O-Bank Co., Ltd.
Compensation System for Executive Management

I. Process for setting Compensation

Compensation for executive management at O-Bank is set in accordance with the " Rules Governing Employee Compensation", " Rules Governing Compensation of Managerial Officers" and the "Rules Governing Provisioning for and Payment of Performance Bonuses", which were formulated and approved by the Compensation Committee and the Board of Directors. After the aforementioned compensation has been reviewed by the President and Chairman of the Board, then will be reviewed by the Compensation Committee in accordance with the range of base salary standards and various bonus payment principles approved by the Board of Directors.

The executive management compensation is determined by factors such as the Bank's business strategy, profitability, future risks, job duties and performance, financial industry pay levels, internal fairness and external competitiveness, and is based on the following principles.

i) The principle of equal emphasis on risks and incentives

The remuneration mechanism of the Bank's executive management should pay equal attention to short-term incentives and long-term incentives, and comply with the Bank's risk management policy to prevent executive management from engaging in behaviors that exceed the Bank's risk appetite in pursuit of personal bonuses.

ii) The principle of contribution measurement

The executive management's contribution should be evaluated by the actual individual contribution to relevant results to ensure that their remuneration is commensurate with their actual individual contribution to the Bank.

iii) The principle of fair and reasonable principle

The severance pay agreement between the Bank and executive management should set a reasonable amount based on the achieved performance to avoid improper situations such as receiving large severance pay after leaving the company for a short period of time.

iv) The principle of Regular review

The Bank should regularly evaluate the effectiveness and appropriateness of executive management's remuneration to ensure that the remuneration system can support the company's strategic development goals.

v) The Principle of payment deferral

The payment period of remuneration for short-term and long-term performance of executive management should take the nature of the business and the relevance of future risks into account. Regardless of whether there is a change in control of the company or the executive management resignation or dismissal, payment of deferred compensation would not be accelerated.

II. The Component of Compensation

The compensation of the executive management includes fixed salaries and variable bonuses.

i) fixed salaries, including the base salary, meal allowance, work allowance, etc.

The Bank comprehensively considers the financial industry pay levels and the bank's competitiveness in the financial market, and sets the full range of base salary standards for each grade, and review regularly. Subsequently, the Bank will make adjustments based on the job duties, professional skills, and ability held by individual executive management.

ii) variable bonuses, including the festival bonus, performance bonus or sales bonus, employee remunerations, and Long-term incentive bonus, etc.

- Festival bonus: The Bank provides bonuses for the Lunar New Year, Dragon Boat Festival, and Mid-Autumn Festival. Depending on the bank's annual revenues, additional New Year bonuses may be issued before the Lunar New Year.
- Performance bonus or Sales bonus: based on the individual attributes of the positions held by executive management, the Bank will provide bonuses according to the "Rules Governing Provisioning for and Payment of Performance Bonuses" or the rules of the sales bonus applicable to each product.
- Employee remunerations: according to the Bank's "Articles of Incorporation", If the Bank records a profit in a year, the Bank shall set aside no less than 0.5% of the profit for employee remunerations.
- Long-term incentive bonus: the Bank has adopted a set of "Regulations for Implementing Long-Term Incentive Bonus Programs." to strengthen the connection between employee compensation and the company's long-term business performance.

Variable salaries of executive management are reasonably allocated based on overall company performance, future risks, and individual performance. Personal performance assessments of executive management include financial indicators (such as pre-tax net profit, achievement rates of short- and long-term business goals, cost-income ratio, and asset quality) and non-financial indicators (such as core company values, strategic objectives, innovation, legal compliance, internal control, risk management, sustainability objectives, and climate risk objectives), with non-financial indicators goals accounting for no less than 30%.

The variable bonuses of O-Bank's executive management are clearly linked to the company's profitability and return on equity. At the same time, to encourage employees to attach importance to long-term business objectives and develop a clear understanding of future risks, executive management bonuses are partially paid in the form of equity which is linked to the company's stock price to closely integrated executive management bonuses with the company's long-term operating performance. The variable bonuses paid to the members of executive management are limited to three times of their fixed salary, and the value of their O-Bank shareholdings must be more than two times the amount of their fixed salary for the current year.

III. The Deferral and Clawback of Bonus

In order to prevent executive management from engaging in behaviors that exceed the bank's risk appetite in pursuit of short-term performance, payments of 10% of the short-term incentive bonuses within the executive management's annual variable bonus paid out in equity, while another 10% is paid out in cash and deferred over a three-year period.

If the executive management causes expected or actual losses due to violation of laws, regulations, or internal regulations, or triggering material risk events or affecting the Bank's reputation due to misconduct (including but not limited to malfeasance), and that person's culpability is ascertained, then during the aforementioned deferral period, O-Bank may cancel an unpaid deferred bonus up to an amount commensurate with that person's degree of responsibility for the loss, or may claw back part or all of the amount of short-term incentive bonuses previously paid to member of executive management.

IV. Compensation Management

O-Bank has a compensation system that accords balanced attention to the needs for both internal fairness and external competitiveness. It conducts market competitiveness analysis with reference to the remuneration data of various benchmark companies annually to ensure that remuneration levels are in line with market level. The Bank's Compensation Committee regularly reviews and evaluates the remuneration standards of executive management annually. This evaluation takes into account factors such as future risk-adjusted performance, the Bank's long-term overall profits and shareholders' interests, and reports executive management remuneration policy regularly at shareholder meetings annually to ensure that the Bank’s remuneration-related performance indicators are consistent with the company strategy valued by stakeholders.