of equity instruments measured at FVTOCI					(93,550)		93,550		-
Balance on December 31, 2019	11,312,343	56,095	10,418,637	538,481	14,596,680	(44,102)	4,151,797	(98,422)	40,931,509
The 2019 appropriation and distribution of earnings									
Appropriation of legal reserve			1,019,906		(1,019,906)				-
Reversal of special reserve				(423,162)	423,162				-
Common stock cash dividends					(1,677,351)				(1,677,351)
Net income for the year ended December 31, 2020	-	-	-	-	5,490,966	-	-	-	5,490,966
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(2,554)	(3,366)	2,119,177	-	2,113,257
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	5,488,412	(3,366)	2,119,177	-	7,604,223
Buyback of treasury stocks								(276,924)	(276,924)
Disposal of treasury stocks	(100,000)	(473)			(176,451)			276,924	-
Disposal of equity instruments measured at FVTOCI					(29,395)		29,395		-
Balance on December. 31, 2020	<u>\$11,212,343</u>	<u>\$55,622</u>	<u>\$11,438,543</u>	<u>\$115,319</u>	<u>\$17,605,151</u>	<u>\$(47,468)</u>	<u>\$6,300,369</u>	<u>\$(98,422)</u>	<u>\$46,581,457</u>

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

Chairman: Chen-Chih Tai

Manager: Jih-Cheng Chang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd.  
Individual Statements of Cash Flows  
From January 1 to December 31, 2020 and 2019

Unit: NTD thousand

Items	2020	2019	Items	2020	2019
	Amount	Amount		Amount	Amount
Cash flows from operating activities:			Cash flows from investing activities:		
Profit before tax for the period	\$6,231,201	\$3,845,551	Acquisition of property and equipment	(720,753)	(390,919)
Adjustments:			Proceeds from disposal of property and equipment	-	41,921
Non-cash income and expense items			Acquisition of investment under equity method	(320,611)	-
Expected credit impairment loss/bad debt expense	636,327	2,553,305	Cash inflow due to merger	-	212,281
Impairment loss on assets	512,890	27,311	Net cash (outflow) from investing activities	(1,041,364)	(136,717)
Depreciation and amortization expenses	130,886	124,825			
Net interest income	(5,016,415)	(4,603,557)	Cash flows from financing activities:		
(Profit) in the subsidiary recognized under the equity method	(135,706)	(214,445)	Due to the Central Bank and banks (decrease)	(748,180)	(802,810)
Compensation cost of share-based payments	-	-	Securities sold under agreements to repurchase (decrease)	(6,227,086)	(1,098,476)
Loss (gain) on disposal and retirement of property, plant and equipment	137	(19,291)	Cash dividend paid	(1,677,351)	(1,711,852)
(Gains) on disposal of other assets	(88)	(1)	Cost of treasury stock repurchase	(276,924)	(410,080)
(Gain) on bargain purchase	(7,661)	-	Repayment of the principal amount of lease liabilities	(78,924)	(78,122)
Changes in operating assets and liabilities			Net cash (outflow) from financing activities	(9,008,465)	(4,101,340)
Due from the central bank and call loans to banks (increase)	(655,248)	(172,399)			
Financial assets measured at FVTPL (increase)	(9,988,252)	(3,142,934)	Effect of exchange rate changes on cash and cash equivalents	(3,825)	(85,655)
Receivables decrease (increase)	325,680	(298,052)			
Discount and loan (increase)	(30,116,447)	(5,679,720)	Current cash and cash equivalents increase (decrease)	1,089,266	(4,142,623)
Financial assets measured at FVTOCI decrease	3,695,974	7,123,745	Cash and cash equivalents at beginning of year	9,330,776	13,473,399
Debt instrument investments measured at amortized cost (increase)	(1,200,000)	(100,000)	Cash and cash equivalents at end of the year	\$10,420,042	\$9,330,776
Other assets decrease (increase)	4,033	(917)			
Other assets (increase)	(247,466)	(83,382)	Composition of cash and cash equivalents		
Deposits from the Central Bank and banks increase (decrease)	6,583,619	(5,403,402)	Cash and cash equivalents recorded on the balance sheet	\$3,819,429	\$3,505,067
Financial liabilities measured at FVTPL increase (decrease)	7,060	(19,782)	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"	6,400,365	5,675,687
Payables increase (decrease)	257,744	(1,063,044)	Investments in bills and bonds under resale agreements meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	200,248	150,022
Deposits and remittances increase	35,334,883	3,135,014			
Liability reserve (decrease)	(70,303)	(37,660)	Cash and cash equivalents at end of the year	\$10,420,042	\$9,330,776
Other liabilities (decrease)	(52,101)	(70,269)			
Interest received	6,295,653	6,770,514			
Dividend received	-	143,002			
Interest paid	(1,263,393)	(2,055,794)			
Income tax paid	(120,087)	(577,529)			
Net cash inflow from operating activities	11,142,920	181,089			

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

Chairman: Chen-Chih Tai

Manager: Jih-Cheng Chang

Accounting Supervisor: Yu-Hsuan Chen

## Independent Auditors' Report

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, 2020 and 2019, 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, 2020 and 2019.

In our opinion, the financial statements referred to above present fairly in all significant aspects of the consolidated financial position of King's Town Bank Co., Ltd. and its subsidiaries as of December 31, 2020 and 2019 and the results of its operations and cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks," "Regulations Governing the Preparation of Financial Reports by Securities Issuers," as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and effected by the Financial Supervisory Commission.

### **Basis for opinion**

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

### **Key audit matters**

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the consolidated financial statements of King's Town Bank Co., Ltd. in 2020. 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, 2020, the total financial assets measured at fair value were NT\$ 93,851,385 thousand, accounting for about 29% of total assets. Of which, for the investments classified in the Class II fair value hierarchy, including the derivative financial instruments of bonds and FX Swap contracts, there was a book value of NT\$ 42,130,155 thousand, accounting for 45% of the financial assets measured at fair value. Since the Class II investment evaluation is based on an internal evaluation model, the key input values are the yield rate and exchange rate, which have a significant impact on the estimation of fair value. Therefore, we consider it to be a "Key Audit Matter."

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

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

### Appropriated allowance for bad debt from loans

As of December 31, 2020, the book value of the loans of King's Town Bank Co., Ltd. and its subsidiaries was NT\$ 184,901,230 thousand, accounting for 57% of the total assets, which was significant for the financial statements and was subject to the assessment of expected credit losses as stipulated in IFRS 9 "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans." The assumptions adopted by the management in estimating the expected credit losses include the conditions for determining whether the credit risk is significantly increased, whether credit impairment has occurred, the selection and evaluation of the forward-looking factors, the probability of default (PD), the loss given default (LGD) parameters, etc., and involve a high degree of professional judgment. Therefore, we consider them to be "Key Audit Matters."

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

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



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

We did not audit the financial statements of certain subsidiaries furnished to the consolidated financial statements. The financial statements of these subsidiaries were audited by other independent accountants. Therefore, the opinions issued by this CPA regarding to the amounts listed in such subsidiary financial reports from the consolidated financial statements mentioned above are based on the audit report from other CPAs. The assets of the aforementioned subsidiaries as of December 31, 2020 were NT\$480,477 thousand, accounting for 0.15% of the total consolidated assets; the net income for the fiscal year 2020 was NT\$5,327 thousand accounting for 0.06% of the net consolidated income.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a significant misstatement when it exists. Misstatements can arise from fraud or error. If fraud or errors are considered significant, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design, and perform audit procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a significant misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control effective in King's Town Bank Co., Ltd. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and based on the audit evidence obtained, whether a significant uncertainty exists related to events or conditions that may cast significant doubt on King's Town Bank Co., Ltd. and its subsidiaries and its ability to continue as a going concern. If we conclude that a significant uncertainty exists, we are required to draw attention in auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause King's Town Bank Co., Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall expression, structure, and content of the consolidated financial statements (including related notes) and whether the consolidated financial statements include the relevant transactions and events expressed adequately.
6. Obtain sufficient and appropriate audit evidence for the consolidated financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising, and implementing the audit of the Group. We remain solely responsible for our opinion.

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

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

We use the matters communicated with the governance unit to decide the Key Audit Matters for the audit of the 2020 consolidated financial statements of King's Town Bank Co., Ltd., and its subsidiaries. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Others**

King's Town Bank Co., Ltd. has prepared 2020 and 2019 parent company only financial reports, and the audit report issued by us with an unqualified opinion and notes included is filed for future reference.

