

Stock code: 2809

King's Town Bank Co., Ltd.

2024 Annual Shareholders' Meeting

# Meeting Handbook

Time: 9:00 a.m., June 7, 2024

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

Convening Method: Video-aided Shareholders' Meeting

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# King's Town Bank Co., Ltd.

## Agenda of 2024 Annual Shareholders' Meeting

Time: 9:00 a.m. on Tuesday, June 7, 2024

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

Convening Method: Video-aided Shareholders' Meeting

Video Meeting Platform: Online Meeting Platform of Taiwan Depository & Clearing Corp.

[<https://stockservices.tdcc.com.tw>]

- I. Announcement of Meeting (Report of Attendance and Handling of Interrupted Connections)
- II. Chairman's Remarks
- III. Reporting Items:
  - (I) 2023 Business Report.
  - (II) Audit Committee's Review Report on the 2023 Financial Statements and Communication with Chief Internal Auditor.
  - (III) Report on the Distribution of Remuneration for Employees and Directors of 2023.
  - (IV) Report on the Remuneration Received by Directors of 2023.
  - (V) Lease Contract Report on the subsidiary, King's Town Securities Co., Ltd., and the stakeholder, Wan Wei Co., Ltd.
- IV. Proposals for Ratification:
  - (I) 2023 Financial Statements.
  - (II) 2023 Earnings Distribution.
- V. Extempore Motion
- VI. Adjournment

**Reporting Items:**

1. 2023 Business Report. (Please refer to Attachment 1 on page 6-8 of this Handbook)
2. Audit Committee’s Review Report on the 2023 Financial Statements and Communication with Chief Internal Auditor.

Explanation:

- (I) Report on the 2023 Financial Statements of the Company. (Please refer to Attachment 2 on page 9 of this Handbook)
- (II) The communication with the Audit Committee and Chief Internal Auditor is described in the following table:

Date	Key points of communication	Recommendations and Results
2023.02.20 Communication meeting	[Individual meeting between Chief Auditor and the Independent Directors] 1. The Chief Auditor described the audit plan for the 2nd half of 2022 and the implementation of the self-audit system. 2. The Chief Auditor described the results of the internal audit in the 2nd half of 2022.	Suggestions
2023.02.20 Audit Committee	Audit report for the second half of 2022	Submitted to the Board after approval at the meeting
2023.08.14 Communication meeting	[Individual meeting between Chief Auditor and the Independent Directors] 1. The Chief Auditor described the audit plan for the 1st half of 2023 and the implementation of the self-audit system. 2. The Chief Auditor described the results of the internal audit in the 1st half of 2023.	Suggestions
2023.08.14 Audit Committee	Audit report for the first half of 2023	Submitted to the Board after approval at the meeting
2023.12.25 Communication meeting	[Individual meeting between Chief Auditor and the Independent Directors] 1. The Chief Auditor described the results of the implementation of the audit plan of 2023. 2. The Chief Auditor described the audit plan of 2024 and the key points for the audit.	Suggestions
2023.12.25 Audit Committee	Establish 2024 internal audit plan.	Submitted to the Board after approval at the meeting

3. Report on the Distribution of Remuneration for Employees and Directors of 2023.

Explanation:

On February 26, 2024, the Board of Directors of the Company approved the total amount and distribution of 2023 remuneration for employees and Directors to be paid in cash, as listed in the following table.

Item	Total Amount (Unit: NT\$)	Ratio to the Revenue (%)
Employees' Remuneration	730,000	0.01%
Directors' Remuneration	0	0%

4. Report on the Remuneration Received by Directors of 2023.

Explanation:

(I) The Company's remuneration policies for directors and independent directors, standards, and packages, procedure for determining remuneration, and linkage thereof to operating performance and future risk exposure:

1. Director

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

2. Independent Director

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

(II) Report on the Remuneration Received by Directors. (Please refer to Attachment 3 on page 10 of this Handbook)

5. Lease Contract Report on the subsidiary, King's Town Securities Co., Ltd., and the stakeholder, Wan Wei Co., Ltd.

Explanation:

- (I) Processed in accordance with Article 13, Paragraph 5 of the Bank's "Asset Acquisition or Disposal Procedure."
- (II) When the Bank or its subsidiaries acquire assets with usage rights from related parties, the actual transaction details (including the actual transaction amount, transaction conditions, and data specified in the first paragraph) should be included in the most recent shareholder meeting report after the end of the fiscal year.
- (III) The Bank's subsidiary, King's Town Securities Co., Ltd., has leased a business premises located at 2F, No. 193, Xingrong Road, Chiayi City, from its related party, Wan Wei Co., Ltd. The monthly rent is agreed at NT\$170,000 (including tax), and the lease term is from January 1, 2024 to December 31, 2024, with a total transaction amount of NT\$2.04 million.
- (IV) This case was submitted to the Board of Directors of the Bank by King's Town Securities Co., Ltd. in accordance with its internal regulations on related party transactions. After review, it was determined that this case complies with business norms and the transaction terms do not show any favoritism or bias over other similar parties. The case was approved by the 16th Board of Directors of the Bank on January 8, 2024.
- (V) Explanation of Subsidiary's Acquisition of Right-of-Use Assets from Related Parties. (Please refer to Attachment 4 on page 11-12 of this Handbook)

### **Proposals for Ratification:**

1. 2023 Financial Statements. (Proposed by the Board of Directors)

Explanation:

- (I) The Company's 2023 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 6-8 of this Handbook).
  - 2. Independent Auditors' Report and Financial Statements (including Consolidated Financial Statements). (Please refer to Attachment 5 on page 13-32 of this Handbook)

Resolution:

2. 2023 Earnings Distribution. (Proposed by the Board of Directors)

Explanation:

- (I) The Company's earnings after tax were NT\$6,207,100,608 in 2023. In accordance with the Banking Act and the letter Jing-Shang-Zi No. 10802432410 issued by the Ministry of Economic Affairs on January 9, 2020, 30% of the statutory profit would be allocated to the legal reserve, amounting to NT\$1,855,202,662. In addition, the special reserve of NT\$1,420,578,296 was reversed in accordance with the FSC's No. 1090150022 order on March 31, 2021, the unappropriated retained earnings (including the unappropriated retained earnings of previous years) was NT\$20,870,218,895, which would be distributed based on the number of outstanding shares, with the proposed distribution of cash dividends of NT\$3 per share, and the basis date of dividend distribution and the date of payment shall be submitted to the shareholders' meeting to authorize the Chairman to set.
- (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) 2023 Earnings Distribution. (Please refer to Attachment 6 on page 33 of this Handbook)

Resolution:

**Extempore Motion:**

**Adjournment:**

## 2023 Business Report

In 2023, the global macroeconomic environment was overshadowed by high interest rates and inflation, leading to sluggish demand for end products, ongoing adjustments in industrial inventory, and a slowdown in economic growth momentum, consequently impacting Taiwan's export performance and orders. Despite continuous external challenges, domestic industries such as catering services, tourism retail, and transportation have experienced significant expansion post-pandemic, making the domestic demand service sector the primary driver of economic growth in Taiwan in 2023. Looking forward to 2024, Taiwan's export trade momentum is expected to revive as the Federal Reserve (Fed) temporarily pauses interest rate hikes, inflation stabilizes, and industrial inventory adjustments conclude. Furthermore, with the conclusion of the presidential election and the continuation of important policies alongside the elimination of political uncertainty, this should have a positive impact on domestic consumer spending and investment in Taiwan. However, in 2024, many countries are preparing for significant elections, as the global landscape grapples with mounting geopolitical tensions. Meanwhile, the potential for substantial changes in monetary policies by key central banks is set to shape the trajectory of global economic growth.

Having overcome the challenges of 2022, in 2023, the Bank stayed committed to our core business and values. With the backing of our customers, shareholders, and the dedication of our entire staff, we have met the expectations of all stakeholders. Looking ahead, we are dedicated to maintaining a robust financial structure and excellent asset quality, while embracing the ethos of sustainable business practices, to deliver increasingly convenient and secure financial services. The Bank's 2023 business performance and 2024 business plans are described as follows:



## I. 2023 Business performance

### (I) Operational strategy performance

1. Profitability: The Bank's net income after tax for 2023 is NT\$6.207 billion and its return on assets after tax is 1.62%.
2. Asset Quality: The Bank continues to maintain a certain standard of asset quality under a prudent risk management and credit policy. As of the end of 2023, the non-performing loans ratio was 0.02%, and the bad debt coverage ratio was 7,571%, which was better than the average among our industry.
3. Capital Level: As of the end of 2023, the capital adequacy ratio was 16.58% and the tier 1 capital ratio was 15.43%.
4. Awards and Honors: The TWSE announced the rank of 2022 Annual Corporate Governance Evaluation and the Company was ranked in the top 5%, which was the sixth consecutive time;

### (II) Operating budget execution and profitability analysis

1. Total deposit balance of NT\$297.7 billion
2. Total loan balance of NT\$233.7 billion
3. Net interest revenue: NT\$5,735,643 thousand
4. Net non-interest revenue: NT\$4,236,373 thousand
5. Bad debt expenses: NT\$83,837 thousand
6. Operating expenses: NT\$2,529,174 thousand
7. Income before tax from continuing operations: NT\$7,359,005 thousand
8. Current income after tax: NT\$6,207,101 thousand
9. Earnings per share: NT\$5.59

## II. 2024 Summary of the business plan

### (I) Operating strategies and important operating policies

1. Adjusting business structure to establish a cornerstone for profitability.
2. Valuing talent development to co-create a sustainable enterprise.
3. Implementing legal compliance to strengthen risk management.
4. Enhancing cybersecurity to optimize financial services.
5. Strengthening fair treatment of customers to ensure their rights and interests.

### (II) Expected business objectives

The Bank's anticipated operating targets for 2024 are as follows:

1. Annual average value of total deposits in NTD and foreign currencies: NT\$297.9 billion.

2. Annual average value of total loans in NTD and foreign currencies: NT\$246.2 billion.
3. Non-performing loans ratio: 0.02%.

### III. Conclusion

In the face of a volatile political and economic environment, the Bank holds the firm belief that challenges are not hurdles but stepping stones toward progress. We are dedicated to ongoing learning and adjustment to adeptly respond to the changing risks and opportunities. Looking ahead to 2024, the Bank will uphold the principles of sustainable operation, striving to maintain a robust financial structure and excellent asset quality, aiming to maximize profits and value for all shareholders. With a commitment to “fair treatment of customers and friendly service,” we will continue to provide the best financial services to our customers, aiming to create a unique banking experience.

