

Cathay United Bank Corporate Governance Guidelines

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Responsible Unit: Legal Affairs Department

Chapter 1 General Principles

Article 1 Purpose

“Cathay United Bank Corporate Governance Guidelines” (the “Guidelines”) is prescribed based on the principles of authorization levels and the spirit of work specialization in the Bank as well as by reference to Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, Best Practice Principles of Corporate Governance for Banks, and relevant regulations (including but not limited to the existing, to be amended, and new ones in the future). The objectives of the Guidelines are to build a good and effective corporate governance framework in Cathay United Bank (the “Bank”) and to promote well-rounded business development of the Bank and its subsidiaries.

Article 2 Principles Governing Corporate Governance

The Guidelines stipulated by the Bank shall, apart from highlighting capital adequacy, asset quality, management competency, profitability, asset liquidity, and risk sensitivity, abide by the following principles:

- (1) Compliance and solid internal management.
- (2) Protection of shareholders’ rights.
- (3) Reinforcement of the functional duties of the board of directors.

- (4) Fulfillment of the Bank's auditing committee's (the "Audit Committee") function.
- (5) Respect for the interests of employees and stakeholders.
- (6) Enhancement of information transparency.

Article 3 Implementation of Internal Systems of Corporate Governance

Personnel and business and responsible units of all levels in the Bank shall implement the systems and policies with regard to internal control, internal audit, compliance, risk management, finance, business, accounting, IT, human resources, etc.

The board of directors is responsible for the supervision and management of effective implementation of the aforementioned systems.

Subsidiaries of the Bank shall, on the precondition of complying with the local regulations and commercial practices, stipulate all systems specified in Paragraph 1 of this Article and properly implement the systems.

Chapter 2 Regulatory Compliance and Internal Management Reinforcement

Article 4 Regulatory Compliance

The Bank shall formulate a regulatory compliance system and establish a compliance unit reporting to the President in charge of the planning, management, and execution of the compliance system, the establishment of an advisory, coordination, and communication system, and the execution of compliance training offered to each unit, so as to ensure the effectiveness of the Bank's compliance system and to strengthen the function of self-discipline.

Article 5 Establishment of the Internal Control System

The Bank shall establish a well-rounded internal control system and effectively implement it. The board of directors has the ultimate responsibility to ensure the establishment and maintenance of a suitable and effective internal control system; senior managers shall establish such a system by receiving instructions and supervision from the board of directors, complying with resolutions made in the board of directors such as business strategies, risk preferences, payroll, and other

strategies, developing risk-related procedures that are adequate to identify, measure, monitor, and control the Bank's risks. The organization, procedures, and decision-making process of senior managers shall be clear and transparent. Their roles, authority, and responsibilities shall be made specific.

The establishment of and the amendment to the internal control system shall be proposed to and approved by the board of directors; shall the Bank's independent directors have any objections or unqualified opinions, such shall be specified in the minutes of the meeting of the board of directors.

Article 6 Scope of Coverage

The Bank's internal control system shall cover all of the Bank's business activities, under which suitable policies and internal procedures shall be stipulated in accordance with the organization rules, articles of incorporation, business guidelines, and handling manuals. Review and amendment shall be conducted on a regular basis in line with the laws, business items, and operating processes. If necessary, compliance unit, internal audit, and other relevant units shall be involved.

Article 7 Internal Audit System

The Bank's internal audit system shall evaluate the effectiveness of the internal control system and measure business efficiency. Timely suggestions shall be provided to ensure continuous and effective execution of the internal control system, so as to assist the board of directors and senior managers to fulfill their duty.

The Bank shall establish an audit unit reporting to the board of directors, which shall perform internal audit independently and impartially and report to the board of directors and Audit Committee on a regular basis.

The Bank is advised to establish a channel and system for independent directors, Audit Committee, and internal audit managers to communicate with each other. Independent directors shall review and discuss with internal auditors regarding the defects of the internal control system on a regular basis. A record shall be kept to track and implement improvements and a report shall be submitted to the board of directors. The convenor of the Audit Committee is advised to report the communications between Audit Committee members and internal audit managers to the shareholders' meeting.

To ensure the internal control system is effectively implemented, strengthen

the professional abilities of the deputy of the internal auditor, and further improve and maintain the quality and implementation outcomes of internal audits, the Bank shall appoint a deputy to act on behalf of internal auditors.

Article 8 Emphasis on Internal Audit

The Bank's managerial level shall put emphasis on the internal audit unit and personnel and authorize them adequately so that they may properly inspect and evaluate the defects of the internal control system and business efficiency. This can ensure continuous and effective execution of the system, in turn realizing solid corporate governance.

Article 9 Self-inspection

The Bank shall establish a self-inspection system, a regulatory compliance and risk management system, and an internal audit system, the so-called three lines of defense of internal control, and comply with execution procedures stipulated by the competent authorities in order to maintain effective and suitable internal control.

Article 10 Follow-up on Audit Opinions and Findings

Upon receiving audit opinions or findings issued by a financial examination agency, accountant, or internal audit unit, the Bank shall continue to follow up on the improvement so as to effectively utilize an internal or external audit report to maximize the internal control function it has.

Article 11 Reporting System

The internal auditors and compliance officers of each unit shall report immediately to the competent authorities if they discover material defects of internal control or major non-compliance that are likely to cause major losses to the Bank and their suggestions of remediation are not accepted by senior managers.