Ernst & Young Global Limited  
The competent authorities approved the financial report  
of the public offering company  
Auditing and Certification No.:  
Jin-Guan-Cheng-6-Zi No. 0950104133  
Jin-Guan-Cheng-Shen-Zi No. 1030025503

Shih-Chieh Huang

CPA

Cheng-Tao Chang

February 22, 2021

King's Town Bank Co., Ltd. and its subsidiaries  
Consolidated Balance Sheets  
December 31, 2020 and 2019

Unit: NTD thousand

Assets			December 31, 2020		December 31, 2019	
Code	Item	Note	Amount	%	Amount	%
10000	Assets					
11000	Cash and cash equivalents	IV/VI.1	\$3,982,321	1	\$3,548,667	1
11500	Due from the central bank and call loans to banks	IV/VI.2	12,542,608	4	11,162,682	4
12000	Financial assets measured at FVTPL	IV/VI.3/VIII	45,032,063	14	34,979,793	13
12100	Financial assets measured at FVTOCI	IV/VI.4, 27/VIII	48,819,322	15	50,891,550	18
12200	Debt instrument investments measured at amortized cost	IV/VI.5, 27	18,897,382	6	17,698,135	6
12500	Securities purchased under agreements to resell	IV/VI.6	200,248	-	150,022	-
13000	Receivables, net	IV/VI.7	5,933,698	2	4,907,384	2
13500	Discounts and loans, net	IV/V/VI.8	184,901,230	57	155,350,678	55
15500	Other financial assets, net	IV/VI.9	363	-	4,396	-
18500	Property, plant, and equipment, net	IV/VI.10, 27	3,376,707	1	2,713,818	1
18600	Right-of-use assets	III/IV/VI.28	217,504	-	215,683	-
18700	Investment property	VI.11	115,036	-	-	-
19300	Deferred income tax assets	IV/VI.31	185,987	-	145,188	-
19500	Other assets, net	VI.12	1,253,470	-	974,912	-
	Total assets		<u>\$325,457,939</u>	<u>100</u>	<u>\$282,742,908</u>	<u>100</u>

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

Chairman: Chen-Chih Tai

Manager: Jih-Cheng Chang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd. and its subsidiaries  
Consolidated Balance Sheets (continued)  
December 31, 2020 and 2019

Unit: NTD thousand

Liabilities and Equity			December 31, 2020		December 31, 2019	
Code	Item	Note	Amount	%	Amount	%
20000	Liabilities					
21000	Deposits from Central Bank and other banks	IV/VL.13	\$21,117,468	7	\$14,533,849	5
21500	Due to the Central Bank and banks	VL.14	4,597,650	1	4,395,830	2
22000	Financial liabilities measured at FVTPL	IV/VL.15	13,062	-	6,002	-
22500	Securities sold under agreements to repurchase	IV/VL.16	21,990,934	7	28,218,020	10
23000	Payables	VL.17	1,601,260	1	1,252,826	1
23200	Current income tax liabilities	IV/VL.31	573,272	-	78,459	-
23500	Deposits and remittances	VL.18	226,932,674	70	191,798,662	68
25500	Other financial liabilities	VL.19	890,000	-	500,000	-
25600	Provisions	IV/VL.20, 21, 27	394,957	-	383,414	-
26000	Lease liabilities	III/IV/VL.28	219,898	-	217,256	-
29300	Deferred income tax liabilities	IV/VL.31	299,314	-	135,832	-
29500	Other liabilities	VL.22	244,360	-	291,249	-
	Total liabilities		278,874,849	86	241,811,399	86
31000	Equity attributable to shareholders of the parent	VI.23				
31100	Share capital		11,212,343	3	11,312,343	4
31500	Capital surplus		55,622	-	56,095	-
32000	Retained earnings					
32001	Legal reserve		11,438,543	4	10,418,637	4
32003	Special reserve		115,319	-	538,481	-
32011	Unappropriated retained earnings		17,605,151	5	14,596,680	5
32500	Other equity interest	IV	6,252,901	2	4,107,695	1
32600	Treasury stock	IV	(98,422)	-	(98,422)	-
	Total equity attributable to shareholders of the parent		46,581,457	14	40,931,509	14
38000	Non-controlling interest		1,633	-	-	-
	Total equity		46,583,090	14	40,931,509	14
	Total liabilities and equity		\$325,457,939	100	\$282,742,908	100

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

Chairman: Chen-Chih Tai

Manager: Jih-Cheng Chang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd. and its subsidiaries  
Consolidated Statements of Comprehensive Income  
From January 1 to December 31, 2020 and 2019

Unit: NTD thousand

Code	Item	Note	2020		2019	
			Amount	%	Amount	%
41000	Interest revenue	IV	\$6,513,084	73	\$6,833,454	80
51000	Less: Interest expenses	IV	(1,267,131)	(14)	(2,078,065)	(24)
	Net interest income	VI.24	5,245,953	59	4,755,389	56
	Non-interest net income					
49100	Net service fee income	IV/VI.25	1,909,280	21	1,840,557	22
49200	Gain on financial assets and financial liabilities measured at FVTPL	IV/VI.26	2,028,072	23	1,461,468	17
49310	Realized gain or loss on financial assets at FVTOCI	IV	306,334	3	128,683	1
49600	Net exchange (loss) gain	IV	(134,144)	(1)	181,050	2
49700	Impairment loss on assets	IV/VI.27	(512,890)	(6)	(27,311)	-
49800	Other non-interest net income	IV	64,315	1	153,148	2
	Net income		8,906,920	100	8,492,984	100
58200	Allowances for bad-debts, commitments and guarantees	IV/VI.7, 8, 27	(744,664)	(8)	(2,655,404)	(32)
58400	Operating expenses					
58500	Employee benefits expenses	VI.21, 29	(1,052,771)	(12)	(1,024,169)	(12)
59000	Depreciation and amortization expenses	IV/VI.10, 11, 28, 29	(132,118)	(1)	(125,212)	(1)
59500	Other business and administrative expenses	IV	(714,845)	(8)	(784,318)	(9)
61000	Net income before taxes from continuing operations		6,262,522	71	3,903,881	46
61003	Income tax (expense)	IV/VI.31	(771,551)	(9)	(504,194)	(6)
64000	Net income after tax		5,490,971	62	3,399,687	40
65000	Other comprehensive income (loss)					
65200	Items that will not be reclassified to profit or loss	IV/VI.30, 31				
65201	Remeasurements of the defined benefit plans		(2,903)	-	6,589	-
65204	Gain or loss on evaluation of equity instruments at FVTOCI		379,435	4	430,495	5
65220	Income tax expenses related to items that will not be reclassified subsequently to profit or loss		349	-	(19,752)	-
65300	Items that may be reclassified subsequently to profit or loss	IV/VI.30, 31				
65301	Exchange differences from the translation of financial statement		(3,825)	-	(85,655)	(1)
65308	Gain or loss from debt instrument investment measured at FVTOCI		1,739,742	20	4,124,894	49
65320	Income tax related to components of other comprehensive income that will be reclassified to profit or loss		459	-	13,122	-
	Other comprehensive income (after tax)		2,113,257	24	4,469,693	53
66000	Total comprehensive income (after tax)		\$7,604,228	86	\$7,869,380	93
67100	Current period after tax net profit and loss attributable to					
67101	Owners of the parent company		\$5,490,966		\$3,399,687	
67111	Non-controlling interest		\$5		\$ -	
67300	Current period after tax comprehensive profit and loss attributable to					
67301	Owners of the parent company		\$7,604,223		7,869,380	
67311	Non-controlling interest		\$5		\$ -	
	Earnings per share (NTD)	VI. 32				
67500	Basic earnings per share		\$4.90		\$2.99	
67700	Diluted earnings per share		\$4.90		\$2.99	

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

Chairman: Chen-Chih Tai

Manager: Jih-Cheng Chang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd. and its subsidiaries  
Consolidated Statement of Changes in Equity  
From January 1 to December 31, 2020 and 2019

