

# Taiwan Business Bank

## Internal Control System Statement

To: Financial Supervisory Commission, R.O.C (Taiwan)

- I. On behalf of Taiwan Business Bank (the "Bank"), we hereby state that from January 1, 2023 to December 31, 2023, the Bank has duly complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing its internal control system, implementing risk management procedures, designating an independent and objective department to conduct audits, and regularly reporting to the Board of Directors and the Audit Committee. The Bank has also duly complied with Article 38, Paragraph 5 and Article 38-1 of the aforementioned regulation and the self-disciplinary regulations of information security formulated by The Bankers Association.
- II. With respect to the securities business, evaluation of the effectiveness of the design and implementation of the internal control system has been duly performed in accordance with the criteria for evaluating effectiveness of internal control systems described in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets".
- III. With respect to the insurance agent business, evaluation of the effectiveness of the design and implementation of the internal control system has been duly performed in accordance with the criteria for evaluating effectiveness of internal control systems described in the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies".
- IV. After prudent evaluation, except for items listed in the attached schedule, the internal control, legal compliance, and information security were implemented by all departments effectively during the year.
- V. This Statement will be included as an integral part of the Bank's annual report and prospectus, and be disclosed to the public. Any false or fraudulent representations and concealment of information in the content disclosed above shall be subject to legal liabilities prescribed by Article 20, 32, 171, and 174 of the Securities and Exchange Act.
- VI. This Statement was approved by the Board of Directors on March 13, 2024 for declaration hereof.

Chairman

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Pei-Jean Lin

President

:

Chang Chih Chien

Executive Vice President &  
Chief Auditor

:

Meich Tsung Chou

Executive Vice President &  
Chief Compliance Officer

:

Hsu, LI-YUEN

Executive Vice President &  
Chief Information Security Officer

:

Luan Jia-Puey

## Taiwan Business Bank

### Matters of Internal Control to be Enhanced and Improvement Plan

(Base Date: December 31, 2023)

Matters to be Enhanced	Improvement Measures	Scheduled Time for Completion of Improvement
<p>An employee at the Banking Dept. embezzled the processing fee from the managing bank of the Bank's Relief Project Loan Program, resulting in corrective action requirements imposed by the Financial Supervisory Commission ("FSC").</p>	<p>I. Improved account management:</p> <ul style="list-style-type: none"> <li>i. All new project loans which provide interest subsidies or commission fees will be processed in a single project account management approach.</li> <li>ii. Assigned dedicated personnel to verify the correctness of account balance regularly.</li> </ul> <p>II. Transfer process management:</p> <ul style="list-style-type: none"> <li>i. Funds will be processed by ACH transfer to reduce the risk of human operations.</li> <li>ii. Notifications for the transfer operation instructions will be sent by official documents before (or on) the transfer date. The transfer vouchers will be issued by the business management department instead.</li> <li>iii. After each transfer operation is completed, the outgoing/incoming payment records of the account will be checked to ensure the normality and the account balance will be confirmed before the case can be signed off.</li> </ul>	<p>Completed according to the improvement measures.</p>
<p>Taiwan Stock Exchange Corporation conducted an examination on San Ming Securities Broker Branch Office and found the following violations. The Bank was advised to improve the implementation of internal control system and was imposed a penalty of NT\$20,000. The Bank was also instructed to suspend the trading activities of associated persons in charge of brokerage trading for 2 months and issue warnings to the account-opening handler, the acting manager &amp; back-office supervisor, and internal auditors.</p> <p>I. Associated persons in charge of brokerage trading engaged in lending or borrowing of funds for securities trading, kept securities original seals on behalf of relatives customers, and used the seals to collect monthly trading statements on behalf of customers.</p> <p>II. The account-opening handler failed to distribute monthly statements to customers before</p>	<p>I.</p> <ul style="list-style-type: none"> <li>i. The business management department conducts irregular educational trainings during routine monthly meetings for securities associated persons at the head and branch offices, emphasizing compliance with Article 18 of the "Regulations Governing Responsible Persons and Associated Persons of Securities Firms," which prohibits securities practitioners from engaging in prohibited conducts.</li> <li>ii. San Ming Securities Broker Branch Office promotes to employees at various meetings that it is strictly prohibited for securities associated persons to engage in lending and borrowing of funds for securities trading.</li> <li>iii. The deficiency of keeping seals on behalf of customers is included as a mandatory item in the monthly project self-audit checklist for the head and branch offices.</li> </ul> <p>II. The business management department has sent official letters to the head and branch offices, reiterating the need to implement the Bank's securities firm internal control</p>	<p>Completed according to the improvement measures.</p>

<p>the 10th of the following month.</p> <p>III. During a general examination previously conducted by the Auditing Dept., it was discovered that the associated persons in charge of brokerage trading had regular fund transfers with customers and advanced payment for settlement of securities, while no report was filed to the competent authority as required. The acting manager &amp; back-office supervisor did not conduct interviews with customers as required and failed to review relevant supporting documents for verification, and auditors at the securities branch office had not effectively executed audit operations.</p>	<p>system. For customers who have agreed to collect their monthly statements in person, a signed receipt record shall be kept. If the statements are not collected by the due date, they should be mailed to customers by the 10th of each month (with the mailing receipt retained for verification).</p> <p>III.</p> <ul style="list-style-type: none"> <li>i. The Auditing Dept. has sent official letters to auditors at all securities head and branch offices, urging them to effectively implement audit operations in accordance with regulations.</li> <li>ii. The business management department has sent official letters to the head and branch offices, reiterating the need to implement the Bank's securities firm internal control system CA-11430, and carry out goodwill customer interviews on a quarterly basis in accordance with the "Goodwill Customer Interview Worksheet," with each item addressed and relevant audio recordings and documents retained. The content of these goodwill interviews includes, but is not limited to, inquiries about whether there are matters such as lending and borrowing of funds, and escrow of funds, seals or passbooks, between customers and associated persons.</li> </ul>	
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