Chapter 3 Protection of Shareholders' Rights

Article 12 Shareholders' Rights

The Bank shall build a corporate governance system ensuring the shareholders have the rights to learn, participate, and decide on important matters of the Bank, so that their rights can be protected and all of them can be treated fairly.

The Bank is a wholly-owned subsidiary of Cathay Financial Holding Co., Ltd. (“CFH”). When CFH appoints representatives as the Bank’s directors and independent directors, based on their appointment in relation to the Bank’s directors, directors are required to faithfully fulfill their duties to protect the shareholders’ rights.

Article 13 Shareholders’ Participation in Corporate Governance

CFH appoints representatives as the Bank’s directors and independent directors to participate in the decision-making process of the major corporate governance strategies and to ensure that the shareholders’ meeting can be convened legally, effectively, and safely.

The Bank is a company limited by shares owned by a sole corporate shareholder. According to the Company Act and the Articles of Incorporation of the Bank, the functional duties of the Bank’s shareholders’ meeting are exercised by the board of directors while the directors (including independent directors) are appointed by CFH according to the law.

When the number of directors falls short by one-third of the total number prescribed in the Bank’s Articles of Incorporation, CFH shall appoint succeeding directors in accordance with Securities and Exchange Act, Company Act and Financial Holding Company Act within 60 days from the date of occurrence. The term of the succeeding directors shall be limited to fulfill the unexpired term of office of the predecessor.

In case all independent directors of the Bank are discharged, CFH shall appoint succeeding independent directors in accordance with Securities and Exchange Act, Company Act and Financial Holding Company Act within 60 days from the date of occurrence. The term of the succeeding independent directors shall be limited to fulfill the unexpired term of office of the predecessor.

Article 14 Information Disclosure

The Bank properly follows the relevant rules of information disclosure to disclose the Bank’s financials, business, and shareholding by insiders on Market Observation Post System or the Bank’s official website on a regular or timely basis as a way to value the shareholders’ rights to know.

Article 15 Establishment of Donation Rules

The Bank shall stipulate relevant internal rules governing donation and submit them to the board of directors for approval. Information of donation given to political parties, interested parties, and charity groups shall be disclosed.

Article 16 Establishment of Acquisition and Disposal Rules

If the Bank is to undertake major financial and business operations such as acquisition or disposal of assets, a proposal has to be submitted to the board of directors according to an internal procedure prescribed by the law so as to protect shareholders' rights.

When the Bank makes an investment, the conditions of corporate governance of the target company are advised to be taken into consideration as a reference for investment.

Article 17 Handling of Shareholders' Inquiries

In order to protect the interest of shareholders, the Bank is advised to appropriately handle shareholders' suggestions, inquiries, and disputes.

If the resolution approved by the board of directors of the Bank is non-compliant with laws or the Articles of Incorporation of the Bank, or the directors and senior managers violate laws or Articles of Incorporation while performing duties, thus undermining shareholders' rights, for the lawsuits filed by shareholders, the unit responsible for handling material lawsuits in the Bank shall properly handle them and keep a written record for future reference.

The Bank is advised to stipulate internal procedures to properly handle the matters provided in the preceding two paragraphs with a written record kept for future reference and included in the scope of internal control system.

Article 18 Reminders for Shareholders Having Control

In order to protect the best interest of all shareholders, the Bank is advised to remind corporate shareholders having control of the following:

- (1) Corporate shareholders bear the fiduciary duty to the other shareholders. Instructing directly or indirectly the Bank to perform operations against commercial practices or the Bank's interests is prohibited.
- (2) A representative of the corporate shareholder shall uphold the fiduciary duty and vote for the best interest of all shareholders when attending the shareholders' meeting, or shall be faithful and attentive when serving as a

director.

- (3) Nomination of a director shall comply with relevant laws and Articles of Incorporation without surpassing the authority of the board of directors.
- (4) Unduly interfering with the Bank's decision or operation is not allowed.
- (5) Restricting or obstructing the Bank's operation under the circumstance of unfair competition is prohibited.
- (6) A corporate representative elected as a director shall meet the qualifications set forth by the Bank. Appointment without discretion shall be avoided.

Article 18-1 Principles Related to the Communication and Interaction with Controlling Shareholders of the Bank's Parent Company

The Bank should emphasize following principles in its communications and interactions with the controlling shareholders of the Bank's parent company (the "Parent Shareholder"):

- (1) In principle, the communications should be conducted through the representative director appointed by the Bank's parent company (the "Parent Representative Director"). If necessary, the Parent Representative Director may invite the Bank's officers to participate in the communication with any Parent Shareholder, and the Bank shall keep a record of such communication.
- (2) Should a Parent Shareholder have any suggestions regarding board meeting agendas or management of the Bank, such suggestion should be presented by the Parent Representative Director at the Bank's board meeting or meeting of functional committee for discussion and exchange of views. Parent Shareholders shall not convene meetings on their own or improperly intervene with the Bank's decision making in any ways.
- (3) The Parent Shareholder shall have a duty of confidentiality regarding significant information related to the Bank before disclosure of such information, and the Parent Shareholder shall not engage in any insider trading using such information.

Article 19 Restrictions on Interested Parties

To avoid the Bank's interested parties extending loans in an inappropriate way at the advantage of their position, consequently undermining the shareholders and deposits customers' interests as well as the Bank's solid operation, the Bank shall

pose appropriate restrictions on the Bank's major shareholders, invested companies, or the Bank's responsible persons, staff, or others who have a conflict of interests with the Bank's responsible persons or staff in charge of loan. Internal rules governing restrictions on loans extended to interested parties and regulations stipulated by competent authorities shall be observed.