Unit: NTD thousand

Items	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 statement	Unrealized (loss) profit of financial assets in other comprehensive income measured at fair value through profit and loss				
Balance on January 1, 2019	\$11,512,343	\$99,585	\$9,555,297	\$100,930	\$14,699,482	\$28,431	\$(497,142)	\$(314,865)	\$35,184,061	\$ -	\$35,184,061
The 2018 appropriation and distribution of earnings											
Appropriation of legal reserve			863,340		(863,340)			-			-
Appropriation of special reserve				437,551	(437,551)			-			-
Common stock cash dividends					(1,711,852)				(1,711,852)		(1,711,852)
Net income for the year ended December 31, 2019	-	-	-	-	3,399,687	-	-	-	3,399,687	-	3,399,687
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(13,163)	(72,533)	4,555,389	-	4,469,693	-	4,469,693
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	3,386,524	(72,533)	4,555,389	-	7,869,380	-	7,869,380
Cost of treasury stock repurchase								(410,080)	(410,080)		(410,080)
Disposal of treasury stocks	(200,000)	(43,490)			(383,033)			626,523	-		-
Disposal of equity instruments at FVTOCI					(93,550)		93,550		-		-
Balance on December 31, 2019	11,312,343	56,095	10,418,637	538,481	14,596,680	(44,102)	4,151,797	(98,422)	40,931,509	-	40,931,509
The 2019 appropriation and distribution of earnings											
Appropriation of legal reserve			1,019,906		(1,019,906)				-		-
Reversal of special reserve				(423,162)	423,162				-		-
Common stock cash dividends					(1,677,351)				(1,677,351)		(1,677,351)
Net income for the year ended December 31, 2020	-	-	-	-	5,490,966	-	-	-	5,490,966	5	5,490,971
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(2,554)	(3,366)	2,119,177	-	2,113,257	-	2,113,257
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	5,488,412	(3,366)	2,119,177	-	7,604,223	5	7,604,228
Cost of treasury stock repurchase								(276,924)	(276,924)		(276,924)
Disposal of treasury stocks	(100,000)	(473)			(176,451)			276,924	-		-
Disposal of equity instruments at FVTOCI					(29,395)		29,395		-		-
Change in non-controlling interest										1,628	1,628
Balance on December. 31, 2020	\$11,212,343	\$55,622	\$11,438,543	\$115,319	\$17,605,151	\$(47,468)	\$6,300,369	\$(98,422)	\$46,581,457	\$1,633	\$46,583,090

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

Chairman: Chen-Chih Tai

Manager: Jih-Cheng Chang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd. and its subsidiaries  
Consolidated Statement of Cash Flows  
From January 1 to December 31, 2020 and 2019

Unit: NTD thousand

Items	2020	2019	Items	2020	2019
	Amount	Amount		Amount	Amount
Cash flows from operating activities:			Cash flows from investing activities:		
Profit before tax for the period	\$6,262,522	\$3,903,881	Acquisition of property and equipment	(721,055)	(396,868)
Adjustments:			Proceeds from disposal of property and equipment	6,027	41,921
Non-cash income and expense items			Acquisition of investment property	(115,488)	-
Expected credit impairment loss/bad debt expense	744,664	2,655,404	Acquisition of subsidiaries (less the cash received)	(142,895)	-
Impairment loss on assets	512,890	27,311	Net cash (outflow) from investing activities	(973,411)	(354,947)
Depreciation and amortization expenses	132,118	125,212	Cash flows from financing activities:		
Net interest income	(5,245,953)	(4,755,389)	Due to the Central Bank and banks increase	201,820	957,190
(Gains) on disposal and retirement of property, plant and equipment	(106)	(19,291)	Securities sold under agreements to repurchase (decrease)	(6,227,086)	(1,098,476)
(Gains) on disposal of other assets	(88)	(1)	Cash dividend paid	(1,677,351)	(1,711,852)
(Gain) on bargain purchase	(7,661)	-	Repayment of the principal amount of lease liabilities	(79,264)	(78,122)
Changes in operating assets and liabilities			Cost of treasury stock repurchase	(276,924)	(410,080)
Due from the Central Bank and call loans to banks (increase)	(655,248)	(172,399)	Net cash inflow (outflow) from financing activities	(8,058,805)	(2,341,340)
Financial assets measured at FVTPL (increase)	(10,037,748)	(3,192,996)			
Receivables (increase)	(1,124,378)	(1,473,729)	Effect of exchange rate changes on cash and cash equivalents	(3,825)	(85,655)
Discount and loan (increase)	(30,116,447)	(5,679,720)			
Financial assets measured at FVTOCI decrease	3,696,285	7,123,745	Current cash and cash equivalents increase (decrease)	1,208,558	(4,122,294)
Debt instrument investments measured at amortized cost (increase)	(1,200,000)	(100,000)	Cash and cash equivalents at beginning of year	9,374,376	13,496,670
Other assets decrease (increase)	4,033	(917)	Cash and cash equivalents at end of the year	<u>\$10,582,934</u>	<u>\$9,374,376</u>
Other assets (increase)	(157,029)	(96,331)			
Deposits from the Central Bank and banks increase (decrease)	6,583,619	(5,403,402)	Composition of cash and cash equivalents		
Financial liabilities measured at FVTPL increase (decrease)	7,060	(19,782)	Cash and cash equivalents recorded on the consolidated balance sheets	\$3,982,321	\$3,548,667
Payables increase (decrease)	332,682	(1,045,778)	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"	6,400,365	5,675,687
Deposits and remittances increase	35,134,012	3,365,738			
Other financial liabilities increase (decrease)	390,000	(730,000)	Investments in bills and bonds under resale agreements meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	200,248	150,022
Liability reserve (decrease)	(70,303)	(37,660)			
Other liabilities (decrease)	(47,124)	(41,270)			
Interest received	6,575,035	6,954,067			
Interest paid	(1,313,272)	(2,087,515)	Cash and cash equivalents at end of the year	<u>\$10,582,934</u>	<u>\$9,374,376</u>
Income tax paid	(154,964)	(639,530)			
Net cash inflow (outflow) from operating activities	<u>10,244,599</u>	<u>(1,340,352)</u>			

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

Chairman: Chen-Chih Tai

Manager: Jih-Cheng Chang

Accounting Supervisor: Yu-Hsuan Chen



King's Town Bank Co., Ltd.  
Earnings Distribution Statement 2020

Unit: NT\$

Item	Amount	Amount
Initial unappropriated earnings		12,322,583,969
Less: Write-off cost for treasury shares		(176,450,872)
Less: Gains and losses from disposal of equity instruments recognized as retained earnings		(29,394,955)
Less: Actuarial gains and losses recognized as retained earnings		(2,553,518)
Add: After-tax net income for the current year		5,490,966,371
Less: Legal reserve (30%) (Note 4)		(1,637,705,369)
Less: Special reserve (Note 5)		(4,719,550)
Earnings available for distribution		15,962,726,076
Distribution items:		
Shareholder dividends - cash (NT\$1.8 per share) (Note 2, 3)	(2,018,221,677)	(2,018,221,677)
Un-appropriated earnings balance		13,944,504,399

## Notes:

- Earnings in 2020 are distributed first.
- The number of outstanding shares of the Company is 1,121,234,265 shares.
- In accordance with paragraph 1 of Article 50 of the Banking Act of The Republic of China, where “unless and until the accumulated legal reserve equals the Bank’s paid-in capital, the maximum cash profits which may be distributed shall not exceed fifteen percent (15%) of the Bank’s paid-in capital,” and “in the event that the accumulated legal reserve equals or exceeds a Bank’s paid-in capital or the Bank is sound in both its finance and business operations and have set aside legal reserve in compliance with the Company Act, the restrictions stipulated in the preceding paragraph shall not apply.” As of December 31, 2020, the Company’s legal reserve equals the paid-in capital, restrictions stipulated on paragraph 1 of Article 50 of the Banking Act is not applicable to earnings distribution.
- According to the Letter No. 10802432410 issued by Ministry of Economic Affairs on January 9, 2020, in response to changes in domestic accounting standards, when the Company makes a provision for the legal reserve in accordance with Article 237 of the Company Act, the provision shall be based on “after-tax net income for the current period.” The legal reserve shall be provisioned based on “after-tax net income for the current period plus items other than after-tax net income for the current period recognized in the amount of undistributed earnings for the current period.
- According to the Order No. 10310006310 issued by Financial Supervisory Commission on December 30, 2014, in order to maintain a soundness and stability of the financial structure, an equivalent amount as the increase in retained earnings of financial holding companies, public issuing banks and public issuing bills financing companies arising from the recognition of a bargain purchase gain by themselves or their subsidiaries as a result of the merger and acquisition shall be provisioned as special reserve and the amount shall not be reversed within one year.