Chairman:  
Cheng-Chih Tai

Managerial Personnel:  
Hung-Liang Chiang

Accounting Supervisor:  
Yu-Hsuan Chen

King's Town Bank Co., Ltd.

Audit Committee's Review Report

The Company's 2023 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. 2024 Annual Shareholders' Meeting

Audit Committee convener: Chuan-Fu Hou

February 26, 2024

## King's Town Bank Co., Ltd. Collection of 2023 Remuneration to the Directors

Unit: NTS

Title	Name	Remuneration								Total amount of A, B, C and D to after-tax net income ratio		Relevant remuneration received by directors who are also employees								Total amount of A, B, C, D, E, F and G to after-tax net income ratio		Compensation from any invested company other than the company's subsidiary
		Base compensation (A)		Resignation Pension (B)		Directors' Remuneration (C)		Business expense allowances (D)				Salary, bonuses, and allowances (E)		Severance pay and pension (F)		Remuneration to employees (G)						
		The Bank	All companies mentioned in the financial statements	The Bank	All companies mentioned in the financial statements	The Bank	All companies mentioned in the financial statements	The Bank	All companies mentioned in the financial statements	The Bank	All companies mentioned in the financial statements	The Bank	All companies mentioned in the financial statements	The Bank	All companies mentioned in the financial statements	Cash	Stock	Cash	Stock	The Bank	All companies mentioned in the financial statements	
Chairman	Chen-Chih Tai	6,582,960	6,582,960	0	0	0	0	240,000	240,000	0.110%	0.110%	0	0	0	0	0	0	0	0	0.110%	0.110%	None
Vice Chairman	Chiung-Ting Tsai	4,842,960	4,842,960	0	0	0	0	240,000	240,000	0.082%	0.082%	0	0	0	0	0	0	0	0	0.082%	0.082%	None
Director	Ching-Shun Ou	480,000	480,000	0	0	0	0	290,000	290,000	0.012%	0.012%	0	0	0	0	0	0	0	0	0.012%	0.012%	None
Director	Chung-Chang Tsai	189,334	189,334	0	0	0	0	116,667	116,667	0.005%	0.005%	0	0	0	0	0	0	0	0	0.005%	0.005%	None
Director	Yi-Li Chuang	292,000	292,000	0	0	0	0	174,000	174,000	0.008%	0.008%	0	0	0	0	0	0	0	0	0.008%	0.008%	None
Independent Director	Chao-Long Chen	960,000	960,000	0	0	0	0	290,000	290,000	0.020%	0.020%	0	0	0	0	0	0	0	0	0.020%	0.020%	None
Independent Director	Chuan-Fu Hou	960,000	960,000	0	0	0	0	292,000	292,000	0.020%	0.020%	0	0	0	0	0	0	0	0	0.020%	0.020%	None
Independent Director	Bing-Sung Wu	960,000	960,000	0	0	0	0	292,000	292,000	0.020%	0.020%	0	0	0	0	0	0	0	0	0.020%	0.020%	None

Note: This table discloses the remuneration for the period of the employment in 2023.

- Please explain the independent director remuneration policy, system, standard, and structure, and the connection between the amount of remuneration and the considered factors such as their job responsibilities, risks, and working time.  
Independent Director remuneration policy: the remuneration of Independent Directors of the Bank shall be set out in the Articles of Association and may be subject to a reasonable remuneration different from that of the ordinary directors. Responsibilities of Independent Directors: At least one Independent Director shall attend in person any meeting of the Board. With respect to the following matters that must be approved by resolution at a Board meeting, all Independent Directors shall attend the meeting in person or appoint another Independent Director to attend the meeting as a proxy. Any objection or reservation made by an Independent Director shall be set forth in the minutes of the Board meeting; if an Independent Director is unable to attend the Board meeting in person to express his objections or reservations, he shall, unless he has valid reasons, give a written opinion in advance and set it out in the minutes of the Board meeting: I. The Bank's operating plan; II. Annual and semi-annual financial reports; III. Formulate or amend internal control system pursuant to Article 14-1 of the Securities and Exchanges Act, and evaluate the effectiveness of the system; IV. The adoption of amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading; V. Matters bearing on the personal interest of a directors; VI. Material assets or derivatives trading; VII. Offering, issuance or private placement of any equity-based securities; VIII. Appointment, discharge or compensation of CPAs; IX. Appointment or dismissal of Finance Officer, Accounting Officer or Internal Chief Auditor; X. A donation to a related party, or a major donation to a non-related party. However, a charitable donation as disaster relief for a major natural disaster may be submitted to the next board meeting for ratification; XI. Other matters that shall be decided by the Shareholders' Meetings or submitted to the Board of Directors or major matters specified by the competent authority in accordance with the law or the articles of association. In addition to the duties and responsibilities of the Board of Directors, all of the Bank's Independent Directors serve as members of the Audit Committee, Compensation Committee, and Sustainable Development and Nominating Committee, which are functional committees with different responsibilities and time commitments from those of the ordinary directors. Therefore, they are entitled to a different level of remuneration than ordinary directors.
- Except for information disclosed above, remuneration paid for services rendered by Directors of the Company to all companies in the financial report (e.g., serving as a non-employee consultant) in the most recent fiscal year: None.

## Explanation of Subsidiary's Acquisition of Right-of-Use Assets from Related Parties

As this case involves the subsidiary King's Town Securities Co., Ltd. (hereinafter referred to as "King's Town Securities") acquiring or disposing of real estate or its right to use assets from related parties, the relevant matters are explained below in accordance with Article 13, Paragraph 5 of the Bank's "Asset Acquisition or Disposal Procedure" (hereinafter referred to as "the disposal procedure").

- I. The purpose, necessity, and expected benefits of acquiring or disposing of the assets:  
The subject of this lease is located on Xinrong Road, West District, Chiayi City, between Dahua Highway and Kangle Street, near Chiayi Train Station and Wen Hua Park. The main entrances and exits are on Dahua Highway and Xinrong Road, providing access to various parts of Chiayi City. The surroundings are populated with various establishments, including jewelry stores and restaurants, and it is conveniently located near the train station and park. The commercial infrastructure is robust, adequately supporting the objectives of King's Town Securities subsidiary in facilitating securities transactions with clients. Given that this location continues in usage from being an operational location for Wantai Securities and is thus familiar to long-term existing clients, securing the usage rights to this asset is both necessary and beneficial.
- II. The reason for selecting the related party as the counterparty:  
The subsidiary, King's Town Securities, has been leasing the subject of this case for over seven years. It was originally the business location of Wantai Securities, and has been leased to related parties throughout the operating period without any leasing disputes. Additionally, KGI Bank has leased the ground floor area of the building, and its revenue and performance have been consistently growing, indicating the potential of this location.
- III. To acquire real estate from related parties, relevant information regarding the reasonableness of the proposed transaction conditions shall be evaluated in accordance with Articles 14 and 15. In this case, as the related party has obtained the right to use the leased asset for more than seven years prior to the contract date of this transaction, the relevant evaluation is exempted in accordance with Article 14, Paragraph 4, Subparagraph 2 of the Bank's regulations.
- IV. The original acquisition date and price of the related party, the counter-party, and its relationship with the Company and the related party:  
The subject of this lease is a property that was built by the related party and has been held for nearly 31 years. The original acquisition price has no reference value, and so does not require further explanation.  
The lease period is from January 1, 2024 to December 31, 2024.

Monthly rent is NT\$170,000 (tax included)

The person in charge of the lessor, Wan Wei Co., Ltd., and the person in charge of the subsidiary, King's Town Securities, are both Mr. Jung-Chi Li.

- V. The cash receipt and expense estimate table for each month of the year starting from the estimated contract signing month, and the evaluation of the necessity of the transaction and the reasonableness of the use of the funds:

Subsidiary King's Town Securities recorded a total operating revenue of NT\$46,830,426 from January to November of 2023. The annual rental expense for this business premises amounts to NT\$2.04 million, accounting for 4.3% of total revenue. This utilization of funds is thus still reasonable.

Based on the rental market for office buildings in the same area, the rental price per ping (approx. 3.31 square meters) for the subject property should be approximately NT\$307-NT\$1,861 (excluding tax). The rental price of the leased property in this case is NT\$680 per ping (excluding tax), which is still reasonable. The rental conditions do not exceed those of other similar properties and do not violate the principle of fair transactions among contracting parties. The transaction is thus in line with normal business practices.

- VI. The appraisal report issued by a professional appraiser in accordance with the provisions of the preceding Article, or the opinion of an accountant:

The transaction method was determined through negotiation, and the price was determined based on the reference to local market conditions and the Ministry of the Interior's real estate transaction records.

- VII. Restrictions and other material covenants of the transaction:

The lease agreement stipulates a monthly rent of NT\$170,000 (including tax), payable in monthly installments. The subsidiary, King's Town Securities, is responsible for making the first payment at the beginning of each period. In the event of late payment, a late payment interest fee of 20% per annum shall be charged.

Article 4 of the lease lays out usage restrictions (such as prohibiting subleasing or allowing others to use the property).

## 2023 Financial Statements

### Independent Auditors' Report

To King's Town Bank Co., Ltd.

#### **Audit opinion**

We have audited the accompanying balance sheets of King's Town Bank Co., Ltd. as of December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity, statements of cash flows, and notes to the financial statements (including a summary of significant accounting policies) from January 1 to December 31, 2023 and 2022.

In our opinion, based on our audit results and the audit reports of other CPAs (please refer to the section titled "Other Matters"), the parent company only financial statements referred to above present fairly, in all material aspects, the financial position of King's Town Bank Co., Ltd. as of December 31, 2023 and 2022, and the results of its financial performance and cash flows from January 1 to December 31, 2023 and 2022 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 parent company only financial statements in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants," Jin-Guan-Yin-Fa-Zi No. 10802731571 Letter and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the section on responsibilities of auditors for the audit of the financial statements. 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. Based on our audit results and the audit reports of other CPAs, we believe 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 financial statements of King's Town Bank Co., Ltd. for 2023. These matters were addressed in the context of our audit of the 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, 2023, the total financial assets measured at fair value were NTD81,889,389 thousand, accounting for about 22% of total assets. Of these, for the investments classified as Level II in the fair value hierarchy, including the derivative financial instruments of bonds and FX swap contracts, there was a book value of NTD43,353,890 thousand, accounting for 53% of the financial assets measured at fair value. Since the Level II investment evaluation is based on an internal evaluation model, the key input values are the yield rate and exchange rate, both of which have a significant impact on the estimation of fair value. Therefore, we consider this to be a key audit matter.