Article 20 Avoidance of Conveyance of Unjust Interests

To avoid conveyance of unjust interests jeopardizing the Bank's or shareholder's interests, when the Bank performs real estate transactions with the major shareholders, invested companies, or the Bank's responsible persons, staff, or interested parties in relation to the Bank's responsible persons, the Bank shall uphold the principles of fairness, justice, and objectivity while meeting business practices. The Banking Act and other regulations stipulated by competent authorities shall be observed.

Article 21 Development Plan of the Managerial Level

The Bank shall establish a development plan of the managerial level. The board of directors shall also review the development and execution of the plan regularly to ensure sustainable management.

Article 22 Restrictions on Concurrent Serving of the Responsible Person and Senior Managers

The behavior of concurrent serving and the number of concurrent positions shall ensure successful fulfillment of primary and secondary duties. Matters such as a conflict of interests or violation of internal control set out by each institution are not allowed.

Based on the needs of investment management and risk management, the Bank shall regularly appraise the performance of the responsible person's secondary positions. The appraisal result shall serve as an important reference for renewal or removal of those positions.

Unless otherwise regulated, the Bank's senior managers and their counterpart in an affiliated company shall not concurrently serve in each other's institution.

Article 23 Code of Conduct of Directors

If directors perform an act for themselves or others within the Bank's business

scope, they shall explain the important contents of their act in the shareholders' meeting and acquire the shareholders' consent.

Article 24 Establishment of Comprehensive Systems

The Bank shall establish a comprehensive management and goal setting system for finance, business, and accounting

Article 25 Business Activities with Affiliates

If the Bank engages in business activities with its affiliates, adhering to the principles of fairness and reasonableness, financial and business rules shall be stipulated in a written format. Pricing and payment terms shall be specified in a contract to eliminate any scenario of irregular transactions.

Article 26 Clear View of the Shareholders' Name List

The Bank is advised to have a roster of the shareholders owning 1% or more of the total issued shares or the top 10 shareholders. The Bank may, however, adjust the threshold based on the status of control.

The Bank shall regularly disclose information of pledging, increasing, or decreasing of shares held by shareholders owning more than 10% of the total issued shares, or other important matters that might cause changes of shareholding, so as to facilitate the other shareholders to monitor.

Chapter 4 Reinforcement of Board of Directors' Functional Duties

Article 27 Responsibilities of the Board of Directors

The board of directors shall be responsible for the overall business strategies and other major strategies in order to effectively monitor the managerial level. The board of directors is accountable to all shareholders.

For all operations and arrangements regarding corporate governance, the Bank shall ensure that the board of directors exercises its authority in accordance with the laws and Articles of Incorporation.

Article 28 Composition of the Board of Directors and Required Capabilities

The Bank should determine the appropriate number of board seats of seven or more, taking into consideration the scale of the Bank's operation and business, the shareholding of major shareholders and other practical needs for operation.

The board should consider diversity and inclusion in the board composition. The ratio of directors who concurrently serve as the Bank's officer should not be overly substantial, and Article 22 of this Guideline regarding concurrent serving of different positions should be duly complied with. The Board should formulate appropriate diversity and inclusion policies to address various needs such as the Bank's operational structure, direction of business development and future trend. Such policies should cover, but not be limited to, the following two major aspects:

(1) Fundamental criteria, including gender, age and nationality.

(2) Professional experience, professional background (for example, financial holdings, bank, insurance, securities, industry, and information/technology), professional knowledge and skills (e.g., commerce, finance, accounting, law, marketing, FinTech, overseas market/merger and acquisition and risk management).

The directors shall possess most of the knowledge, skills, and qualities to fulfill their duties. To reach the ideal goal of corporate governance, the board of directors as a whole shall possess the following capabilities:

(1) Business judgments

(2) Accounting and financial analysis

(3) Business management (including over subsidiaries)

(4) Risk management

(5) Crisis management

(6) Industry-wide knowledge

(7) Insights of international markets

(8) Leadership

(9) Decision-making

(10) Corporate governance

The Bank may, before the appointment of the directors by the corporate shareholder, based on the operation and development orientation of the Bank, submit the requirement list under this Article to the corporate shareholder.

Article 29 Qualifications of the Directors

The directors shall not be under any circumstances in Article 3 of Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and

Matters for Compliance by the Responsible Persons of Banks or Article 2 of Regulations Governing Required Qualifications for Responsible Persons and Required Trust Expertise or Experience for Operations and Managerial Personnel of Trust Enterprises.

The directors shall have a good moral character. If the number of the directors is five or less, at least three of them shall meet one of the following qualifications, while if the number of directors exceeds five, at least one more of them for each additional three directors shall meet one of the following qualifications:

- (1) At least 5 years of banking experience, once served as an executive vice president in a bank or any equivalent position with an outstanding performance.
- (2) At least 5 years of financial administration or management experience, once assumed a grade 8 or any equivalent position with an outstanding performance.
- (3) At least 3 years of banking experience, once served as a vice president or above in a bank or any equivalent position with an outstanding performance.
- (4) Other facts evidencing one's capability of professional or managerial banking knowledge in order to effectively and comprehensively manage a bank.