## Comparison Table for the Amendments to King's Town Bank Co., Ltd. Rules of Procedures for Shareholders' Meetings

Amended Articles	Original Articles	Notes
<p>Article 3 Paragraph 1, 2, 3 are omitted.</p> <p>Election or dismissal of Directors, amendments to the Articles of Incorporation, capital reduction, application for suspension of public offering, Directors' competition permission, capitalization from earnings, capitalization from additional paid-in capital, the dissolution, merger, or demerger of the corporation, or any matter under Paragraph 1 of Article 185 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, and Article 10-1 of Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies shall be set out and detailed in the notice of the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extraordinary motion.</p> <p>Paragraph 5 is omitted.</p> <p>A shareholder holding 1% or more of the total number of issued shares may submit to the Company a written proposal for discussion at a regular shareholders' meeting. Such proposals, however, are limited to one item only and</p>	<p>Article 3 Paragraph 1, 2, 3 are omitted.</p> <p>Election or dismissal of Directors, amendments to the Articles of Incorporation, capital reduction, application for suspension of public offering, Directors' competition permission, capitalization from earnings, capitalization from additional paid-in capital, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, Paragraph 1 of the Company Act, Article 43-6 of the Securities and Exchange Act, or Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, and Article 10-1 of the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies shall be set out and detailed in the notice of the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extraordinary motion.</p> <p>Paragraph 5 is omitted.</p> <p>A shareholder holding 1% or more of the total number of issued shares may submit to the Company a written proposal for discussion at a regular shareholders' meeting. Such proposals, however, are limited to one item only and</p>	<p>In order to avoid misunderstanding that all matters other than items in paragraph 1 of Article 185 of the Company Act can be raised by extraordinary motion, it is proposed to incorporate and add other legislative provisions to the Company Act provisions set out in the existing article on restricting proposals put forward by extraordinary motion, and to adjust the manner of announcement in line with the provisions.</p> <p>Amendments are made to Article 6 in accordance with the amended paragraph 5 of Article 172 of Company Act and Letter No. 10700105410 issued by Ministry of Economic Affairs,</p>

<p>no proposal containing more than one item will be included in the meeting agenda. However, the shareholders' proposal that is to urge the Company to promote the public interest or to fulfill its social responsibilities can be included in the agenda. In addition, when the circumstances of any sub-paragraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda. Shareholders may put forward proposals urging the Company to promote public interests or fulfill its social responsibilities. The procedure shall be in accordance with the relevant provisions of Article 172-1 of the Company Act, and any proposal exceeding one item shall not be included in the motion.</p> <p>The following paragraphs are omitted.</p>	<p>no proposal containing more than one item will be included in the meeting agenda. However, the shareholders' proposal that is to urge the Company to promote the public interest or to fulfill its social responsibilities can be included in the agenda. In addition, when the circumstances of any sub-paragraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda.</p> <p>The following paragraphs are omitted.</p>	
<p>Article 9</p> <p>Paragraph 1 is omitted.</p> <p>The chairman shall call the meeting to order at the appointed meeting time and relevant information such as the number of non-voting rights and the number of shares present shall be announced at the same time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chairman may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one (1) hour, may be made. If the quorum is not met</p>	<p>Article 9</p> <p>Paragraph 1 is omitted.</p> <p>The chairman shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chairman may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one (1) hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chairman shall</p>	<p>In order to enhance corporate governance and safeguard the rights and interests of shareholders, amendments are made to paragraph 2.</p>

<p>after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chairman shall declare the meeting adjourned.</p> <p>The following paragraphs are omitted.</p>	<p>declare the meeting adjourned.</p> <p>The following paragraphs are omitted.</p>	
<p>Article 14</p> <p>The election of Directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as Directors and the numbers of votes with which they were elected, and the list of Directors who have been defeated and the number of votes they have obtained.</p> <p>Paragraph 2 is omitted.</p>	<p>Article 14</p> <p>The election of Directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as Directors and the numbers of votes with which they were elected.</p> <p>Paragraph 2 omitted.</p>	<p>In order to enhance corporate governance and safeguard the rights and interests of shareholders, amendments are made to paragraph 1.</p>
<p>Article 20</p> <p>These Rules were enacted in the regular shareholders meeting on March 25, 1985.</p> <p>The 1st amendment was made on March 30, 1988.</p> <p>The 2nd amendment was made on March 26, 1998.</p> <p>The 3rd amendment was made on June 4, 2002.</p> <p>The 4th amendment was made on June 15, 2007.</p> <p>The 5th amendment was made on June 19, 2009.</p> <p>The 6th amendment was made on June 15, 2012.</p> <p>The 7th amendment was made on June 24, 2013.</p> <p>The 8th amendment was made on May 12, 2015.</p> <p>The 9th amendment was made on May 12, 2020.</p> <p>The 10th amendment was made on May 18, 2021.</p>	<p>Article 20</p> <p>These Rules were enacted in the regular shareholders meeting on March 25, 1985.</p> <p>The 1st amendment was made on March 30, 1988.</p> <p>The 2nd amendment was made on March 26, 1998.</p> <p>The 3rd amendment was made on June 4, 2002.</p> <p>The 4th amendment was made on June 15, 2007.</p> <p>The 5th amendment was made on June 19, 2009.</p> <p>The 6th amendment was made on June 15, 2012.</p> <p>The 7th amendment was made on June 24, 2013.</p> <p>The 8th amendment was made on May 12, 2015.</p> <p>The 9th amendment was made on May 12, 2020.</p>	<p>The date and number of this amendment are set out.</p>

## Comparison Table of Amendments to the King's Town Bank Co., Ltd. Procedures for the Election of Directors

Amended Articles	Original Articles	Notes
This article has been deleted.	<p>Article 4</p> <p>The Independent Directors of the Company shall meet the following qualifications:</p> <ol style="list-style-type: none"> <li>1. Integrity and a practical attitude.</li> <li>2. Impartial judgment.</li> <li>3. Professional knowledge.</li> <li>4. Broad experience.</li> <li>5. Ability to read financial statements.</li> </ol> <p>In addition to the requirements stated in the preceding paragraph, at least one of the Independent Directors of the Company must be an accounting or finance professional.</p>	The original reference was intended as specifications for Supervisors and is deleted accordingly.
<p>Article 4</p> <p>The qualifications for the Independent Directors of the Company shall comply with Article 2, Article 3, and Article 4 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”</p> <p>The qualifications for the Independent Directors of the Company shall comply with Articles 5-9 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” and shall be handled in accordance to Article 31 of “Corporate Governance Best-Practice</p>	<p>Article 5</p> <p>The qualifications for the Independent Directors of the Company shall comply with Article 2, Article 3, and Article 4 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”</p> <p>The election of Independent Directors of the Company shall comply with Article 5, Article 6, Article 7, Article 8, and Article 9 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” and shall be conducted in accordance with Article 24 of the “Corporate Governance Best-Practice Principles for</p>	<p>I. Adjustment of article number.</p> <p>II. Article 31 of the Bank’s “Regulations on Corporate Governance Practices” with respect to appointment of Independent Directors is in accordance to Article 31 of “Corporate Governance Best-Practice Principles for the Banking Industry”. For consistency with the principles, amendments are made to the Article.</p>