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

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

## Appropriated allowance for bad debt from loans

As of December 31, 2023, the book value of the loans of King's Town Bank Co., Ltd. was NTD230,086,122 thousand, accounting for about 62% of the total assets, which is significant to the financial statements and is 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 also consider these 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 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 financial statements mentioned above are based on the audit report from other CPAs. The investments in the aforementioned investees under the equity method as of December 31, 2023 and 2022 were NTD1,035,375 thousand and NTD1,013,424 thousand, respectively, accounting for 0.28% and 0.27% of the total assets, respectively. The Company's shares of profit of associates under the equity method for the first halves of 2023 and 2022 were NTD27,623 thousand and NTD(18,902) thousand, respectively, accounting for 0.38% and (0.66)% of the net income before tax, respectively, and the Company's shares of other comprehensive income of associates under the equity method were NTD(5,672) thousand and NTD2,972 thousand, respectively, accounting for (0.21)% and (0.05)% of the net other comprehensive income, respectively.

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

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Public 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 financial statements to be free from significant misstatement whether due to fraud or error.

In preparing the 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 Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 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 professional skepticism throughout the audit. We also perform the following works:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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 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 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 financial statements (including related notes) and whether the financial statements include the relevant transactions and events expressed adequately.

6. Obtain sufficient and appropriate audit evidence for the financial information of the Group to express an opinion on the 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 financial statements of King's Town Bank Co., Ltd. for 2023. We describe these matters in our auditors' report unless law or regulation precludes public disclosure of the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Global Limited  
The Securities and Futures Bureau of the Financial  
Supervisory Commission approved the financial report  
of the public offering company

Auditing and Certification No.:

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

Jin-Guan-Cheng-Shen-Zi No. 1050043324

Kuo-Sen Hung

CPA

Sheng-An Hsieh

February 26, 2024

King's Town Bank Co., Ltd.  
Balance Sheets  
December 31, 2023 and 2022

Unit: NTD thousand

Assets			December 31, 2023		December 31, 2022	
Code	Account Item	Note	Amount	%	Amount	%
10000	Assets					
11000	Cash and cash equivalents	IV/VI.1	\$3,723,861	1	\$5,037,635	1
11500	Due from the Central Bank and call loans to other banks	IV/VI.2/VIII	25,614,640	7	15,206,369	4
12000	Financial assets measured at FVTPL	IV/VI.3/VIII	42,511,519	11	36,707,318	10
12100	Financial assets measured at FVOCI	IV/VI.4, 24/VIII	39,377,870	11	42,292,760	11
12200	Debt instrument investments measured at amortized cost	IV/VI.5, 24	19,397,863	5	17,598,455	5
13000	Receivables, net	IV/VI.6, 24/VIII	1,133,020	-	1,269,696	-
13500	Discounts and loans, net	IV/V/VI.7, 24	230,086,122	62	242,334,911	66
15000	Investments accounted for using the equity method, net	IV/VI.8	3,223,125	1	2,673,570	1
15500	Other financial assets, net	IV/VI.9	369	-	42	-
18500	Property and equipment, net	IV/VI.10	4,950,842	1	4,614,394	1
18600	Right-of-use assets, net	III/IV/VI.25	280,835	-	290,400	-
19300	Deferred tax assets	IV/VI.28	399,247	-	410,995	-
19500	Other assets, net	VI.11	2,012,721	1	1,963,820	1
	Total assets		<u>\$372,712,034</u>	<u>100</u>	<u>\$370,400,365</u>	<u>100</u>

(Please refer to the Notes to the Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director : Yu-Hsuan Chen

King's Town Bank Co., Ltd.  
Balance Sheets (continued)  
December 31, 2023 and 2022

Unit: NTD thousand

Liabilities and Equity			December 31, 2023		December 31, 2022	
Code	Account Item	Note	Amount	%	Amount	%
20000	Liabilities					
21000	Deposits from the Central Bank and other banks	IV/VI.12	\$13,308,286	4	\$24,092,259	7
22000	Financial liabilities measured at FVTPL	IV/VI.13	35,936	-	35,203	-
22500	Securities sold under agreement to repurchase	IV/VI.14	7,098,943	2	15,827,129	4
23000	Payables	VI.15	3,013,082	1	2,221,563	1
23200	Current income tax liabilities	IV/VI.28	531,106	-	730,764	-
23500	Deposits and remittances	VI.16	297,825,619	80	284,191,511	76
25600	Provisions	IV/VI.17, 18, 24	268,912	-	268,501	-
26000	Lease liabilities	III/IV/VI.25	287,140	-	295,487	-
29300	Deferred tax liabilities	IV/VI.28	54,940	-	52,560	-
29500	Other liabilities	VI.19	173,504	-	268,652	-
	Total liabilities		<u>322,597,468</u>	<u>87</u>	<u>327,983,629</u>	<u>88</u>
31000	Equity	VI.20				
31100	Share capital		11,112,343	3	11,112,343	3
31500	Capital surplus		55,192	-	55,192	-
32000	Retained earnings					
32001	Legal reserve		14,831,519	4	14,831,519	4
32003	Special reserve		1,540,617	-	120,039	-
32011	Unappropriated retained earnings		21,304,844	6	17,763,770	5
32500	Other equity interest	IV	1,270,051	-	(1,466,127)	-
	Total equity		<u>50,114,566</u>	<u>13</u>	<u>42,416,736</u>	<u>12</u>
	Total liabilities and equity		<u>\$372,712,034</u>	<u>100</u>	<u>\$370,400,365</u>	<u>100</u>

(Please refer to the Notes to the Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director : Yu-Hsuan Chen

King's Town Bank Co., Ltd.  
Statements of Comprehensive Income  
January 1 to December 31, 2023 and 2022

Unit: NTD thousand

Code	Account Item	Note	January 1 to December 31, 2023		January 1 to December 31, 2022	
			Amount	%	Amount	%
41000	Interest revenue	IV	\$9,873,545	103	\$7,668,647	153
51000	Less: Interest expenses	IV	(4,662,841)	(49)	(2,111,836)	(42)
	Net interest income	VI.21	5,210,704	54	5,556,811	111
	Non-interest net income					
49100	Net service fee income	IV/VI.22	2,169,346	23	2,161,407	43
49200	Gain (loss) on financial assets and liabilities at FVTPL	IV/VI.23	2,777,577	29	(1,409,086)	(28)
49310	Realized (loss) gain on financial assets at FVOCI	IV	(186,372)	(2)	(224,242)	(5)
49600	Net exchange (loss)	IV	(15,266)	-	(97,203)	(2)
47003	Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	IV	568,305	6	226,384	5
49700	Impairment of assets (loss)	IV/VI.24	(965,603)	(10)	(1,264,373)	(25)
49800	Other non-interest net income	IV	38,881	-	50,423	1
	Net income		9,597,572	100	5,000,121	100
58200	(Provision) of allowances for bad debts, commitments and guarantees	IV/VI.6, 7, 17, 24	(8,733)	-	(71,756)	(2)
58400	Operating expenses					
58500	Employee benefits expenses	VI.18, 26	(1,260,714)	(13)	(1,069,702)	(21)
59000	Depreciation and amortization expenses	IV/VI.10, 24, 25	(134,762)	(1)	(130,055)	(3)
59500	Other business and administrative expenses	IV	(941,249)	(10)	(858,739)	(17)
61000	Net income before taxes from continuing operations		7,252,114	76	2,869,869	57
61003	Income tax (expenses)	IV/VI.28	(1,045,013)	(11)	(659,447)	(13)
64000	Net income after tax		6,207,101	65	2,210,422	44
65000	Other comprehensive income (loss)					
65200	Items not reclassified to income:	IV/VI.27, 28				
65201	Remeasurements of the defined benefit plan		(8,714)	-	23,219	-
65204	Gain (loss) on evaluation of equity instruments at FVOCI		419,562	4	(263,895)	(4)
65207	Share of other comprehensive income of associates accounted for using the equity method - items that will not be reclassified subsequently to profit or loss		(18,750)	-	17,465	-
65220	Income tax expenses related to items that will not be reclassified subsequently to profit or loss		1,742	-	14,400	-
65300	Items that may be reclassified subsequently to profit or loss	IV/VI.27, 28				
65301	Exchange differences from the translation of financial statements of foreign operations		(5,017)	-	33,855	1
65308	Gain (loss) on debt instrument investments at FVOCI		2,323,261	24	(5,789,990)	(116)
65320	Income tax related to components of other comprehensive income that may be reclassified to profit or loss		1,003	-	(4,665)	-
	Other comprehensive income (after tax)		2,713,087	28	(5,969,611)	(119)
66000	Total comprehensive income (after tax)		\$8,920,188	93	\$(3,759,189)	(75)
	Earnings per share (NTD)	VI.29				
67500	Basic Earnings Per Share		\$5.59		\$1.98	
67700	Diluted earnings per share		\$5.59		\$1.98	

(Please refer to Notes to the Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen

King's Town Bank Co., Ltd.  
Statements of Changes in Equity  
January 1 to December 31, 2023 and 2022

Unit: NTD thousand

Item	Share capital	Capital surplus	Retained earnings			Other equity items		Treasury stock	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences from the translation of financial statements of foreign operations	Unrealized (loss) gain on financial assets measured at FVOCI		
Balance as of January 1, 2022	\$11,212,343	\$77,735	\$13,076,248	\$120,039	\$19,795,409	\$(23,165)	\$4,622,419	\$-	\$48,881,028
The 2021 appropriation and distribution of earnings									
Appropriation of legal reserve	-	-	1,755,271	-	(1,755,271)	-	-	-	-
Common stock cash dividends	-	-	-	-	(2,354,592)	-	-	-	(2,354,592)
Net income from January 1 to December 31, 2022	-	-	-	-	2,210,422	-	-	-	2,210,422
Other comprehensive income from January 1 to December 31, 2022	-	-	-	-	37,619	29,190	(6,036,420)	-	(5,969,611)
Total comprehensive income from January 1 to December 31, 2022	-	-	-	-	2,248,041	29,190	(6,036,420)	-	(3,759,189)
Cost of treasury stocks repurchase	-	-	-	-	-	-	-	(350,511)	(350,511)
Cost of disposal of treasury stocks	(100,000)	(22,543)	-	-	(227,968)	-	-	350,511	-
Disposal of equity instruments measured at FVOCI	-	-	-	-	58,151	-	(58,151)	-	-
Balance as of December 31, 2022	11,112,343	55,192	14,831,519	120,039	17,763,770	6,025	(1,472,152)	-	42,416,736
The 2022 appropriation and distribution of earnings									
Appropriation of special reserve	-	-	-	1,420,578	(1,420,578)	-	-	-	-
Common stock cash dividends	-	-	-	-	(1,222,358)	-	-	-	(1,222,358)
Net income from January 1 to December 31, 2023	-	-	-	-	6,207,101	-	-	-	6,207,101
Other comprehensive income from January 1 to December 31, 2023	-	-	-	-	(6,972)	(4,014)	2,724,073	-	2,713,087
Total comprehensive income from January 1 to December 31, 2023	-	-	-	-	6,200,129	(4,014)	2,724,073	-	8,920,188
Disposal of equity instruments measured at FVOCI	-	-	-	-	(16,119)	-	16,119	-	-
Balance as of December 31, 2023	\$11,112,343	\$55,192	\$14,831,519	\$1,540,617	\$21,304,844	\$2,011	\$1,268,040	\$-	\$50,114,566