Article 30 Risk Management

The board of directors shall recognize the risks facing the Bank's business activities, ensure the effectiveness of risk management, and pay ultimate responsibility to the outcome of risk management.

Risk management policies and internal procedures stipulated by the Bank shall be approved by the board of directors and amended when necessary.

The Bank shall establish a dedicated risk management unit independent of business units, which shall file a risk control report to the board of directors on a regular basis. If material exposures jeopardizing the Bank's financial health or regulatory compliance are discovered, appropriate measures shall be adopted at once and the unit shall follow internal rules to report to the board of directors.

Article 30-1 Governance Framework for Sustainable Development

The Bank is advised to establish a governance framework and set up a dedicated

or concurrently responsible unit to promote sustainable development. The Bank should conduct risk assessments related to environmental, social, or corporate governance issues relevant to the Bank's operations. The Bank should formulate and the board should supervise the progress of related risk management policies or strategies. The Bank should further establish a schedule for greenhouse gas check and disclosure and regularly report to the board for supervision.

Article 31 Restrictions on the Relationship Among Directors

Unless approved by competent authorities, no more than half of all directors can be each other's spouses or relatives within the second degree.

The directors shall comply with Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks.

Article 32 Independent Directors

Based on the business scale and needs of the Bank, a suitable number of independent director seats can be established.

The Bank shall have at least two independent director seats and the number shall be no less than one-fifth of all director seats. Independent directors shall possess professional knowledge and capabilities to fulfill their duty. On account of the Bank's business needs and industry development needs as well as diversity stated in Article 28, shareholding and concurrent jobs of independent directors shall be restricted, and in compliance with applicable laws and regulations.

The Bank's independent directors cannot serve as independent directors in more than three other listed companies. However, if such companies are subsidiaries of CFH, those companies are considered as one company only, hence not counted as concurrent serving.

It is inappropriate that the same person serves as the Bank's independent director over three consecutive terms.

Independent directors shall maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the Bank.

Professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination, and other

matters for compliance with respect to independent directors shall observe Securities and Exchange Act, Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and other applicable laws.

Article 33 Segregation of Authority

The Bank's chairman (the "Chairman") and President (the "President") shall have clear segregation of duties. The Chairman and President are advised not to be the same person.

Article 34 Duties and Remuneration of Independent Directors

The Bank shall specify independent directors' duties and provide human and material resources required to fulfill their duties. Independent directors can engage third party professionals to assess major or doubtful cases, or ask internal auditors to conduct a special audit or a follow-up. Bank staff or the other directors cannot restrain or obstruct independent directors to perform duties.

The Bank can offer independent directors reasonable remuneration different from the other directors with discretion.

Article 35 Missions of the Board of Directors

To reach the corporate governance goals, key missions of the Bank's board of directors are as follows:

- (1) Establishment of or amendment to the internal control system.
- (2) Commission, dismissal, and supervision of senior managers.
- (3) Review of the Bank's management decisions and business plans as well as monitoring of their status.
- (4) Review of the Bank's financial target and monitoring its achievement.
- (5) Monitoring of the Bank's business outcome.
- (6) Review and approval of the performance appraisal and commission standards of senior managers and sales as well as the remuneration structure of directors.
- (7) Monitoring of the establishment of an effective risk management system by the Bank.
- (8) Supervision of regulatory compliance.
- (9) Planning of the future direction of the Bank.

- (10) Maintenance of the Bank's image.
- (11) Appointment, discharge, or remuneration review of a certified public accountant.
- (12) Other matters requiring a resolution of the board of directors prescribed by laws or Articles of incorporation, or other significant matters prescribed by the competent authorities.

Article 36 Matters Requiring a Discussion in a Meeting of the Board of Directors

The matters below shall be discussed in a meeting of the board of directors:

- (1) The Bank's business plan.
- (2) Annual and semiannual financial statements.
- (3) Establishment of or amendment to the internal control system, or assessment of the effectiveness of the internal control system according to Article 14-1 of the Securities and Exchange Act.
- (4) Establishment of or amendment to the procedures regarding major financial or operational actions such as acquisition or disposal of assets, engaging in derivatives trading according to Article 36-1 of the Securities and Exchange Act.
- (5) Offering, issuance, or private placement of any equity-type securities.
- (6) Appointment and discharge of a financial, accounting, risk management, regulatory compliance, and internal audit officer.
- (7) Review and approval of the performance appraisal and commission standards of senior managers and sales as well as the remuneration structure of directors.
- (8) A donation to an interested party or a substantial donation to a non-interested party. Public-interest donation of disaster relief for a major natural disaster, however, may be submitted to the following board of directors' meeting for ratification.
- (9) Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or Articles of Incorporation to be approved by resolution at a shareholders' meeting or board of directors' meeting, or any such significant matter as may be prescribed by the competent authorities.

Except for paragraph 1 required to be discussed in a board of directors' meeting, during the recess of the board of directors, for persons who are authorized by the

board of directors according to the laws or Articles of Incorporation to perform the directorial duties, their delegation level, content, or matters have to be concrete and specific. General authorization is prohibited.

Since the Bank has independent director seats, at least one independent director shall attend each board of directors meeting in person. In the case of a meeting concerning any matter required to be submitted for a resolution by the board of directors under Paragraph 1, each independent director shall attend in person; if an independent director is unable to attend in person, he or she shall appoint another independent director to attend as his or her substitute. If an independent director expresses any objection or reservation about a matter, it shall be recorded in the board of directors meeting minutes. An independent director intending to express an objection or reservation but unable to attend the board of directors meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the board of directors meeting minutes.