Principles for the Banking Industry.”	TWSE/TPEX Listed Companies.”	
<p>Article 5</p> <p>Elections of Company’s Directors shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.</p> <p>When the number of Directors falls short by one third of the total number prescribed in the Company’s Articles of Incorporation, the Company shall call a special shareholders’ meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.</p> <p>When the number of Independent Directors falls below that required under the proviso of Paragraph 1 of Article 14-2 of the Securities and Exchange Act, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the Independent Directors are dismissed, a special shareholders’ meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.</p>	<p>Article 6</p> <p>Elections of the Company’s Directors shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.</p> <p>When the number of Directors falls short by one third of the total number prescribed in the Company’s Articles of Incorporation, the Company shall call a special shareholders’ meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.</p> <p>When the number of Independent Directors falls below that required under the proviso of Paragraph 1 of Article 14-2 of the Securities and Exchange Act and the related provisions of the “Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings,” a by-election shall be held at the next shareholders meeting to fill the vacancy. When the Independent Directors are dismissed, a special shareholders’ meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.</p>	<p>I. With reference to paragraph 2 of Article 5 of “Sample Template for XXX Co., Ltd. Procedures for Election of Directors,” amendments are made to the text of the paragraph.</p> <p>II. Adjustment of article number.</p>
<p>Article 6</p> <p>The cumulative voting method shall be used for election of Directors of the Company. Each share will have voting rights in</p>	<p>Article 7</p> <p>The cumulative voting method shall be used for election of Directors of the Company. Each share will have voting rights in</p>	<p>Adjustment of article number.</p>

number equal to the Directors to be elected, and may be cast for a single candidate or split among multiple candidates.	number equal to the Directors to be elected, and may be cast for a single candidate or split among multiple candidates.	
<p>Article 7</p> <p>The Board of Directors shall prepare separate ballots for Directors in numbers corresponding to the Directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders' meeting. Attendance card number printed on the ballots may be used instead of recording the names of voting shareholders.</p>	<p>Article 8</p> <p>The Board of Directors shall prepare separate ballots for Directors in numbers corresponding to the Directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders' meeting. Attendance card number printed on the ballots may be used instead of recording the names of voting shareholders.</p>	Adjustment of article number.
<p>Article 8</p> <p>The number of Directors will be as specified in the Company's Articles of Incorporation, with voting rights separately calculated for Independent and Non-Independent Directors positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially recording to their respective numbers of votes received. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chairman drawing lots on behalf of any person not in attendance.</p>	<p>Article 9</p> <p>The number of Directors will be as specified in the Company's Articles of Incorporation, with voting rights separately calculated for Independent and Non-Independent Director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially recording to their respective numbers of votes received. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chairman drawing lots on behalf of any person not in attendance.</p>	Adjustment of article number.

<p>Article 9</p> <p>Before the election begins, the chairman shall appoint a number of persons (with shareholder status) to perform the respective duties of vote monitoring and counting personnel (without shareholder status). The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before voting commences.</p>	<p>Article 10</p> <p>Before the election begins, the chairman shall appoint a number of persons (with shareholder status) to perform the respective duties of vote monitoring and counting personnel (without shareholder status). The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before voting commences.</p>	<p>Adjustment of article number.</p>
<p>This article has been deleted.</p>	<p><u>Article 11</u></p> <p><u>If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.</u></p>	<p>In accordance with Order No. 1080311451 issued by Financial Supervisory Commission on April 25, 2019, with effect from 2021, all TWSE and TPEx listed companies shall adopt a candidate nomination system for the election of Directors and Supervisors, and shareholders shall elect the Directors and Supervisors from among the nominees listed in the roster of candidates. Prior to the shareholders' meeting, shareholders may familiarize with the names, education background and other relevant information of the candidates via the roster; verification of shareholders would be by shareholder number or identity card number. The Article is no longer relevant and is deleted accordingly.</p>



<p>Article 10</p> <p>A ballot is invalid under any of the following circumstances:</p> <ol style="list-style-type: none"> <li>1. The ballot was not prepared by the convener.</li> <li>2. A blank ballot is placed in the ballot box.</li> <li>3. The writing is unclear and indecipherable or has been altered.</li> <li>4. The name is entered on the ballot and the candidate name on the nomination roster does not match after verification.</li> <li>5. Other words or marks are entered in addition to the number of voting rights allotted to a shareholder.</li> </ol>	<p>Article 12</p> <p>A ballot is invalid under any of the following circumstances:</p> <ol style="list-style-type: none"> <li>1. The ballot was not prepared by the Board of Directors.</li> <li>2. A blank ballot is placed in the ballot box.</li> <li>3. The writing is unclear and indecipherable or has been altered.</li> <li>4. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.</li> <li>5. Other words or marks are entered in addition to the candidate's account name or shareholder's account number (or identity card number) and the number of voting rights allotted.</li> <li>6. <u>The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.</u></li> </ol>	<ol style="list-style-type: none"> <li>I. Adjustment of article number.</li> <li>II. Per Article 173 of the Company Act, shareholders may, under specific circumstances (if the Board of Directors did not give notice of convening the shareholders meeting), report to the competent authority for permission to convene the meeting on their own. Accordingly the article is amended. In addition, in accordance with the Order No. 1080311451 issued by Financial Supervisory Commission on April 25, 2019, with effect from 2021, all TWSE and TPEX listed companies shall adopt a candidate nomination system for the election of Directors and Supervisors, and shareholders shall elect the Directors and Supervisors from among the nominees listed in the roster of candidates. Accordingly, paragraph 4 and 5 of the Article are amended and paragraph 6 is deleted.</li> </ol>
---	--	--

<p>Article 11</p> <p>The voting rights shall be calculated on site immediately after the end of the polls and the results of the calculation, including the list of persons elected as Directors and the number of votes with which they were elected, shall be announced by the chairman on site.</p> <p>The ballots for the election referred to in the preceding Paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation reached.</p>	<p>Article 13</p> <p>The voting rights shall be calculated on site immediately after the end of the polls and the results of the calculation, including the list of persons elected as Directors and the number of votes with which they were elected, shall be announced by the chairman on site.</p> <p>The ballots for the election referred to in the preceding Paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation reached.</p>	<p>Adjustment of article number.</p>
<p>Article 12</p> <p>The Board of Directors of the Company shall issue notifications to the persons elected as Directors.</p>	<p>Article 14</p> <p>The Board of Directors of the Company shall issue notifications to the persons elected as Directors.</p>	<p>Adjustment of article number.</p>
<p>Article 13</p> <p>These Procedures and any amendments hereto, shall be implemented after being approved in the shareholders' meeting.</p>	<p>Article 15</p> <p>These Procedures and any amendments hereto, shall be implemented after being approved in the shareholders' meeting.</p>	<p>Adjustment of article number.</p>
<p>Article 14</p> <p>Enacted in the regular shareholders' meeting on June 15, 2007.</p> <p>The 1st amendment was made in the regular shareholders meeting on June 9, 2011.</p> <p>The 2nd amendment was made</p>	<p>Article 16</p> <p>Enacted in the regular shareholders' meeting on June 15, 2007.</p> <p>The 1st amendment was made in the regular shareholders meeting on June 9, 2011.</p> <p>The 2nd amendment was made</p>	<p>Adjustment of article number.</p>

<p>in the regular shareholders meeting on May 12, 2015. The 3rd amendment was made in the regular shareholders meeting on May 12, 2020. The 4th amendment was made in the regular shareholders meeting on May 18, 2021.</p>	<p>in the regular shareholders meeting on May 12, 2015. The 3rd amendment was made in the regular shareholders meeting on May 12, 2020.</p>	
---	---	--

**King's Town Bank Co., Ltd.**

**Rules of Procedures for Shareholders Meetings**

Article 1 (References)

To establish a strong governance system and sound supervisory capabilities for the Company's shareholders' meetings and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and Article 11 of the "Corporate Governance Best-Practice Principles for Banking Industry."

Article 2 (Governing law and regulations)

The rules of procedures for the Company's shareholders' meetings (hereinafter referred to as "the Rules"), except as otherwise provided by the laws, regulations, or the Articles of Incorporation, shall be as provided in these Rules.

Article 3 (Convening shareholders meetings and shareholders' meeting notices)

Unless otherwise provided by the laws and regulations, the Company's shareholders' meetings shall be convened by the board of directors.

The Company shall prepare electronic versions of the shareholders' meeting notice, proxy forms and the origins of and explanatory materials related to all proposals, including proposals for ratification, matters for deliberation or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) 30 days before the date of a regular shareholders' meeting or 15 days before the date of a special shareholders' meeting. The Company shall prepare electronic versions of the shareholders' meeting agenda and supplemental meeting material and upload them to the MOPS 21 days before the date of the regular shareholders' meeting or 15 days before the date of the special shareholders meeting. In addition, the Company, 15 days before the date of the shareholders meeting, shall also have prepared the shareholders' meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.

The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. The meeting notice may be given in electronic form with the consent of the addressee.

Election or dismissal of directors, amendments to the articles of incorporation, capital reduction, application for suspension of public offering, directors' competition permission, capitalization from earnings, capitalization from additional paid-in capital, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, Paragraph 1 of the Company Act, Article 43-6 of the Securities and Exchange Act, or Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, and Article 10-1 of the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies shall be set out and detailed in the notice of the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extraordinary motion. The main content may be placed on the website designated by the securities competent authorities or the Company, and its website address shall be stated in the

notice.

The full re-election of directors is stated as the reason for convening the shareholders' meeting and the appointment date is indicated as well. After the re-election of director completed in the shareholders' meeting, the appointment date may not be changed in the same meeting by extraordinary motion or other means.