(Please refer to Notes to the Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen

King's Town Bank Co., Ltd.  
Statements of Cash Flows  
January 1 to December 31, 2023 and 2022

Unit: NTD thousand

Item	January 1 to December 31, 2023	January 1 to December 31, 2022	Item	January 1 to December 31, 2023	January 1 to December 31, 2022
	Amount	Amount		Amount	Amount
Cash flows from operating activities:			Cash flows from investing activities:		
Profit before tax for the period	\$7,252,114	\$2,869,869	Acquisition of property and equipment	(391,038)	(1,024,453)
Adjustments:			Proceeds from disposal of property and equipment	-	1,650
Non-cash income and expense items			Proceeds from disposal of other assets	-	20,000
Expected credit impairment loss/bad debt expense provision	8,733	71,756	Net cash flow (outflow) from investing activities	<u>(391,038)</u>	<u>(1,002,803)</u>
Impairment of assets loss	965,603	1,264,373	Cash flows from financing activities:		
Depreciation and amortization expenses	134,762	130,055	(Decrease) in funds borrowed from Central Bank and other banks	-	(567,450)
Net interest income	(5,210,704)	(5,556,811)	(Decrease) increase in securities sold under agreement to repurchase	(8,728,186)	3,697,194
Share of (profit) of subsidiaries accounted for using the equity method	(568,305)	(226,384)	Cash dividend paid	(1,222,358)	(2,354,592)
Loss (proceeds) from disposal and retirement of property, plant and equipment	285	(1,236)	Cost of treasury stocks repurchase	-	(350,511)
(Gain) on disposal of other assets	-	(2,000)	Repayment of the principal amount of lease liabilities	<u>(86,426)</u>	<u>(82,874)</u>
Changes in operating assets and liabilities			Net cash (outflow) inflow from financing activities	<u>(10,036,970)</u>	<u>341,767</u>
Due from the Central Bank and call loans to other banks (increase)	(585,318)	(1,534,868)	Effect of exchange rate changes on cash and cash equivalents	<u>(5,017)</u>	<u>33,855</u>
(Increase) decrease in financial assets measured at FVTPL	(5,804,201)	2,714,770	Increase in cash and cash equivalents for current period	8,509,179	1,347,480
Decrease (increase) in receivables	94,144	(67,241)	Cash and cash equivalents at beginning of the period	11,672,968	10,325,488
Discount and loan decrease (increase)	12,267,367	(35,979,006)	Cash and cash equivalents at end of the period	<u>\$20,182,147</u>	<u>\$11,672,968</u>
Financial assets measured at FVOCI decrease (increase)	4,696,494	(3,167,522)	Composition of cash and cash equivalents		
Debt instrument investments measured at amortized cost (increase) decrease	(1,800,000)	599,999	Cash and cash equivalents recorded on the balance sheets	\$3,723,861	\$5,037,635
Other financial assets (increase)	(327)	(105,604)	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" recognized by FSC	16,458,286	6,635,333
Other assets (increase)	(48,901)	(401,879)	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" recognized by FSC	-	-
Deposits from the Central Bank and other banks (decrease) increase	(10,783,973)	5,640,712	Cash and cash equivalents at end of the period	<u>\$20,182,147</u>	<u>\$11,672,968</u>
Increase in financial liabilities measured at FVTPL	733	20,511			
Payables (decrease)	755,070	(282,073)			
Deposits and remittances increase	13,634,108	31,376,066			
Liability reserve (decrease)	(36,203)	(36,059)			
(Decrease) increase in other liabilities	(95,148)	126,659			
Interest received	9,916,666	7,322,394			
Interest paid	(4,622,997)	(1,895,328)			
Income tax paid	(1,227,798)	(906,492)			
Net cash inflow from operating activities	<u>18,942,204</u>	<u>1,974,661</u>			

(Please refer to Notes to the Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen



## Independent Auditors' Report

To King's Town Bank Co., Ltd.

### **Audit opinion**

We have audited the accompanying consolidated balance sheets of King's Town Bank Co., Ltd. and its subsidiaries as of December 31, 2023 and 2022, 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, 2023 and 2022.

In our opinion, based on our audit results and the audit reports of other CPAs (please refer to the section titled "Other Matters"), the financial statements referred to above present fairly, in all material aspects, the consolidated financial position of King's Town Bank Co., Ltd. and its subsidiaries as of December 31, 2023 and 2022 and the results of their operations and cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks", "Regulations Governing the Preparation of Financial Reports by Securities Issuers" as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and effected by the Financial Supervisory Commission.

### **Basis for opinion**

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

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries for 2023. These matters were addressed in the context of our audit of the consolidated 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. and its subsidiaries invest in different types of financial assets. As of December 31, 2023, the total financial assets measured at fair value were NTD83,257,736 thousand, accounting for about 22% of total assets. Of these, for the investments classified as Level II in the fair value hierarchy, including the derivative financial instruments of bonds and FX swap contracts, there was a book value of NTD43,353,890 thousand, accounting for 52% of the financial assets measured at fair value. Since the Level II investment evaluation is based on an internal evaluation model, the key input values are the yield rate and exchange rate, both of which have a significant impact on the estimation of fair value. Therefore, we consider this 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, 2023, the book value of the loans of King's Town Bank Co., Ltd. and its subsidiaries was NTD230,086,122 thousand, accounting for about 60% of the total assets, which is significant to the financial statements and is 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 also consider these to be key audit matters.

Our audit procedures include (but are not limited to) evaluating and testing internal controls related to the calculation of expected credit losses, examining whether the expected credit loss assessment model has been approved by the management, assessing the source of expected credit losses, and having internal experts review the reasonableness of the expected credit loss model, the appropriateness and rationality of the input parameters of the expected credit loss model in the sampling test, including the probability of default (PD) and the loss given default (LGD). In addition, we also examine whether the management complies with the

requirements of the relevant authority's written order to confirm that the loan classification and allowance for bad debts are in compliance with the statutory requirements.

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

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

We did not audit the financial statements of certain subsidiaries furnished to the consolidated financial statements. The financial statements of these subsidiaries were audited by other independent accountants. Therefore, our opinions 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, 2023 and 2022 were NT\$1,409,111 thousand and NT\$743,416 thousand, accounting for 0.37% and 0.20% of the total consolidated assets respectively; the net income for the fiscal year 2023 and 2022 were NT\$139,070 thousand and NT\$43,608 thousand, accounting for 1.39% and 0.81% of the net consolidated income respectively.

### **Responsibilities of Management and Those in Charge of Governance with Regard to the Consolidated Financial Statements**

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and

to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 professional skepticism throughout the audit. We also perform the following works:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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 on the appropriateness of the use of the going concern basis of accounting by the management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of King's Town Bank Co., Ltd. and its subsidiaries to continue as a going concern. If we conclude that a 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 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 consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries for 2023. We describe these matters in our auditors' report unless law or regulation precludes public disclosure of 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 2023 and 2022 parent company only financial reports, and the audit report issued by us along with an unqualified opinion and accompanying notes is filed for future reference.

Ernst & Young Global Limited

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

Auditing and Certification No.:

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

Jin-Guan-Cheng-Shen-Zi No. 1050043324

Kuo Sen-Hung

CPA

Sheng An-Hsieh

February 26, 2024

Independent Auditors' Report

King's Town Bank Co., Ltd. and its subsidiaries  
Consolidated Balance Sheets  
December 31, 2023 and 2022

Unit: NTD thousand

Assets			December 31, 2023		December 31, 2022	
Code	Account Item	Note	Amount	%	Amount	%
10000	Assets					
11000	Cash and cash equivalents	IV/VI.1	\$4,171,981	1	\$5,107,881	1
11500	Due from the Central Bank and call loans to other banks	IV/VI.2/VIII	25,614,640	7	15,206,369	4
12000	Financial assets measured at FVTPL	IV/VI.3/VIII	43,326,946	11	37,246,775	10
12100	Financial assets measured at FVOCI	IV/VI.4, 26/VIII	39,930,790	11	42,854,431	11
12200	Debt instrument investments measured at amortized cost	IV/VI.5, 26	19,397,863	5	17,598,455	5
13000	Receivables, net	IV/VI.6, 26/VIII	12,979,400	3	11,863,381	3
13500	Discounts and loans, net	IV/V/VI.7, 26	230,086,122	60	242,334,911	64
15500	Other financial assets, net	IV/VI.8	369	-	42	-
18500	Property and equipment, net	IV/VI.9, 26	4,973,435	1	4,623,593	1
18600	Right-of-use assets	III/IV/VI.27	310,546	-	328,716	-
18700	Investment property	VI.10	991,524	-	265,602	-
19300	Deferred tax assets	IV/VI.30	438,546	-	446,615	-
19500	Other assets, net	VI.11/VIII	2,125,897	1	2,110,025	1
	Total assets		<u>\$384,348,059</u>	<u>100</u>	<u>\$379,986,796</u>	<u>100</u>

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen

King's Town Bank Co., Ltd. and its subsidiaries  
Consolidated Balance Sheets (continued)  
December 31, 2023 and 2022