Article 37 Whistleblower Channel

The Bank is advised to establish and promulgate an internal and external whistleblower channel as well as a whistleblower protection system. The aforesaid system requires establishment of internal procedures and inclusion as part of internal control system.

The content of the preceding paragraph shall encompass the items below:

- (1) Establishment and promulgation of the Bank's internal whistleblower mailbox, hotline, or a whistleblower mailbox, hotline entrusted to another external agency, for the bank staff and external parties to use.
- (2) Appointment of handling personnel or a dedicated unit.
- (3) Report acceptance, handling process, handling result, record and preservation of documentation.
- (4) Protection of a whistle blower's identity and the content of a report.
- (5) Protecting a whistleblower from improper treatments resulting from the act.

The Bank can dismiss reports that do not have a real name, address, and specific content.

Upon investigation, if a report is false and involves malicious attacks on the

Bank or the staff, Subparagraph 5 of Paragraph 2 is not applicable.

Article 38 Establishment of Functional Committees

In order to bolster the decision-making function and strengthen the management system, the board of directors may, given the scale of the board and the number of independent directors, establish different functional committees and may stipulate them in Articles of Incorporation.

Functional committees shall be responsible to the board of directors and submit their proposals to the board of directors for a resolution; this limit is not applicable to the circumstance of the Audit Committee exercising the functional duties of a supervisor prescribed by the Securities and Exchange Act, Company Act, and other regulations.

Functional committees shall stipulate operational articles and submit them to the board of directors for approval. The articles shall at least encompass the authority and duty of the committee and the operational process (state of the organization, qualifications of members, process to perform duties). Approval and assessment for the update of the articles shall be carried out every year.

Article 38-1 Audit Committee

The Audit Committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be the convener, and at least one of whom shall have accounting or financial expertise.

The following matters shall be subject to the approval of one-half or more of the entire Audit Committee's members and shall be submitted to the board of directors for a resolution:

- (1) Establishment of or amendment to the internal control system according to Article 14-1 of the Securities and Exchange Act.
- (2) Assessment of the effectiveness of the internal control system.
- (3) Establishment of or amendment to the procedures regarding major financial or operational actions such as acquisition or disposal of assets, engaging in derivatives trading according to Article 36-1 of the Securities and Exchange Act.
- (4) Matters involving the interests of directors.
- (5) A material asset or derivatives transaction.

- (6) Offering, issuance, or private placement of any equity-type securities.
- (7) Appointment, discharge, or remuneration review of a certified public accountant.
- (8) Appointment and discharge of financial, accounting, and internal audit officers.
- (9) Annual financial reports and second quarter financial reports that must be audited and attested by a CPA, which are signed or sealed by the chairperson, managerial officer, and accounting officer.
- (10) The business report and the surplus earning distribution or loss off-setting proposals.
- (11) Approval of the resolution on a merger.
- (12) Any other material matter so required by the Bank or the Competent Authority.

For the matters in paragraph, except for the subparagraph 9, that has not been approved by one-half or more of the entire Audit Committee' members may be adopted with the approval of two-thirds or more of the entire board of directors.

Discussions at an Audit Committee meeting shall be included in the meeting minutes, and a copy shall be distributed to each independent director member on the committee within 20 days after the meeting and be carefully preserved as important company records during the existence of the Bank.

Company Act, Securities and Exchange Act and other laws and regulations regarding supervisors are applicable to the Audit Committee of the Bank.

Article 39 Attorney Retention

The Bank may retain a professional and qualified attorney to provide suitable legal advisory services for the Bank, or to assist directors and senior managers to upgrade legal literacy, so that corporate governance can work within the relevant legal frameworks and procedures.

In the event of directors or senior managers are involved with litigations when performing their duties in accordance with laws, the Bank shall, when in need, retain an attorney for their assistance and pay the fees.

Independent directors can retain an attorney, accountant, or other professionals to conduct an audit or give advice on matters related to exercise of

duties. The fees incurred shall be covered by the Bank.

Article 40 Appointment of Accounting Officer's Deputy and the Selection and Periodical Review of CPA

To enhance the quality of financial reports, the Bank shall appoint a deputy of accounting officer.

The aforesaid deputy shall attend training every year in the same manner as accounting officer to enhance their professional competency.

Accounting personnel in charge of preparing financial reports shall take at least 6 hours of relevant training courses each year in the form of internal training courses or external training for accounting officers offered by qualified institutions.

The Bank shall select professional, responsible, and independent CPAs to audit the Bank's financial conditions and internal control. If they discover or disclose anomalies or defects, hence giving concrete suggestions for improvement or rectification, the Bank shall properly review them and is advised to establish a communication channel or system for independent directors, Audit Committee, and CPAs, and formulate internal operating procedures as parts of internal control.

The Bank shall regularly (at least once a year) assess the independence and appropriateness of the CPAs. In the event that the CPAs have not been replaced for years, or they have been reprimanded, or other circumstances prejudicial to their independence, the Bank shall consider replacing them and report the decision to board of directors.

Article 41 Convening of a Board of Directors' Meeting

The Bank shall convene a board of directors meeting on a regular basis, or convene an ad hoc one as required. The regular board meetings shall be scheduled with an agenda prepared in advance. Directors shall be notified in due course with sufficient meeting materials provided.

The Bank shall formulate procedural rules to enhance operational efficiency and decision-making capability of board of directors.