A shareholder holding 1% or more of the total number of issued shares may submit to the Company a written proposal for discussion at a regular shareholders' meeting. Such proposals, however, are limited to one item only and no proposal containing more than one item will be included in the meeting agenda. However, the shareholders' proposal that is to urge the Company to promote the public interest or to fulfill its social responsibilities can be included in the agenda. In addition, when the circumstances of any Sub-paragraph of Article 172-1, Paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.

Prior to the book closure date before a regular shareholders' meeting is held, the Company shall publicly announce that it will receive shareholder proposals by correspondence or electronically, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders' meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a shareholders' meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this Article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

#### Article 4 (Attending shareholders' meetings by proxy and scope of authorization)

For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to the Company 5 days before the date of the shareholders' meeting. When proxy forms are delivered in duplication, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company 2 days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

#### Article 5 (Principles determining the time and place of a shareholders' meeting)

The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

#### Article 6 (Preparation of agenda handbooks and other documents)

The Company shall specify in its shareholders' meeting notices the time during which shareholder attendance registration will be accepted, the place to register for attendance and other matters for attention.

The time during which shareholder attendance registration will be accepted, as stated in the preceding Paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registration is accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registration.

Shareholders and their proxies (hereinafter collectively referred to as "shareholders") shall attend shareholders' meetings based on attendance cards, sign-in cards or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company shall furnish the attending shareholders with an attendance book to sign or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting agenda handbooks, annual report, attendance card, speaker's slips, voting slips and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

#### Article 7 (The chairman and non-voting participants of a shareholders' meeting)

If a shareholders' meeting is convened by the board of directors, the meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave or for any reason unable to exercise the powers of the chairman, the vice chairman shall act in place of the chairman; if there is no vice chairman or the vice chairman also is on leave or for any reason unable to exercise the powers of the vice chairman, the chairman shall appoint one of the directors to act as chairman. Where the chairman does not make such a designation, the directors shall select from among themselves one person to serve as chairman.

When a director serves as chairman, as referred to in the preceding Paragraph, the director shall be one who has held that position for six months or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic person director that serves as chairman.

It is advisable that shareholders' meetings convened by the board of directors be chaired by the chairman of the board in person and attended by a majority of the directors, at least one audit committee member in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

If a shareholders' meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chairman from among themselves.

The Company may appoint its attorneys, certified public accountants, or related

persons retained by it to attend a shareholders meeting in a non-voting capacity.

Article 8 (Documentation of a shareholders meeting by audio or video)

The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.

The recorded materials of the preceding Paragraph shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 9 (Calculation of the number of shares representing by the shareholders present at the shareholders meeting)

Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chairman shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chairman may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chairman shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding Paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, Paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chairman may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 10 (Discussion of proposals)

If a shareholders' meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. Also, the relevant proposals (including extraordinary motions and amendments to the original motions) shall be voted on, respectively. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding Paragraph apply *mutatis mutandis* to a shareholders' meeting convened by a party with the power to convene that is not the board of directors.

The chairman may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two Paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting. If the chairman declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chairman in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and

then continue the meeting.

The chairman shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chairman is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairman may announce the discussion closed and call for a vote with adequate voting time arranged.

#### Article 11 (Shareholder speech)

Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chairman.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chairman, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chairman may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chairman and the shareholder that has the floor; the chairman shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chairman may respond in person or direct relevant personnel to respond.

#### Article 12 (Calculation of voting shares and recusal system)

Voting at a shareholders' meeting shall be calculated based on the number of shares.

With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding Paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If that threshold is exceeded, the voting rights in excess of that threshold shall not be included in the calculation.

#### Article 13 (Proposal voting, scrutiny, and counting of votes)

A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179,



Paragraph 2 of the Company Act.

When The Company holds a shareholders' meeting, it allows the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting. It is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding Paragraph shall deliver a written declaration of intent to the Company 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding Paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, 2 days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation; the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chairman or a person designated by the chairman shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

When there is an amendment or an alternative to a proposal, the chairman shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote; also, if one of them is passed, the other proposals will then be deemed rejected without the need of further voting.

The chairman shall appoint the vote monitoring and counting personnel for the voting on a proposal, provided that all monitoring personnel shall be shareholders of the Company.

Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

#### Article 14 (Election of directors)

The election of directors at a shareholders' meeting shall be held in accordance with

the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected.

The ballots for the elections referred to in the preceding Paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

#### Article 15 (Meeting minutes and signatures)

Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chairman of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in an electronic form.

The Company may distribute the meeting minutes of the preceding Paragraph by means of a public announcement made through the MOPS.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chairman's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results (including statistical weights). For the election of directors, if any, the number of votes received by each candidate should be disclosed. The meeting minutes shall be retained for the duration of the existence of the Company.

#### Article 16 (Public disclosure)

On the day of a shareholders' meeting, the Company shall compile in the prescribed format of a statistical statement the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.

If matters put to a resolution at a shareholders' meeting constitute material information under applicable law or regulations or under Taiwan Stock Exchange Corporation regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

#### Article 17 (Maintaining order at the meeting place)

Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.

The chairman may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

If a shareholder attempts to speak through any device other than the equipment prepared by the Company at the shareholders meeting and defies the chairman's correction, obstructing the proceedings and refusing to heed calls to stop, the chairman may direct the proctors or security personnel to escort the shareholder from the meeting.

#### Article 18 (Recess and resumption of a shareholders meeting)

When a meeting is in progress, the chairman may announce a break based on time considerations. If a *force majeure* event occurs, the chairman may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continuing use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the

shareholders' meeting may adopt a resolution to resume the meeting at another venue.  
A resolution may be adopted at a shareholders' meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 19 These Rules and any amendments hereto shall be implemented after being resolved in the shareholders' meetings.

Article 20 These Rules were enacted in the regular shareholders' meeting on March 25, 1985.

The 1<sup>st</sup> amendment was made on March 30, 1988.

The 2<sup>nd</sup> amendment was made on March 26, 1998.

The 3<sup>rd</sup> amendment was made on June 4, 2002.

The 4<sup>th</sup> amendment was made on June 15, 2007.

The 5<sup>th</sup> amendment was made on June 19, 2009.

The 6<sup>th</sup> amendment was made on June 15, 2012.

The 7<sup>th</sup> amendment was made on June 24, 2013.

The 8<sup>th</sup> amendment was made on May 12, 2015.

The 9<sup>th</sup> amendment was made on May 12, 2020.

## **King's Town Bank Articles of Incorporation**

### **Chapter I General Provisions**

- Article 1: The Company is organized in accordance with the provisions of the “Limited Company” of the Company Act and the Banking Act and named “King’s Town Bank Co., Ltd.” hereinafter referred to as “King’s Town”).
- Article 2: The Company aims to support the government’s financial internationalization and liberalization policies, provide financial services to the society, accelerate economic construction and help SMEs develop businesses.
- Article 3: The Company has its head office setup in Tainan City and branch offices setup at appropriate places in Taiwan and abroad as approved by the competent authorities. The establishment, cancellation or change in the branch offices shall be submitted to the competent authority for approval and registered with the Ministry of Economic Affairs in accordance with the resolution of the board of directors.
- Article 4: The announcement of the company shall be handled in accordance with Article 28 of the Company Act.

### **Chapter II Shares**

- Article 5: The total authorized capital stock of the Company is NT\$30 billion with 3 billion shares issued at NT\$10 par; also, the board of directors is authorized to make multiple issuances. The board of directors may reserve 300 million shares available for the Company’s issuing stock warrants, warrant bond (WB) for 100 million shares, convertible bond for 200 million shares.
- Article 5-1: When the subscription price of the stock warrant issued by the Company is lower than the closing price of the Company’s common stock on the issuing date, a resolution may be adopted by two-third of the voting rights exercised by the shareholders present at the shareholders’ meeting who represent a majority of the outstanding shares of the Company.  
To transfer shares to employees at less than the average actual share repurchase price, the Company must have obtained the consent of at least two-thirds of the voting rights present at the most recent shareholders’ meeting attended by shareholders representing a majority of total issued shares, and must have the matters in Article 10-1 of the “Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies” stated in the notice of reasons for that shareholders meeting in advance.
- Article 6: The Company’s stock shares are ordered and are signed or stamped by the directors representing the Company, and issued after being certified by the competent authority or its authorized issuance agency.  
The Company is exempted from printing certificates for the shares issued; when issuing new shares, the certificates for the total number of shares issued may be printed collectively, but the centralized securities depository institution should be contacted for registration or custody.
- Article 7: (Deleted)
- Article 8: The Company handles stock affairs in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies published by the

competent authorities and other relevant laws and regulations.