Unit: NTD thousand

Liabilities and Equity			December 31, 2023		December 31, 2022	
Code	Account Item	Note	Amount	%	Amount	%
20000	Liabilities					
21000	Deposits from the Central Bank and other banks	IV/VI.12	\$13,308,286	4	\$24,092,259	6
21500	Funds borrowed from Central Bank and other banks	VI.13	5,399,000	1	5,049,000	1
22000	Financial liabilities measured at FVTPL	IV/VI.14	35,936	-	35,203	-
22500	Securities sold under agreement to repurchase	IV/VI.15	7,098,943	2	15,827,129	4
23000	Payables	VI.16	3,487,260	1	2,526,626	1
23200	Current income tax liabilities	IV/VI.30	551,676	-	774,596	-
23500	Deposits and remittances	VI.17	297,684,898	78	283,510,034	75
25500	Other financial liabilities	VI.18	5,535,065	1	4,628,693	1
25600	Provisions	IV/VI.19, 20, 26	268,912	-	268,501	-
26000	Lease liabilities	III/IV/VI.27	317,098	-	333,935	-
29300	Deferred tax liabilities	IV/VI.30	54,940	-	52,560	-
29500	Other liabilities	VI.21	491,479	-	471,524	-
	Total liabilities		<u>334,233,493</u>	<u>87</u>	<u>337,570,060</u>	<u>88</u>
31000	Equity attributable to shareholders of the parent	VI.22				
31100	Share capital		11,112,343	3	11,112,343	3
31500	Capital surplus		55,192	-	55,192	-
32000	Retained earnings					
32001	Legal reserve		14,831,519	4	14,831,519	4
32003	Special reserve		1,540,617	-	120,039	-
32011	Unappropriated retained earnings		21,304,844	6	17,763,770	5
32500	Other equity interest	IV	1,270,051	-	(1,466,127)	-
	Total equity		<u>50,114,566</u>	<u>13</u>	<u>42,416,736</u>	<u>12</u>
	Total liabilities and equity		<u>\$384,348,059</u>	<u>100</u>	<u>\$379,986,796</u>	<u>100</u>

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen

King's Town Bank Co., Ltd. and its subsidiaries  
Consolidated Statements of Comprehensive Income  
From January 1 to December 31, 2023 and 2022

Unit: NTD thousand

Code	Account Item	Note	January 1 to December 31, 2023		January 1 to December 31, 2022	
			Amount	%	Amount	%
41000	Interest income	IV	\$10,567,323	105	\$8,224,689	153
51000	Less: Interest expenses	IV	(4,831,680)	(48)	(2,211,428)	(41)
	Net interest income	VI.23	5,735,643	57	6,013,261	112
	Non-interest net income					
49100	Net service fee income	IV/VI.24	2,354,190	24	2,296,541	43
49200	Gain (loss) on financial assets and liabilities at FVTPL	IV/VI.25	2,870,820	29	(1,445,790)	(27)
49310	Realized (loss) gain on financial assets at FVTOCI	IV	(175,954)	(2)	(223,436)	(4)
49600	Net exchange (loss)	IV	(15,266)	-	(97,203)	(2)
49700	Impairment of assets (loss)	IV/VI.26	(965,603)	(10)	(1,264,373)	(24)
49800	Other non-interest net income	IV	168,186	2	73,370	2
	Net income		9,972,016	100	5,352,370	100
58200	(Provision) of allowances for bad debts, commitments and guarantees	IV/VI.6、7、19、 26	(83,837)	(1)	(216,683)	(4)
58400	Operating expenses					
58500	Employee benefits expenses	VI.20、28	(1,388,569)	(14)	(1,162,073)	(22)
59000	Depreciation and amortization expenses	IV/VI.9、10、 27、28	(153,250)	(1)	(139,483)	(2)
59500	Other business and administrative expenses	IV	(987,355)	(10)	(889,900)	(17)
61000	Net income before taxes from continuing operations		7,359,005	74	2,944,231	55
61003	Income tax (expenses)	IV/VI.30	(1,151,904)	(12)	(733,809)	(14)
64000	Net income after tax		6,207,101	62	2,210,422	41
65000	Other comprehensive income (loss)					
65200	Items not reclassified to income:	IV/VI.29、30				
65201	Remeasurements of the defined benefit plan		(8,714)	-	23,219	-
65204	Gain (loss) on evaluation of equity instruments at FVTOCI		400,812	4	(246,430)	(4)
65220	Income tax expenses related to items that will not be reclassified subsequently to profit or loss		1,742	-	14,400	-
65300	Items that may be reclassified subsequently to profit or loss	IV/VI.29、30				
65301	Exchange differences from the translation of financial statements of foreign operations		(5,017)	-	33,855	1
65308	Gain (loss) on debt instrument investments at FVOCI		2,323,261	23	(5,789,990)	(108)
65320	Income tax related to components of other comprehensive income that may be reclassified to profit or loss		1,003	-	(4,665)	-
	Other comprehensive income (after tax)		2,713,087	27	(5,969,611)	(111)
66000	Total comprehensive income (after tax)		\$8,920,188	89	\$(3,759,189)	(70)
67100	Current period after tax net profit and loss attributable to					
67101	Owners of the parent company		\$6,207,101		\$2,210,422	
67111	Non-controlling interest		\$-		\$-	
67300	Current period after tax comprehensive profit and loss attributable to					
67301	Owners of the parent company		\$8,920,188		\$(3,759,189)	
67311	Non-controlling interest		\$-		\$-	
	Earnings per share (NTD)	VI.31				
67500	Basic Earnings Per Share		\$5.59		\$1.98	
67700	Diluted earnings per share		\$5.59		\$1.98	

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen



King's Town Bank Co., Ltd. and its subsidiaries  
Consolidated Statements of Changes in Equity  
January 1 to December 31, 2023 and 2022

Unit: NTD thousand

Item	Share capital	Capital surplus	Retained earnings			Other equity items		Treasury stock	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences from the translation of financial statements of foreign operations	Unrealized (loss) profit of financial assets measured at FVOCI		
Balance as of January 1, 2022	\$11,212,343	\$77,735	\$13,076,248	\$120,039	\$19,795,409	\$(23,165)	\$4,622,419	\$ -	\$48,881,028
The 2021 appropriation and distribution of earnings									
Appropriation of legal reserve	-	-	1,755,271	-	(1,755,271)	-	-	-	-
Common stock cash dividends	-	-	-	-	(2,354,592)	-	-	-	(2,354,592)
Net income from January 1 to December 31, 2022	-	-	-	-	2,210,422	-	-	-	2,210,422
Other comprehensive income from January 1 to December 31, 2022	-	-	-	-	37,619	29,190	(6,036,420)	-	(5,969,611)
Total comprehensive income from January 1 to December 31, 2022	-	-	-	-	2,248,041	29,190	(6,036,420)	-	(3,759,189)
Cost of treasury stocks repurchase								(350,511)	(350,511)
Cost of disposal of treasury stocks	(100,000)	(22,543)	-	-	(227,968)	-	-	350,511	-
Disposal of equity instruments measured at FVOCI	-	-	-	-	58,151	-	(58,151)	-	-
Balance as of December 31, 2022	11,112,343	55,192	14,831,519	120,039	17,763,770	6,025	(1,472,152)	-	42,416,736
The 2022 appropriation and distribution of earnings									
Appropriation of special reserve	-	-	-	1,420,578	(1,420,578)	-	-	-	-
Common stock cash dividends	-	-	-	-	(1,222,358)	-	-	-	(1,222,358)
Net income from January 1 to December 31, 2023	-	-	-	-	6,207,101	-	-	-	6,207,101
Other comprehensive income from January 1 to December 31, 2023	-	-	-	-	(6,972)	(4,014)	2,724,073	-	2,713,087
Total comprehensive income from January 1 to December 31, 2023	-	-	-	-	6,200,129	(4,014)	2,724,073	-	8,920,188
Disposal of equity instruments measured at FVOCI	-	-	-	-	(16,119)	-	16,119	-	-
Balance as of December 31, 2023	\$11,112,343	\$55,192	\$14,831,519	\$1,540,617	\$21,304,844	\$2,011	\$1,268,040	\$ -	\$50,114,566

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen

King's Town Bank Co., Ltd. and its subsidiaries  
Consolidated Statements of Cash Flows  
January 1 to December 31, 2023 and 2022

Unit: NTD thousand

Item	January 1 to December 31, 2023	January 1 to December 31, 2022	Item	January 1 to December 31, 2023	January 1 to December 31, 2022
	Amount	Amount		Amount	Amount
Cash flows from operating activities:			Cash flows from investing activities:		
Profit before tax for the period	\$7,359,005	\$2,944,231	Acquisition of property and equipment	(409,578)	(1,031,021)
Adjustments:			Proceeds from disposal of property and equipment	333	1,650
Non-cash income and expense items			Proceeds from disposal of investment property and equipment	132,974	73,211
Expected credit impairment loss/bad debt expense provision	83,837	216,683	Acquisition of investment property	(850,788)	(211,003)
Impairment of assets loss on reversal	965,603	1,264,373	Proceeds from disposal of other assets	-	20,000
Depreciation and amortization expenses	153,250	139,483	Net cash flow (outflow) from investing activities	<u>(1,127,059)</u>	<u>(1,147,163)</u>
Net interest income	(5,735,643)	(6,013,261)			
Disposal and retirement of property, plant and equipment (proceeds)	(14)	(1,236)	Cash flows from financing activities:		
(Gain) loss on disposal of investment property	(9,558)	11,100	Funds borrowed from Central Bank and other banks	350,000	281,550
(Gain) on disposal of other assets	-	(2,000)	(Decrease) increase in securities and bonds agreement to repurchase	(8,728,186)	3,697,194
Changes in operating assets and liabilities			Cash dividend paid	(1,222,358)	(2,354,592)
Due from the Central Bank and call loans to other banks (increase)	(585,318)	(1,534,868)	Cost of treasury stocks repurchase	-	(350,511)
(Increase) decrease in financial assets measured at FVTPL	(6,080,171)	2,695,246	Repayment of the principal amount of lease liabilities	(95,261)	(87,744)
Receivables (increase)	(1,233,398)	(3,058,180)	Net cash (outflow) inflow from financing activities	<u>(9,695,805)</u>	<u>1,185,897</u>
Discount and loan decrease (increase)	12,267,367	(35,979,006)			
Financial assets measured at FVOCI decrease (increase)	4,686,495	(3,602,523)	Effect of exchange rate changes on cash and cash equivalents	<u>(5,017)</u>	<u>33,855</u>
Debt instrument investments measured at amortized cost (increase) decrease	(1,800,000)	599,999			
Other financial assets (increase)	(327)	(105,604)	Increase in cash and cash equivalents for current period	8,887,053	1,222,811
Other assets (increase)	(19,193)	(470,236)	Cash and cash equivalents at beginning of the period	<u>11,743,214</u>	<u>10,520,403</u>
Deposits from the Central Bank and other banks (decrease) increase	(10,783,973)	5,640,712	Cash and cash equivalents at end of the period	<u>\$20,630,267</u>	<u>\$11,743,214</u>
Increase in financial liabilities measured at FVTPL	733	20,511			
Payables (decrease)	923,980	(205,706)	Composition of cash and cash equivalents		
Deposits and remittances increase	14,174,864	32,473,470	Cash and cash equivalents recorded on the consolidated balance sheets	\$4,171,981	\$5,107,881
Other financial liabilities increase	906,372	1,094,636	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" recognized by FSC	16,458,286	6,635,333
Liability reserve (decrease)	(36,203)	(36,059)			
Increase in other liabilities	19,955	147,588	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" recognized by FSC	-	-
Interest received	10,610,187	7,878,436			
Interest paid	(4,791,286)	(1,994,737)			
Income tax paid	(1,361,630)	(972,830)	Cash and cash equivalents at end of the period	<u>\$20,630,267</u>	<u>\$11,743,214</u>
Net cash inflow from operating activities	<u>19,714,934</u>	<u>1,150,222</u>			