If the meeting materials are deemed inadequate, a director may ask the unit in charge to provide more information or request a postponement of the meeting with the consent of the board of directors.

Article 41-1 (Chairperson's Performance of Duties)

The Chairman internally serves as the chairperson of the shareholders' meeting, the board meeting and the board's executive committee and is the representative of the Bank externally. The Chairman should perform his or her responsibilities faithfully, fulfill the duty of care and duty of diligence, and exercise the Chairman's duty with a high level of discipline and prudence.

If the Chairman performs his or her responsibilities by telecommunication, working from home or video conferences for an extended period, domestically or from abroad, the Chairman should not only comply with the preceding paragraph but also ensure the effective performance of his or her duty.

Article 41-2 (Chairman of the Board and Proxy)

When the Chairman is on leave or unable to perform his or her duty for any reason, the vice chairman shall act on behalf of the Chairman. If there is no vice chairman or the vice chairman is also on leave or unable to perform his or her duty, the Chairman shall designate one of the executive directors to act on behalf of the Chairman. If there is no executive director, the Chairman shall designate one of the directors to act on behalf of the Chairman. If the Chairman makes no designation, the executive directors or the directors shall appoint a member of the board to act on behalf of the Chairman.

The proxy of Chairman designated or appointed pursuant to the preceding paragraph shall comply with the principle of separation of banking and commerce as prescribed in the "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks".

The proxy of Chairman designated or appointed pursuant to the first paragraph shall not perform his or her duty beyond the scope the Chairman's authority when acting as a proxy, and any limitations to the authority of the proxy of the Chairman should be clearly stated in advance.

Directors should attend the board meetings in person. If a director is unable to attend a board meeting for any reason, the director may appoint another director as a proxy in accordance with the Bank's articles of association, provided that a power of attorney is issued for each meeting, specifying the authorized scope in relation to

the reasons for convention of the board meeting. A director may only act as a proxy for one other director at a time.

Article 42 Voluntary Recusal of a Director

Directors shall exercise a high degree of self-discipline. If a director or a juristic person represented by the director is an interested party with respect to any proposal for a board of directors meeting, in which the relationship is likely to prejudice the interests of the Bank, the director may not participate in discussion or voting on that proposal and shall enter recusal during the discussion and voting. The director also may not act as another director's proxy to exercise voting rights on that matter.

Matters requiring the voluntary recusal of a director shall be clearly set forth in the rules of procedure for board of directors' meetings.

Article 43 Attending and Presenting Directors

When a board of directors meeting is convened to consider any matter submitted to it pursuant to Article 14-3 of the Securities and Exchange Act, an independent director shall attend the board meeting in person, and may not be represented by a non-independent director via proxy. When an independent director has a dissenting or qualified opinion, it shall be noted in the minutes of the board of directors' meeting; if the independent director cannot attend the board of directors' meeting in person to voice his/her dissenting or qualified opinion, he/she should provide a written opinion before the board of directors' meeting unless there are justifiable reasons for failure to do so, and the opinion shall be noted in the minutes of the board of directors' meeting.

For resolutions made by the board of directors, if an independent director has dissenting or qualified opinion with records or a written statement, the opinion shall be noted in the meeting minutes, and in addition, publicly announced and reported in accordance with the TWSE or TPEX rules.

During a board of directors' meeting, managers from relevant departments who are not directors may, in view of the meeting agenda, sit in at the meetings, make reports on the current business conditions of the Bank and respond to inquiries raised by the directors. Where necessary, a CPA, legal counsel, or other professional may be invited to sit in at the meetings to assist the directors in

understanding the conditions of the Bank for the purpose of adopting an appropriate resolution, provided that they shall leave the meeting when deliberation or voting takes place.

Article 44 Meeting Minutes of the Board of Directors

Staff personnel of the Bank attending board meetings shall collect and correctly record the meeting minutes in detail, as well as a summary, the method of resolution, and voting results of all the proposals submitted to the board of directors' meeting in accordance with relevant regulations.

The minutes of the board of directors' meetings shall be signed or stamped by the chairperson and record personnel of the meeting and sent to each director within 20 days after the meeting. The director attendance sheet shall be made part of the meeting minutes, treated as important records of the Bank, and kept safe permanently during the life of the Bank.

Meeting minutes may be produced, distributed, and preserved by electronic means.

The Bank shall record on audio or video tape the entire proceedings of a board of directors' meeting and preserve the recordings for at least 5 years, in electronic form or otherwise.

If before the end of the preservation period referred to in the preceding paragraph a lawsuit arises with respect to a resolution of a board of directors' meeting, the relevant audio or video recordings shall be preserved for a further period, in which case the preceding paragraph does not apply.

Where a board of directors' meeting is held via teleconference or video conference, the audio or video recordings of the meeting form a part of the meeting minutes and shall be preserved permanently.

When a resolution of the board of directors violates laws, regulations or Articles of Incorporation, and thus causes an injury to the Bank, dissenting directors whose dissent can be proven by records or written statements will not be liable for damages.

Article 45 Appointment of Managing Directors

Based on the needs and scope of the board of directors, the Bank may establish managing director(s) in accordance with the relevant provisions of the Company Law.

The scope of authority for managing directors exercising board of directors' power during the recess of the board of directors shall be clearly stated in the Articles of Incorporation of the Bank. However, for matters involving major interests of the Bank, the board of directors' resolution is required.