### **Chapter III Business Operation**

Article 9: The Company's business code is as follows:

H101021 Commercial banking business;

H601011 Life insurance agent;

H601021 Property insurance agent (limited to the business items approved by the competent authority)

Article 10: The Company's business operation is as follows:

1. Accept checking deposits.
2. Accept various deposits.
3. Issue financial bonds.
4. Handle short-term, mid-term, and long-term loans.
5. Handle bills discount.
6. Invest in securities other than any business stock.
7. Handle domestic and foreign exchange.
8. Handle commercial draft acceptance.
9. Issue domestic and foreign letters of credit.
10. Handle domestic and foreign guarantee business.
11. Handle collections and advances.
12. Handle warehouse storage and agency services related to the aforementioned businesses.
13. Handle life insurance agent business.
14. Handle property insurance agent business.
15. Other business chartered by the government.

Article 11: The Company may operate trust and securities businesses in accordance with the law.

### **Chapter IV Shareholders Meeting**

Article 12: Shareholders meeting includes both regular shareholders meeting that is to be held at least once a year and convened by the board of directors within 6 months at the end of the fiscal year and special shareholders meeting that is to be held when necessary. The shareholders meeting shall be conducted in accordance with the Rules of Procedure for Shareholders Meetings of the Company.

Article 13: Shareholders should be informed of the date, place and reason for a regular shareholders' meeting to be convened 30 days in advance, and for a special shareholders' meeting to be convened 15 days in advance.

Election or dismissal of directors, amendments to the Articles of Incorporation, capital reduction, application for suspension of public offerings, directors' competition permission, capitalization from earnings, capitalization from additional paid-in capital, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, Paragraph 1 of the Company Act, Articles 43-6 of the Securities and Exchange Act, or Articles 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, and Article 10-1 of the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies shall be detailed in the notice of the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extraordinary

motion.

Article 14: For each shareholder's meeting that the shareholder cannot attend in person for reasons, a shareholder may appoint a proxy to attend the meeting by providing the signed or sealed proxy form issued by the Company and stating the scope of the proxy's authorization in accordance with Article 177 of the Company Act. For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization. A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to the Company 5 days before the date of the shareholders' meeting. If duplicate proxy forms are delivered, the one received earliest shall prevail, unless a declaration is made to cancel the previous proxy issued, which is to be handled in accordance with the "Regulations Governing the Use of Proxies for Attendance at Shareholders Meetings of Public Companies."

Article 15: The chairman is to chair the shareholders' meeting. When the chairman is on leave, the vice chairman shall act in place of the chairman. If the vice chairman also is on leave, the chairman shall appoint one of the directors to chair the shareholders' meeting. Where the chairman does not make such a designation, the directors shall select from among themselves one person to serve as chairman.

If a shareholders' meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chairman from among themselves.

Article 16: The resolutions of the shareholders' meeting and the matters to be implemented are as follows:

1. Determine and modify the Company's articles of association.
2. Process the election and dismissal of directors.
3. Check the books' statements prepared by the board of directors and the reports of the audit committee. In order to check the statements and reports, the shareholders meeting may appoint the reviewers.
4. Reach the resolution of capital increase or decrease.
5. Reach the resolution of earnings distribution or loss compensation.
6. Include other matters that are to be resolved by the shareholders meeting in accordance with law and regulations.

Article 17: Resolutions at a shareholders meeting shall, unless otherwise provided for in the Company Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.

In the event that the total number of shares represented by the shareholders present at a shareholders' meeting is less than the percentage of the total shareholdings required in the preceding Paragraph, a tentative resolution may be adopted by the majority of the voting rights exercised by the shareholders present at the shareholders' meeting who represent one-third of the outstanding shares of the company; also, notifies the shareholders of the tentative resolution and convenes another shareholders' meeting within one month.

The tentative resolution adopted in the aforementioned shareholders' meeting by the majority of the shareholders present who represent one-third of the outstanding shares of the company should be deemed as the resolution of the shareholders' meeting.

Article 18: A shareholder shall have one voting power with respect to each share in his/her/its possession.

Article 19: The minutes of the shareholders' meeting shall record the date and place of the meeting, the name of the chairman, the method of adopting resolutions and a summary of the essential points of the proceedings and the results of the meeting. The minutes of meeting shall be affixed with the signature or seal of the chairman of the meeting. The minutes of meeting shall be kept persistently throughout the life of the Company; also, the attendance list bearing the signatures of shareholders present at the meeting (attendance registry) and the powers of attorney of the proxies shall be kept by the company for a period defined in the Company Act, which should be distributed to all shareholders of the company within twenty (20) days after the end of the meeting. The preparation and distribution of the minutes of shareholders meeting as required in the preceding Paragraph should be conducted in accordance with the provisions of the Company Act.

## **Chapter V Directors and Board of Directors**

Article 20: The Company has seven to eleven directors appointed to organize the board of directors, and the directors are elected among the competent individuals in the shareholders meeting for a 3-year term and eligible for re-election. However, if a re-election cannot be arranged on time upon the expiry of the current term, the office term will be extended until the newly elected directors take office. The total number of the Company's ordered shares held by all directors must not be less than a certain percentage of the total issued shares required by the competent authority, and the number of directors that should have the qualifications of financial professionals required by the competent authority must not be less than a percentage required by the competent authorities.

The Company may acquire liability insurance for the directors throughout the office term that is sufficient to cover the corresponding business liability.

Article 20-1: Since the twelfth term of office, the Company's independent directors among the number of directors specified in the preceding article must not be less than three persons, and must not be less than one fifth of the number of directors.

Directors and independent directors shall adopt a candidate nomination system. Independent directors and non-independent directors shall be elected together and the number of elected seats should be counted separately. The nomination and selection of directors and independent directors and other matters to be complied with shall be handled in accordance with the relevant regulations of the competent authorities.

Article 21: The chairman and vice chairman are elected from among the directors. The chairman is the chairman of the shareholders' meeting and board meeting internally, and represents the Company externally.

Article 21-1: (Deleted)

Article 22: The powers of the board of directors are as follows:

1. Review the articles of incorporation.
2. Make business decisions.
3. Review budget and final account of the Company.
4. Formulate the earnings distribution or loss compensation plan.
5. Formulate capital increase or decrease.

6. Formulate the issuance of new shares.
7. Command and supervise business operation.
8. Resolve the issuance of corporate bond.
9. Resolve the Company's share repurchase plan.
10. Review the acquisition or disposal of important assets.
11. Review and approve various important contracts.
12. Determine the appointment and dismissal of managers and auditors.
13. Review the construction or trade of the Company's business bases and properties.
14. Determine the date and events of the regular shareholders meeting or special shareholders meeting.
15. Implement the resolutions of the shareholders meeting.
16. Determine the appointment, dismissal, and remuneration of the commissioned certified public accountants.
17. Set up audit committees and various functional special committees.
18. Other powers conferred by law and shareholders meeting.

Article 23: The board of directors shall meet at least quarterly. In the event of an emergency or a request from the majority of the directors, a special meeting may be held. Board meetings shall be convened and chaired by the chairman of the board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders' meeting in which the directors were elected. When the chairman of the board is on leave, the vice chairman shall act in place of the chairman; if the vice chairman is also on leave, the chairman shall appoint one of the directors to act. If no such designation is made by the chairman, the directors shall select one person from among themselves to serve as chairman.

The call meeting mentioned in the preceding Paragraph should be with the reasons stated in the notice and it should be transmitted in writing or via the communication network so that the directors can receive it by fax or other electronic device and then reply to it in the same manner.

In case a board meeting is carried via a visual communication network, the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.

Article 24: Unless otherwise provided in other laws and regulations, resolutions of the board of directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors. The directors shall attend the meeting in person, but may be represented by another director. The minutes of meeting shall bear the signatures or seals of both the chairman and the minute taker, and a copy of the minutes shall be distributed to each director within 20 days after the meeting.

Article 25: When the number of vacancies in the board of directors equals to one third of the total number of directors, the board of directors shall call, within 60 days, a special shareholders' meeting to elect the succeeding directors to fill the vacancies for the remaining service time of the dismissed directors.