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen

King's Town Bank Co., Ltd.  
Earnings Distribution  
2023

Unit: NT\$

Item	Amount	Amount
Initial unappropriated earnings		15,120,834,387
Add: Gains and losses from disposal of equity instruments recognized as retained earnings		(16,119,398)
Add: Actuarial gains and losses recognized as retained earnings		(6,972,336)
Add: After-tax net income for the current year		6,207,100,608
Less: Special reserve (30%) (Note4)		(1,855,202,662)
Add: Special reserve of reversal (Note5)		1,420,578,296
Earnings available for distribution		20,870,218,895
Distribution items:		
Shareholder dividends - cash (NT\$3.0 per share) (Note 2, 3, 6)	(3,333,702,795)	(3,333,702,795)
Un-appropriated earnings balance		17,536,516,100

## Notes:

1. Earnings in 2023 are distributed first.
2. The number of outstanding shares of the Company is 1,111,234,265 shares.
3. According to Article 50.1 of the Banking Act that is related to earnings distribution, “the Bank shall set aside 30% of its earnings as legal reserve when distributing the earnings after all taxes and contributions are paid;...”, and Article 50.2, “When the legal reserve has reached its total capital, or when the financial operations are sound and the legal reserve has been appropriated in accordance with the Company Act, the company is not subject to the aforementioned restrictions.” As of December 31, 2023, the Company’s legal reserve has reached the total capital and the distribution of earnings is not restricted by Article 50.1 of the Banking Act.
4. According to the regulations outlined in the Jing Shang Zi No. 10802432410 of Ministry of Economic Affairs dated January 9, 2020, in response to changes in domestic accounting standards, companies are required to follow Article 237 of the Company Act when allocating legal reserves. When using “net profit after tax for the current period” as the basis for allocation, it should be based on “net profit after tax for the current period plus the amount of items other than net profit after tax for the current period included in the undistributed earnings for the current year” as the basis for allocating legal reserves.
5. According to the Jin Guan Zheng Fa Zi No. 1090150022 order issued by the Financial Supervisory Commission on March 31, 2021, “A special reserve of the same amount shall be provided for the net decrease in other equity in the current period from the current period’s net income plus the amount included in the current period’s undistributed earnings for items other than the current period’s net income, or if the amount is not sufficient, from the previous period’s undistributed earnings. If the Company has set aside a special reserve in accordance with the preceding paragraph, the Company shall set aside a special reserve for the difference between the amount set aside and the amount required to be set aside as a special reserve. If other stockholders’ equity deductions are reversed afterward, the reversal part and special reserve reversed may be applicable for the appropriation of earnings. Therefore, the Bank made a special reserve for reversal for the 2023 according to the law.
6. The cash dividend for this period is calculated up to the nearest dollar, with any fraction less than one dollar being disregarded. The total amount of fractional leftovers, if any, will be adjusted in descending order of decimal numbers and ascending order of account numbers until it aligns with the total cash dividend distribution amount.

## **King's Town Bank Co., Ltd. Rules of Procedure 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.

Except as otherwise provided in the Guidelines Governing the Handling of Stock Affairs of Listed Companies, the Company shall convene a video shareholders' meeting as specified in the Articles of Incorporation and resolved by the Board of Directors with the attendance of at least two-thirds of the directors and the approval of a majority of the directors present.

Any change in the method of holding a shareholders' meeting shall be resolved by the Board of Directors and shall be made at the latest before mailing the notice of the shareholders' meeting.

The Company shall prepare electronic versions of the shareholders' meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the reporting website specified by the Financial Supervisory Commission 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 materials and upload them to the reporting website specified by the Financial Supervisory Commission 30 days before the date of the regular shareholders' meeting or 15 days before the date of the special shareholders' meeting. In addition, 15 days before the date of the shareholders' meeting, the Company 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.

The shareholders' meeting agenda, and supplemental meeting materials referred to in the preceding paragraph shall be provided for the shareholders to review on the day of the shareholders' meeting by the following methods:

I. The materials shall be distributed on-site at the meeting place when holding

physical shareholders' meetings.

II. The materials shall be distributed on-site at the meeting place as well as uploaded as electronic files to the video conference platform when holding shareholders' meetings with assistance of video conferencing.

III. The materials shall be uploaded as electronic files to the video conference platform when holding shareholders' meetings through video conferencing.

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 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.

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. 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.

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.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting through video conferencing, 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.

When holding a shareholders' meeting through video conferencing, the Company shall not be subject to the aforementioned restrictions on the venue for shareholders' meeting.

Article 6. (Preparation of attendance book and other documents)

The Company shall specify in its shareholders' meeting notices for shareholders, solicitors, and proxies (hereinafter collectively referred to as "shareholders") regarding 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. When the Company holds a shareholders' meeting through video conferencing, attendance registration shall be accepted at the video conferencing platform of the shareholders' meeting at least 30 minutes prior to the time the meeting commences. A shareholder whose attendance registration is accepted will be deemed to have attended the meeting in person.

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.

When the Company holds a shareholders' meeting through video conferencing, shareholders intend to attend the shareholders' meeting through video conferencing shall register with the Company at least 2 days before the date of the shareholders' meeting.

When holding a shareholders' meeting through video conferencing, the Company shall upload the shareholders' meeting agenda, the annual report, and other relevant meeting materials to the video conferencing platform for the shareholders' meeting at least 30 minutes prior to the time the meeting commences and continue to disclose such materials until the time the meeting ends.

Article 6-1 (Convening shareholders' meetings through video conferencing and the particulars required to be specified in the shareholders' meeting notices)

When holding a shareholders' meeting through video conferencing, the Company shall specify the following particulars required to be specified in the shareholders' meeting notices:

I. The method of shareholders attending the shareholders meeting through video conferencing and exercising rights.

II. The handling methods for the situations preventing the attendance on the video conferencing platform or through video conferencing due to natural disaster, unexpected events, or other force majeure events shall include at least the following:

(I) The time when the meeting has to be postponed or adjourned due to the continued failure to remove the preexisting obstacles, and the date when the meeting has to be postponed or adjourned.

(II) Shareholders who did not register to attend the original shareholders' meeting by video conferencing may not attend the postponed or reconvened meeting.

(III) When the Company holds the shareholders' meeting with assistance of video conferencing, in the event that the meeting cannot be reconvened by video conferencing, after deducting the number of shares attended to the shareholders'

meeting through video conferencing, if the total number of shares in attendance exceeds the legal amount of meeting participants, the shareholders' meeting shall continue. For the shareholders attended by video conferencing, their number of shares in attendance shall be counted towards the total number of shares in attendance; however, they have waived his/her rights with respect to the all proposals of that meeting.

(IV) The handling methods in case that the resolutions of all proposals have been announced but no provisional motion has been made.

III. When holding a shareholders' meeting through video conferencing, the Company shall specify the provisions of adequate alternative measures to shareholders having difficulties attending the shareholders' meeting through video conferencing. Except for the cases specified in Article 44.9.6 of the Guidelines Governing the Handling of Stock Affairs of Listed Companies, the Company shall, at least, provide shareholders with access to facilities and necessary assistance, and set forth the period during which shareholders may apply to the Company and other relevant matters to be noted.

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 ballots shall be retained until the conclusion of the litigation reached.

When holding the shareholders' meeting through video conferencing, the Company shall keep records of shareholders' registration, registration for participation, attendance registration, questions asked, vote casting and the results of vote counting, and make an uninterrupted audio and video recording of the proceedings of the shareholders meeting through video conferencing.

The Company shall safeguard the preceding materials and audio and video recording during its existence and provide for the video conferencing provider to keep the materials.

If the shareholders' meeting is held by video conference, the Company is advised to record the operation interface of the backstage of the video conference platform.

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 sign-in cards handed in and the number of shares registered at the video conferencing platform 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 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 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. When holding the shareholders' meeting through video conferencing, the Company shall also declare the meeting adjourned on the video conferencing platform for the shareholders' meeting.

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 the Company holds a shareholders' meeting through video conferencing, shareholders intending to attend the meeting through video conferencing shall re-register with the Company in accordance with Article 6.

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.

When the Company holds a shareholders' meeting through video conferencing, the shareholders attended through video conferencing may ask questions by text on the video conferencing platform for the shareholders' meeting from the time

the meeting is commenced by the chair until the meeting is adjourned, subject to a limit of two questions per motion of 200 words each; provided that the provisions in Paragraph 1 to 5 do not apply.

If the aforementioned question does not violate the regulations or is within the scope of the motion, it is appropriate to disclose the question on the video conferencing platform of the shareholders' meeting for public information.

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 or through video conferencing, 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 the Company'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 chair or a person designated by the chair 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 reporting website specified by the Financial Supervisory Commission.

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.

When the Company holds a shareholders' meeting through video conferencing, shareholders attended by video conferencing should vote on each motion and election motion through the video conferencing platform from the time the meeting is commenced by the chair and should complete the voting before the end of the voting is announced by the chair; if the vote was made overdue, then it shall be deemed as they waived their rights.

When the Company holds a shareholders' meeting through video conferencing, the counting operation must be a one-time count after the end of voting is announced by the chair, and then the chair shall announce the results of voting and election.

If a shareholder who registered to attend the video-assisted shareholders' meeting through video conferencing in accordance with the provisions in Article 6 intends to attend a physical shareholders' meeting, he or she shall exercise a declaration of intent to retract the registration with the same method as the

registration was made 2 days prior to the day of the shareholders' meeting; if the declaration of intent to retract was made overdue, then he or she may only attend the shareholders' meeting by video conferencing.

If a person exercises his or her voting rights by correspondence or electronically and does not retract his or her intent and attends the shareholders' meeting by video conferencing, he or she may not exercise his or her voting rights on the original motion or propose amendments to the original motion or exercise his or her voting rights on amendments to the original motion, except for a temporary motion.