Article 46 Processing of board of directors' Resolutions

The Bank shall ask the appropriate department or personnel to execute matters pursuant to the board of directors' resolutions in a manner consistent with the planned schedule and objectives. It shall also follow up on those matters and faithfully review their implementation.

The board of directors shall remain informed of the progress of implementation and receive reports in subsequent meetings to ensure the actual implementation of the board's management decisions.

Article 46-1 Appointment of Chief Corporate Governance Officer

The Bank is advised to have an adequate number of corporate governance personnel with appropriate qualifications based on the size of the Bank, business situations and management needs, and to appoint a chief corporate governance officer as the most senior officer to be in charge of corporate governance affairs, pursuant to requirements of the competent authorities.

The appointment or discharge of the above chief corporate governance officer shall be approved by the board of directors.

In the event of the resignation or discharge of the chief corporate governance officer, the Bank shall appoint a new chief corporate governance officer within one month from the date of such resignation or discharge.

Article 46-2 Functions of Corporate Governance Affairs

It is required that the corporate governance affairs mentioned in the first paragraph of the preceding article shall include at least the following items:

- (1) Handling matters relating to board meetings and shareholders' meetings in accordance of relevant laws.
- (2) Producing minutes of board meetings and shareholders' meetings.
- (3) Assisting in onboarding and continuing training courses of directors.
- (4) Furnishing information and materials required for business execution by

directors.

- (5) Assisting directors in complying with laws and regulations.
- (6) Handling matters related to change of directors.
- (7) Other matters set out in the articles of incorporation or contracts.

Article 46-3 Positioning of Chief Corporate Governance Officer

Chief corporate governance officer is a senior manager of the Bank, and shall comply with relevant regulations regarding managerial officer designated in the Company Act and the Securities and Exchange Act.

Unless otherwise stipulated in laws or regulations, the personnel of other position of the Bank may concurrently serve as a chief corporate governance officer.

If the chief corporate governance officer is concurrently holding other position of the Bank, the Bank shall ensure the effective execution of the principal duties and concurrently held duties and may not involve any conflict of interest or any violation of internal control system provisions.

Article 46-4 Qualifications of Chief Corporate Governance Officer

The chief corporate governance officer shall be a qualified lawyer or accountant or has been in a managerial position for at least three years in a securities, financial, or futures related institution or a public company for handling legal, financial, compliance, internal auditing, stock or corporate governance affairs as stipulated in Article 47-2.

Article 46-5 Training Course Taken by Chief Corporate Governance Officer

The Bank shall arrange professional training courses for the chief corporate governance officer.

Upon serving as the chief corporate governance officer, he/she shall complete at least 18 professional training hours within one year from the date of appointment, and at least of 12 professional training hours per year in each following year. The scope, system and other affairs about continuing training of the chief corporate governance officer shall refer to the provisions set out in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Company.

Article 47 Responsibility of Directors

Members of the board of directors shall faithfully conduct bank affairs and perform the duty of care of a good administrator. Unless matters are otherwise reserved by law or the Articles of Incorporation, they shall ensure that all matters are handled according to the resolutions of board of directors.

Any resolution of the board of directors that involves the Bank's business development or a major policy direction shall be carefully considered and may not affect the implementation or effectiveness of corporate governance.

The Bank should establish evaluation methods and procedures for the performance of the board of directors. In addition to regular self-assessments or peer evaluations of the board and individual directors during each year, the Bank may appoint external professional organizations or adopt other appropriate methods to conduct performance evaluations of the board. The evaluation should include appropriate criteria taking into account the Bank's need and the following aspects:

- (1) Participation in the Bank's operations.
- (2) Improvement of the quality of the board's decision-making.
- (3) Composition and structure of the board.
- (4) Selection of the board member and continuous education of the directors.
- (5) Internal controls.

The evaluation of the performance of board members (self-assessment or peer evaluation) should include the following aspects and be adjusted appropriately considering the Bank's needs:

- (1) Understanding of the Bank's goals and missions.
- (2) Knowledge of the director's responsibilities.
- (3) Participation in the Bank's operations.
- (4) Management of internal relationship and communication.
- (5) Professional ability and continuous education of the director.
- (6) Internal controls.

The Bank should conduct performance evaluations of the functional committees. The evaluation should include the following aspects and be adjusted

appropriately considering the Bank's needs:

- (1) Participation in the Bank's operations.
- (2) Knowledge of the responsibilities of the functional committees.
- (3) Improvement of the quality of decision-making by the functional committees.
- (4) Composition and member selection of the functional committees.
- (5) Internal controls.

Article 48 Handling Mechanism for Board of Directors' Resolution Violating the Law

If a resolution of the board of directors violates law, regulations, or the Articles of Incorporation, then at the request of shareholders holding shares continuously for a year (or more) or an independent director to discontinue the implementation of the resolution, members of the board shall take appropriate measures or discontinue the implementation of such resolution as soon as possible.

Upon discovering likelihood that the Bank would suffer material injury, members of the board of directors shall immediately report to the Audit Committee or an independent director member of the Audit Committee in accordance with the foregoing paragraph.

Article 49 Directors' Shareholding Ratio and Transfer Restrictions

The aggregate shareholding percentage of all of the directors of the Bank shall comply with the laws and regulations. Restrictions on the share transfer of each director and the creation, release, or changes of any pledges over the shares held by each director shall be subject to the relevant laws and regulations, and the relevant information shall be fully disclosed.