Article 25-1: The remuneration of the directors shall be determined by the board of directors with reference to the standards of the relevant peers and listed companies.

## **Chapter VI Audit Committee**

Article 26: The Company's board of directors has an audit committee composed of all



independent directors involved, one of whom is the convener and at least one of them has accounting or financial expertise. The powers of the audit committee and other matters to be complied with, in addition to the provisions of the articles of incorporation, is to be implemented in accordance with the relevant laws and regulations or the Company's rules.

Article 27: (Deleted)

Article 28: (Deleted)

Article 29: (Deleted)

## **Chapter VII Management**

Article 30: The Company has a general manager appointed to manage the Company's business as instructed by the board of directors. The Company may have deputy general managers and junior vice presidents appointed to assist the general manager in handling the Company's business. For the appointment and dismissal of the officers, they are to be nominated by the chairman and approved by the majority of the board of directors.

The Company has a chief auditor appointed to handle auditing business in accordance with the resolutions of the board of directors and the order of the chairman. For the appointment, dismissal or reassignment of the chief auditor, he/she is to be nominated by the chairman, approved by more than two-thirds of all directors and reported to the competent authority for approval. The internal auditing personnel appointments, removals, transfers, rewards and punishments, and performance evaluation shall be reported by the chief auditor to the chairman for approval in advance.

The appointment and dismissal of the manager of each department, division, and branch of the Company shall be reported by the general manager to the chairman for review and then to be approved by the majority of the board of directors.

## **Section VIII Accounting**

Article 31: The Company's business is settled once a year with the clearing date scheduled on December 31. The annual final accounts should be prepared based on the settlement figures at the end of the year.

Article 32: At the close of each fiscal year, the board of directors shall prepare the following statements and records, which should be audited according to the statutory procedures and then presented to the shareholders' meeting for recognition and to the competent authorities for review and publication.

1. The business report;
2. The financial statements; and
3. The earning distribution or loss off-setting proposals;

Article 33: If the Company makes profits for the year, an amount equivalent to 0.0001% or more of the profits should be appropriated as employee compensation and an amount equivalent to 2% or less of the profits appropriated as remuneration to directors. However, if the Company still has accumulated losses, an amount should be reserved in advance to make up for the losses.

The employee compensation to be paid in the form of stock shares or cash mentioned in the preceding Paragraph may include employees of subsidiary companies that meet certain conditions.

Article 33-1: If there are earnings in the Company's annual final accounts after all taxes have been paid, the earnings should be first applied to make up for the previous year's losses, appropriate 30% for the legal reserve and then appropriate special reserve according to law; also, the balance amount, if any, is to be distributed along with the unappropriated retained earnings according to the earnings distribution proposal of the board of directors, which shall be presented in the shareholders' meeting for resolutions. As for the dividends distributed, the cash dividends must not be less than 10% of the total dividends of the current year. According to the aforementioned dividends distribution principles, depending on the Company's business operating requirements and major legal amendments, the board of directors should appeal to the shareholders meeting to have the ratio of cash dividend adjusted accordingly; however, the ratio must not be less than 1% of the total dividend. If the distribution of cash dividends per share is less than NT\$0.1, it will not be distributed.

When the Company's legal reserve is equivalent to the total capital stock, or when it meets the sound financial standard set by the competent authorities under Article 50, Paragraph 2 of the Banking Act, and the legal reserve has been appropriated in accordance with the Company Act, it is not subject to the limitation of legal reserve appropriation and maximum earnings distribution in cash.

Before the legal reserve equals to the total capital stock or the ratio of equity fund and risk assets does not meet the requirements of the Banking Act, the maximum earnings distribution in cash shall be handled in accordance with the Banking Act and the requirements of the competent authorities.

## **Section IX Supplemental Provisions**

Article 34: The Company's charter and enforcement rules shall be formulated separately.

Article 35: Matters not specified in the Articles of Incorporation shall be handled in accordance with the provisions of the Company Act, Banking Act, and other relevant law and regulations.

Article 36: If the Company or the responsible person is facing the spreading rumors or fraud that is detrimental to the Company's or the responsible person's creditability, it should be immediately reported to the prosecution unit in accordance with the relevant law and regulations in order to have the problem resolved as soon as possible.

Article 37: The Articles of Incorporation were enacted on November 26, 1977 and amended in accordance with the 16<sup>th</sup> amendment to the Articles of Incorporation of Tainan Mutual Loan and Savings Co., Ltd.

The 1<sup>st</sup> amendment was made on March 5, 1978.

The 2<sup>nd</sup> amendment was made on March 17, 1979.

The 3<sup>rd</sup> amendment was made on March 15, 1980.

The 4<sup>th</sup> amendment was made on March 14, 1981.

The 5<sup>th</sup> amendment was made on February 25, 1982.

The 6<sup>th</sup> amendment was made on March 7, 1983.

The 7<sup>th</sup> amendment was made on December 15, 1983.

The 8<sup>th</sup> amendment was made on April 22, 1984.

The 9<sup>th</sup> amendment was made on March 25, 1985.

The 10<sup>th</sup> amendment was made on March 28, 1986.

The 11<sup>th</sup> amendment was made on March 27, 1987.

The 12<sup>th</sup> amendment was made on March 30, 1988.  
The 13<sup>th</sup> amendment was made on March 10, 1989.  
The 14<sup>th</sup> amendment was made on March 27, 1990.  
The 15<sup>th</sup> amendment was made on March 26, 1991.  
The 16<sup>th</sup> amendment was made on March 25, 1992.  
The 17<sup>th</sup> amendment was made on March 26, 1993.  
The 18<sup>th</sup> amendment was made on March 23, 1994.  
The 19<sup>th</sup> amendment was made on March 27, 1995.  
The 20<sup>th</sup> amendment was made on March 21, 1996.  
The 21<sup>st</sup> amendment was made on March 25, 1997.  
The 22<sup>nd</sup> amendment was made on March 26, 1998.  
The 23<sup>rd</sup> amendment was made on April 27, 2000.  
The 24<sup>th</sup> amendment was made on June 4, 2002.  
The 25<sup>th</sup> amendment was made on May 27, 2003.  
The 26<sup>th</sup> amendment was made on June 23, 2005.  
The 27<sup>th</sup> amendment was made on November 29, 2005.  
The 28<sup>th</sup> amendment was made on June 15, 2007.  
The 29<sup>th</sup> amendment was made on June 13, 2008.  
The 30<sup>th</sup> amendment was made on June 19, 2009.  
The 31<sup>st</sup> amendment was made on June 4, 2010.  
The 32<sup>nd</sup> amendment was made on June 9, 2011.  
The 33<sup>rd</sup> amendment was made on June 15, 2012.  
The 34<sup>th</sup> amendment was made on June 24, 2013.  
The 35<sup>th</sup> amendment was made on June 20, 2014.  
The 36<sup>th</sup> amendment was made on May 18, 2016.  
The 37<sup>th</sup> amendment was made on May 17, 2017.  
The 38<sup>th</sup> amendment was made on May 17, 2018.  
The 39<sup>th</sup> amendment was made on May 12, 2020.

## Appendix 3

### Shareholdings of 15th Board of Directors

Base date: March 20, 2021

Title	Name		Current shareholding			Note
			Type of share	No. of shares	Shareholding ratio (%)	
Chairman	Chen-Chih Tai	Tian Gang Investment Co., Ltd. Representative	Common shares	39,399,025	3.51%	
Vice Chairman	Chiung-Ting Tsai					
Director	Chung-Chang Tsai	Fu Chiang Investment Co., Ltd. Representative	Common shares	5,000,000	0.45%	
Director	Ching-Shun Ou					
Independent Director	Hung-Liang Chiang		Common shares	0	0.00%	
Independent Director	Chao-Long Chen		Common shares	0	0.00%	
Independent Director	Chuan-Fu Hou		Common shares	0	0.00%	
Total				44,399,025	3.96%	

Note:

- The total number of issued shares of the Company as of March 20, 2021 was 1,121,234,265 shares. According to the provisions of Article 2 of “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies,” the minimum total number of shares that all Directors should hold is 32,000,000 shares. As of March 20, 2021, the total number of shares held by all Directors is 44,399,025 shares (excluding Independent Directors). It accounts for 3.96% of the total issued shares and is compliant with the provision for shares held by Directors.
- The Company has an Audit Committee, and thus the regulation of Supervisor share ownership does not apply to the Company.