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, and the list of Directors who have been defeated and the number of votes they have obtained.

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.

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 mentioned in the preceding paragraph by means of a public announcement made through the reporting website specified by the Financial Supervisory Commission.

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.

When holding the shareholders' meeting through video conferencing, the starting and ending time of the meeting, the method of holding the meeting, the names of the chair and the person recording the meeting minutes, and the handling methods for and actions taken on the situations preventing the attendance on the video conference platform or through video conferencing due to natural disasters, unexpected events or other force majeure events shall be recorded in the meeting minutes, in addition to the matters that should be recorded in accordance with the provisions of Paragraph 3.

When holding a shareholders' meeting through video conferencing, the Company shall handle relevant matters in accordance with the preceding provision, and specify in the meeting minutes the provisions of the alternative

measures to shareholders having difficulties attending the shareholders' meeting through video conferencing.

Article 16. (Public disclosure)

On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation, the number of shares represented by the proxies, and the number of shares attended by correspondence or electronically, and make an express disclosure of the same at the place of the shareholders meeting; when holding a shareholders' meeting through video conferencing, the Company shall upload the aforementioned information to the video conferencing platform for the shareholders' meeting at least 30 minutes prior to the time the meeting commences and continue to disclose it until the meeting ends.

When holding a shareholders' meeting through video conferencing, the Company shall disclose the total number of shares in attendance on the video conferencing platform from the time the meeting is commenced by the chair. The same applies to the statistics on the total number of shares in attendance and number of votes during the meeting.

If matters put to a resolution at a shareholders' meeting constitute material information identified by the laws and regulations, and Taiwan Stock Exchange Corporation, the Company shall upload the content of such resolution to the reporting website specified by the Financial Supervisory Commission 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. (Disclosure of the information during the video conference)

When holding the shareholders' meeting through video conferencing, the Company shall disclose the results of voting for each proposal and the election immediately after voting ends in accordance with the provisions and continue to disclose such information for at least 15 minutes after the meeting is adjourned by the chair.

Article 20. (The location of the shareholders' meeting chair and the person recording the meeting minutes)

When the Company holds a shareholders' meeting through video conferencing, the chair and the person recording the meeting minutes shall be in the same domestic location. The chair shall announce the address of such location at the meeting.

Article 21. (Handling network disconnection)

When holding the shareholders' meeting through video conferencing, the Company may provide connection test before the meeting, and provide relevant services immediately before and during the meeting to help dealing with the technical communication problems.

When the Company holds a shareholders' meeting through video conferencing, the chair shall announce meeting commenced and that other than the circumstances stipulated in accordance with the provisions in Article 44-20, Paragraph 4 of the Regulations Governing the Administration of Shareholder Services of Public Companies that do not require postponing or reconvening the meeting, in the event of a natural disaster, unforeseen event or any other force majeure that prevents attendance on the video conferencing platform through video conferencing for at least 30 minutes before the meeting is adjourned by the chair, the Company shall convene the meeting within 5 days, or to decide on the date to reconvene the meeting, and the provision in Article 182 of the Company Act does not apply.

In the event that the meeting shall be postponed or reconvened as circumstances described in the preceding paragraph occurred, shareholders who did not register to attend the original shareholders' meeting by video conferencing may not attend the postponed or reconvened meeting.

In the event that the Company shall postpone or reconvene the meeting in accordance with Paragraph 2, for shareholders who registered to attend the original shareholders' meeting by video conferencing and whose attendance registration was accepted but did not attend the postponed or reconvened meeting, their number of shares in attendance, exercised votes and number of votes they received shall be counted towards the total number of shares in attendance, exercised votes and number of votes at the postponed or reconvened meeting.

In the event that the Company postponed or reconvened the meeting in accordance with the provisions in Paragraph 2, the Company does not need to re-discuss or re-resolve the proposals with completed votes casting and counting and announced results of the voting, or elected list of directors and supervisors.

When the Company holds the shareholders' meeting with assistance of video conferencing, in the event that the meeting cannot be reconvened as circumstances described in Paragraph 2 occurred, after deducting the number of

shares attended to the shareholders' meeting through video conferencing, if the total number of shares in attendance exceeds the legal amount of meeting participants, the shareholders' meeting shall continue without the need to postpone or reconvene the meeting in accordance with Paragraph 2.

In the event that the meeting shall be continued as circumstances described in the preceding paragraph occurred, for shareholders attending the shareholders' meeting by video conferencing, their number of shares in attendance shall be counted towards the total number of shares in attendance; however, they have waived his/her rights with respect to the all proposals of that meeting.

In the event that the Company postponed or reconvened the meeting in accordance with the provisions in Paragraph 2, in accordance with the provisions in Article 44-20, Paragraph 7 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the Company shall hold shareholders' meeting at the original date and handle the relevant predecessor activities according to the provisions in such article.

The Company shall hold the postponed or reconvened shareholders' meeting in accordance with the provisions in Paragraph 2 at the dates within the period specified in the later paragraph of Article 12 and Article 13, Paragraph 3 of Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies, Article 44-5, Paragraph 2, Article 44-15, and Article 44-17, Paragraph 1 of Regulations Governing the Administration of Shareholder Services of Public Companies.

Article 22. (Handling digital divide)

When holding a shareholders' meeting through video conferencing, the Company shall provide adequate alternative measures for shareholders having difficulties attending the shareholders' meeting through video conferencing. Except for the cases specified in Article 44.9.6 of the Guidelines Governing the Handling of Stock Affairs of Listed Companies, the Company shall, at least, provide shareholders with access to facilities and necessary assistance, and set forth the period during which shareholders may apply to the Company and other relevant matters to be noted.

Article 23. These Rules and any amendments hereto shall be implemented after being resolved in the shareholders' meetings.

Article 24. These Rules were enacted in the regular shareholders meeting on March 25, 1985.

The 1st amendment was made on March 30, 1988.

The 2nd amendment was made on March 26, 1998.

The 3rd amendment was made on June 4, 2002.

The 4th amendment was made on June 15, 2007.

The 5th amendment was made on June 19, 2009.

The 6th amendment was made on June 15, 2012.

The 7th amendment was made on June 24, 2013.

The 8th amendment was made on May 12, 2015.

The 9th amendment was made on May 12, 2020.

The 10th amendment was made on May 18, 2021.

The 11th amendment was made on May 9, 2022.

The 12th amendment was made on May 23, 2023.



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

### **Chapter I General Provisions**

- Article 1. The Company is incorporated 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 society, accelerate economic construction and help SMEs develop businesses.
- Article 3. The headquarters of the Company is set up in Tainan City and branch offices set up 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 capital of the Company is NT\$18 billion, divided into 1.8 billion shares with a par value of NT\$10 for each share. The Board of Directors is authorized to issue stock shares by installments. A total of 300 million shares may be reserved for the Company’s issuing of 100 million shares of stock warrants and financial bonds with attached warrants, or, 200 million shares of convertible bonds that are to be subscribed to or converted.
- 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-thirds 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 shall obtain 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. The provisions of Article 10-1 of the “Regulations Governing Share Repurchase by TWSE-Listed and TPEX-Listed Companies” shall be stated in the notice of reasons for that shareholders’ meeting in advance.
- Article 6. The Company’s shares are registered share certificates and are signed or affixed with seals 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 physical certificates for the shares issued; when issuing new shares, the certificates for the total number of shares issued may be printed collectively, and such shares shall be registered with or kept in custody by a centralized securities depository institution.

- 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; H601011 Personal insurance agents; H601021 Property insurance agents (limited to the business items approved by the competent authority)
- Article 10. The Company’s business operation is as follows:
1. Accept check deposits.
  2. Accept other deposits.
  3. Issue financial bonds.
  4. Provide short-term, mid-term, and long-term loans.
  5. Engage in the note discount business.
  6. Invest in marketable securities other than the business stock.
  7. Handle domestic and foreign remittance.
  8. Accept commercial drafts.
  9. Issue domestic and foreign letters of credit.
  10. Handle domestic and foreign guarantee business.
  11. Act as a collecting and payment agent.
  12. Handle warehousing, custody, and agency services related to the aforementioned businesses.
  13. Handle life insurance agency business.
  14. Handle property insurance agency business.
  15. Other relevant businesses approved 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’ meetings include both regular shareholders’ meetings and special shareholders’ meetings. Regular shareholders’ meetings are to be held at least once a year and convened by the board of directors within 6 months after the end of the fiscal year. Special shareholders’ meetings are to be held when necessary in accordance with the law. When the Company holds a shareholders’ meeting, the meeting may be held by means of visual communication network, or other methods announced by the central competent authorities. The shareholders’ meetings shall be held in accordance with the Rules of Procedure for Shareholders’ Meetings.
- Article 13. Notice shall be sent to the shareholders at least 30 days prior to a regular shareholders’ meeting, and 15 days prior to a special shareholders’ meeting, stating the date, venue, and reasons for convening the meetings. 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 all items in Paragraph 1, Article 185 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 TWSE-Listed and TPEX-Listed Companies shall be set out and detailed in the notice of the reasons for convening the shareholders' meetings. None of the above matters may be raised by an extraordinary motion.

Article 14. In the event where a shareholder is unable to attend the shareholders' meeting for any reason, a shareholder may appoint a proxy to attend the meeting by providing a signed or sealed proxy form issued by the Company, 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 only one proxy with only one proxy form. The proxy form shall be delivered to the Company 5 days prior to 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 shall be handled in accordance with the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies."

Article 15. The shareholders' meeting shall be chaired by the Chairman. When the Chairman is absent, the Vice Chairman shall act on his/her behalf. If the Vice Chairman is also absent, 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 the chair.

If a shareholders' meeting is convened by a party with power to convene 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 matters which shall be resolved by a shareholders' meeting and implemented accordingly are as follows:

- I. Establishment and amendment of the Company's Articles of Incorporation.
- II. Election or dismissal of Directors.
- III. Examination of the financial reports prepared by the Board and the Audit Committee's reports. In order to conduct the examination, the shareholders' meeting may select and appoint reviewers as required.
- IV. Resolutions regarding capital increase or reduction.
- V. Resolutions regarding distribution of earnings or offsetting of losses.
- VI. Other matters to be resolved by shareholders' meetings according to the Company Act.

Article 17. Unless otherwise provided by the Company Act, resolutions at a shareholders' meeting shall 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 a majority vote of the shareholders present, who represent more

than one-third of the total number of voting shares. The tentative resolution shall be notified to all shareholders and another shareholders' meeting shall be convened within one month thereafter.