Article 50 Liability and Compensation

The Bank is advised to enter into a directors' liability insurance contract with an insurance company with respect to liabilities resulting from exercising their duties during their terms of occupancy.

The Bank is advised to report the insured amount, coverage, premium rate, and other major contents of the liability insurance it has taken out or renewed for directors, at the next board meeting.

Article 51 Training Course Taken by Directors

Upon becoming directors and throughout their terms, directors are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies covering subjects relating to corporate governance. They shall also instruct employees of all level to enhance professional liability and legal knowledge.

Upon the start of their terms, the directors should include at least 3 hours of Environmental (E), Society (S) and Governance (G) related corporate sustainability courses in their training taken under the preceding paragraph.

The Bank shall arrange training courses dedicated to newly appointed members of the board of directors.

Chapter 5 Respect for the Rights and Interests of Employees and Stakeholders

Article 52 Communication Channel

The Bank shall maintain a smooth communication channel with its customers, creditors, employees, consumers, communities, or other stakeholders, respect and safeguard their legal rights and interests, and designate a stakeholder's section on the Bank's website.

When any of a stakeholder's legal rights or interests is harmed, the Bank shall handle the matter in a proper manner and in good faith.

Within the scope of the legal requirements, the Bank shall provide sufficient information to customers in order to let them fully understand the Bank's business. When their legitimate rights and interests are infringed, the Bank shall respond positively and take appropriate actions in a responsible manner.

The Bank's responsible units (including Legal Affairs Department, Customer Service Department, Human Resources Department) shall report to the Board of Directors major disputes with interested parties (e.g., lawsuit, customer complaints, employee complaints) at least once a year; reporting is not necessary if there is no

major dispute.

Article 53 Consumer Protection Policy

The Bank shall formulate consumer protection policy. The content shall at least include handling mechanisms for appeals after consumptions and major consumer incidents.

Article 54 Employee Communication Channel

The Bank shall establish channels of communication with employees and encourage them to communicate directly with managers and directors so as to reflect employees' opinions about the management, financial conditions, and material decisions of the Bank concerning employee welfare.

In developing its normal business and maximizing the shareholders' interest, the Bank shall pay attention to consumers' interests, environmental protection of the community, and public interest issues, and shall give serious regard to the Bank's social responsibility.

Chapter 6 Improving Information Transparency

Article 55 Information Disclosure

Information disclosure is a major responsibility of the Bank. The Bank shall faithfully fulfill its obligations in accordance with the relevant laws and regulations.

Article 56 Internet-Based Reporting System

The Bank shall establish an Internet-based reporting system for public information, appoint personnel responsible for gathering and disclosing the information, and establish a spokesperson system so as to ensure the proper and timely disclosure of information that might affect the decisions of shareholders and stakeholders.

Article 57 Spokesperson System

In order to enhance the accuracy and timeliness of the material information disclosed, the Bank shall appoint a spokesperson and deputy spokesperson(s) who understand thoroughly the Bank's financial and business conditions and who are capable of coordinating among departments for gathering relevant information and

representing the Bank in making statements independently.

The Bank shall appoint at least one deputy spokesperson who shall represent the Bank, when the spokesperson cannot perform his/her duties, in making statements independently. Acting sequence among deputy spokespersons shall be established to avoid any confusion.

In order to implement the spokesperson system, the Bank shall unify the process of making external statements. It shall require the management and employees to maintain the confidentiality of financial and operational secrets and prohibit their disclosure of any such information at will.

The Bank shall disclose the relevant information immediately whenever there is any change to the position of a spokesperson or deputy spokesperson(s).

Article 58 Disclosure and Maintenance of Information on Corporate Governance

The Bank shall utilize the convenience of the internet and set up a website containing the information regarding the Bank's finances, operations, and corporate governance in order to keep shareholders and stakeholders fully informed. It is also advisable for the Bank to furnish and continuously update the financial, corporate governance, and other relevant information in English for the needs of foreign investors.

The Bank's website should have a dedicated section for disclosure of corporate governance related information. To avoid misleading information, the aforesaid website shall be maintained by specified personnel, and the recorded information shall be accurate, detailed, and updated regularly.

- (1) Board of directors, such as profiles and responsibilities of each board members, board member diversity policy and implementation result of such policy.
- (2) Functional committees, such as the profiles and responsibilities of members of each functional committee.
- (3) Corporate governance rules, such as the articles of association, procedural rules of board meetings, articles for the organization of functional committees.
- (4) Important information related to corporate governance, such as

establishment of a corporate governance manager.

Article 58 – 1 Authority of Shareholders’ Meeting

The Bank is a banking institution wholly-owned by a single institutional shareholder. The function and authority of shareholders’ meeting of this Bank will be exercised by the board of directors, and this Guideline’s provisions regarding shareholders’ meeting do not apply.

Chapter 7 Supplementary Provisions

Article 59 Review/Improvement Mechanisms

The Bank shall at all time monitor domestic and international developments in corporate governance as a basis for review and improvement of the Bank’s own corporate governance mechanisms, so as to enhance the effectiveness.

Article 60 Guideline for Matters Not Provided Herein

Matters for which this Guideline does not provide shall be handled in accordance with relevant laws and regulations of the Company Act, the Securities and Exchange Act, the Financial Holding Company Act, and common practices.

Article 61 Authorized Unit for Approval

The Guidelines shall be implemented, amended, and abolished upon the approval from the board of directors.