The tentative resolution adopted in the aforementioned shareholders' meeting by a majority vote of the shareholders present, who represent more than one-third of the total number of voting shares should be deemed as the resolution of the shareholders' meeting.

Article 18. A shareholder is entitled to one voting right per share.

Article 19. The minutes of the shareholders' meeting shall record the date and venue of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the proceedings and the resolutions of the meeting. The meeting minutes shall be affixed with the signature or seal of the chairman of the meeting. The meeting minutes shall be kept permanently by the Company. The attendance list bearing the signatures of shareholders present at the meeting (attendance registry) and the proxy forms shall be kept for a period defined in the Company Act, and the meeting minutes shall be distributed to all shareholders of the Company within 20 days after the end of the meeting. The preparation and distribution of the minutes of shareholders' meetings mentioned 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. 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' meetings for a 3-year term and are eligible for re-election. However, if re-election cannot be arranged before the expiration of the current term, the office term will be extended until the new directors take office. The total number of the Company's registered shares held by all directors shall not be less than a certain percentage of the total issued shares required by the competent authority. Also, the number of directors that should have the qualifications of financial professionals shall not be less than the percentage stipulated by the competent authorities.

The Company may purchase liability insurance for Directors to protect them against potential liabilities arising from exercising their duties during their tenure.

Article 20-1: Starting the twelfth term of office, among the seats of directors as stated in the preceding paragraph, the seats of independent directors shall be no less than three people or one-fifth of the seats of directors.

The nomination system shall be adopted for the election of directors and independent directors. Independent directors and non-independent directors shall be elected concurrently and the number of elected seats should be calculated separately. The nomination and election 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 shall internally preside the shareholders' meeting, the meeting of the Board of Directors, and externally represents the Company.

Article 21-1: (Deleted)

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

- I. Review the Articles of Incorporation.
- II. Make business decisions.
- III. Review budget and final account of the Company.
- IV. Formulate the earnings distribution or loss compensation plan.
- V. Propose capital increase or reduction.
- VI. Propose the issuance of new shares.
- VII. Command and supervise business operation.
- VIII. Resolve matters regarding corporate bonds.
- IX. Resolve matters regarding the Company's share repurchase plan.
- X. Review the acquisition or disposal of important assets.
- XI. Review and approve various important contracts.
- XII. Determine the appointment and dismissal of managers and auditors.
- XIII. Review the construction, acquisition, or disposal of the Company's business bases and properties.
- XIV. Determine the dates and agenda of the regular shareholders' meetings or the special shareholders' meetings.
- XV. Implement the resolutions of the shareholders' meetings.
- XVI. Determine the appointment, dismissal, and compensation of the CPAs.
- XVII. Set up audit committee and other functional committees.
- XVIII. Exercise other duties and obligations as granted by laws and regulations and by the shareholders' meetings.

Article 23. The board meeting should be held at least once every quarter. In the event of an emergency or a request from the majority of the directors, a special meeting may be held. Except for the first board meeting of each office term, which is to be convened by the director who receives the highest voting rights, a shareholders meeting should be convened and chaired by the Chairman. When the Chairman is absent, the Vice Chairman shall act on his/her behalf. If the Vice Chairman is also absent, 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 the chair.

The reasons for convening a shareholders' meeting in the preceding paragraph shall be specified in the meeting notice. The notice should be transmitted in methods including correspondence or electronic transmission, by which the Directors are able to receive the notice on fax machines or other electronic devices.

If a board meeting is held via video conferencing, the directors who participate in the meeting by such means are deemed as present in person.

Article 24. Unless otherwise provided in other laws and regulations, resolutions of the board meetings shall be adopted by a majority of the directors at a meeting attended by a majority of the directors. The directors shall attend the meetings in person but may appoint another director to act on behalf of the absent director in attending the board meeting. The meeting minutes shall be signed or sealed by the Chairman and the minute taker and kept in the Company. A copy of the minutes shall be distributed to each director within 20 days after the meeting.

- Article 25. In case that the vacancies in the office of directors reach one-third of the Board, the Board of Directors shall convene a special meeting of the shareholders within 60 days to elect new directors to fill the vacancies, and hold office for the unexpired term of the director whose office was vacant.
- Article 25-1: The remuneration of directors shall be determined by the board of directors with reference to the standards of the relevant industry and the listed companies.

**Chapter VI Audit Committee**

- Article 26. The Company has established an Audit Committee consisting of all independent directors, one of whom is the convener and at least one of whom has accounting or financial expertise. The Audit Committee shall exercise its powers and functions and other matters to be complied with in accordance with the provisions of relevant laws and regulations or the Company's bylaws, except as provided in these Articles of Incorporation.
- Article 27. (Deleted)
- Article 28. (Deleted)
- Article 29. (Deleted)

**Chapter VII Managerial Personnel**

- Article 30. Article 30: The Company has one President appointed to manage the business operation according to the instructions of the Board of Directors. The Company may appoint several Vice Presidents and senior managers to assist the President in handling the Company's business operations. Their appointment and dismissal are nominated by the Chairman and with the consent of the majority of directors.  
 The Company has a chief auditor to handle auditing business in accordance with the resolutions of the board of directors and the instructions of the chairman. The appointment, dismissal, or transfer of the chief auditor shall be nominated by the Chairman and approved by more than two-thirds of all Directors, and then reported to the competent authorities for approval. The appointment, dismissal, transfer, reward, penalty, and performance evaluation of internal auditors shall be reported by the chief auditor to the Chairman for approval in advance.  
 The appointment and dismissal of the managers of each department, division, and branch of the Company shall be reported by the President to the Chairman for review and then to be approved by the majority of the board of directors.

**Chapter 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. The Company's Board of Directors shall, after the annual settlement, prepare the following books and statements that should be audited according to the mandatory procedures and then submitted in the regular shareholders' meeting for acceptance, and examined by the competent authorities for publication.

- I. Business report.
- II. Financial Statements.
- III. Proposal for distribution of earnings or offsetting of losses.

Article 33. If the Company has earnings for the year, no less than 0.01% of the earnings should be appropriated to pay employees' remuneration and no more than 2% of the earnings should be appropriated as remuneration to directors. However, when the company still has accumulated losses, an amount equivalent to the loss should be reserved for making up the loss.

The employees with stock or cash received as remuneration as stated in the preceding paragraph include employees of subsidiary companies that meet certain conditions.

Article 31-1: If there is a surplus in the Company's annual final accounts after all taxes have been paid, it should make up for the losses of previous years, and then appropriate 30% as legal reserve; also, after having the special reserve appropriated according to law, for the balance amount, if any, thereafter, along with the retained earnings, the board of directors shall propose a distribution plan to the shareholders meeting for approval. For the distribution of dividends, the cash dividends must not be less than 10% of the total dividends of the current year. The aforementioned dividends distribution principles regarding the cash dividend ratio may be adjusted depending on the Company's business operation requirements and major legal amendments. However, the cash dividend ratio must not be less than 1% of the total dividend. If the distribution of cash dividends per share is for less than NT\$0.1, no dividends will be distributed.

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

### **Chapter 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, the Banking Act, and other relevant laws and regulations.

Article 36. If the Company or responsible person has its reputation damaged by rumors or fraud, it shall promptly report to the prosecution unit in accordance with the relevant laws 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 16th amendment to the Articles of Incorporation of Tainan Mutual Loan and Savings Co., Ltd.

The 1st amendment was made on March 5, 1978.

The 2nd amendment was made on March 17, 1979.  
The 3rd amendment was made on March 15, 1980.  
The 4th amendment was made on March 14, 1981.  
The 5th amendment was made on February 25, 1982.  
The 6th amendment was made on March 7, 1983.  
The 7th amendment was made on December 15, 1983.  
The 8th amendment was made on April 22, 1984.  
The 9th amendment was made on March 25, 1985.  
The 10th amendment was made on March 28, 1986.  
The 11th amendment was made on March 27, 1987.  
The 12th amendment was made on March 30, 1988.  
The 13th amendment was made on March 10, 1989.  
The 14th amendment was made on March 27, 1990.  
The 15th amendment was made on March 26, 1991.  
The 16th amendment was made on March 25, 1992.  
The 17th amendment was made on March 26, 1993.  
The 18th amendment was made on March 23, 1994.  
The 19th amendment was made on March 27, 1995.  
The 20th amendment was made on March 21, 1996.  
The 21st amendment was made on March 25, 1997.  
The 22nd amendment was made on March 26, 1998.  
The 23rd amendment was made on April 27, 2000.  
The 24th amendment was made on June 4, 2002.  
The 25th amendment was made on May 27, 2003.  
The 26th amendment was made on June 23, 2005.  
The 27th amendment was made on November 29, 2005.  
The 28th amendment was made on June 15, 2007.  
The 29th amendment was made on June 13, 2008.  
The 30th amendment was made on June 19, 2009.  
The 31st amendment was made on June 4, 2010.  
The 32nd amendment was made on June 9, 2011.  
The 33rd amendment was made on June 15, 2012.  
The 34th amendment was made on June 24, 2013.  
The 35th amendment was made on June 20, 2014.  
The 36th amendment was made on May 18, 2016.  
The 37th amendment was made on May 17, 2017.  
The 38th amendment was made on May 17, 2018.  
The 39th amendment was made on May 12, 2020.  
The 40th amendment was made on May 9, 2022.  
The 41st amendment was made on May 23, 2023.



## Shareholdings of 16th Board of Directors

Base date: April 9, 2024

Title	Name		Current Shareholding			Note
			Type of share	Shares	Shareholding ratio (%)	
Chairman	Cheng-Chih Tai	Representative of Tiangang Investment Co., Ltd.	Ordinary share	39,399,025	3.55%	
Vice Chairman	Chiung-Ting Tsai					
Director	Ching-Shun Ou	Representative of Fu Chiang Investment Co., Ltd.	Ordinary share	5,000,000	0.45%	
Director	Yi-Li Chuang					
Independent Director	Chuan-Fu Hou		Ordinary share	0	0.00%	
Independent Director	Chao-Long Chen		Ordinary share	0	0.00%	
Independent Director	Bing-Sung Wu		Ordinary share	0	0.00%	
Total number of all directors				44,399,025	4.00%	

Note:

1. The total number of issued shares of the Company as of April 9, 2024 was 1,111,234,265 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 April 9, 2024, the total number of shares held by all Directors is 44,399,025 shares (excluding Independent Directors). It accounts for 4.00% of the total issued shares and is compliant with the provision for shares held by Directors.
2. The Company has an Audit Committee, and thus the regulation of Supervisor share ownership does not apply to the Company.