

Guidelines Governing the Acquisition and Disposal of Assets Cathay United Bank

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Responsible Unit: General Affairs & Safety Department

Chapter 1 General Principles

Article 1 Basis

These Guidelines are adopted in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by the Financial Supervisory Commission (FSC).

The Bank shall handle the acquisition or disposal of assets in compliance with these Guidelines; provided, where another financial law or regulation, administrative rules, interpretative rules, explanations, ordinances, and directive rules provide otherwise, such provisions shall govern.

The acquisition in the previous paragraph is not limited to acquisition by cash; acquisition by debt compensation or assets exchange shall also comply with these Guidelines.

Article 2 Scope of Assets

The term “assets” as used in these Guidelines includes the following:

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real property (including land, houses and buildings, and investment property) and equipment.
3. Memberships.
4. Patents, Intangible Assets Abstract, trademarks, franchise rights, and other intangible assets.
5. Right-of-use assets.
6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
7. Derivatives.
8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with the law.
9. Other major assets.

Standards for identifying the major assets set forth in each subparagraph of the preceding paragraph and the transaction authority shall be prescribed in the Delegation of Authority Matrix by management units. Any transactions involving major assets shall be submitted to the Board of Directors for approval.

Article 3 Definition of Terms

Terms used in these Guidelines are defined as follows:

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, combination of the above contracts, or compound contracts with derivatives, or structured products, whose value is derived from specific interest rates, price of financial instruments, product price, foreign exchange rates, price or rate indexes, or other variables. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
2. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with the law: Refers to assets acquired or disposed of through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by the law to engage in the value appraisal of real property or equipment.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors' resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. China investment: Refers to investments in China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in China.
7. Investment professional: refers to financial holding companies, banks, insurance

companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.

8. Securities exchange: domestic securities exchange refers to the Taiwan Stock Exchange Corporation; foreign securities exchange refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
9. Over-the-counter venue ("OTC venue", "OTC"): domestic OTC venue refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; foreign OTC venue refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

Article 4 Prohibition from being a Related party of Any Party to the Transaction

The appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions provided to the Bank shall be compliant with the self-regulatory rules of respective industry associations. Professional appraisers and their officers, certified public accountants, attorneys, and securities underwriters shall not be a related party of any party to the transaction. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other. In addition, they shall comply with the following regulations:

1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed

since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.

2. May not be a related party or de facto related party of any party to the transaction.

The Bank shall confirm the appraisal report or opinion presented by above personnel includes the following statements:

1. The professional competence and independence of the personnel who prepared the report or opinion.
2. They have evaluated and found that the information used is appropriate and reasonable.
3. They have complied with applicable laws and regulations.

Article 5 Restrictions on Acquisition and Disposal of Assets

The scope and amount limit for the Bank's acquisition or disposal of assets shall be subject to the Financial Holding Company Act, Banking Act of The Republic of China, and relevant legal interpretations and administration orders.

Unless otherwise provided by the law, the Bank and its subsidiaries shall not purchase real property not for business use.

The total amount of the Bank's investment in real property not for self use shall not exceed 20% of the Bank's net worth. The total amount of the Bank's investment in real property not for self use plus the total amount of Bank's investment in real estate for self use shall not exceed the Bank's net worth at the time of the investment in such real property.

The total amounts of securities acquired by the Bank and limits on individual securities shall be subject to the "Directions Governing Limitations on Types and Amounts of the Securities in which a Commercial Bank May Invest" and relevant orders and letters.

Article 6 Restrictions and Management of the Bank's Subsidiaries and Overseas Branches' Acquisition and Disposal of Assets

The scope and amount for a Bank's subsidiary's acquisition or disposal of assets shall be subject to the rules and regulations of the line of business to which it belongs and

the Bank's own "Guidelines Governing the Acquisition and Disposal of Assets."

The Bank's management procedure of subsidiaries' acquisition and disposal of assets shall include the following items:

1. Urge subsidiaries to stipulate and implement their "Guidelines Governing the Acquisition and Disposal of Assets" in accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."
2. Urge subsidiaries to inspect whether their "Guidelines Governing the Acquisition and Disposal of Assets" are in accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and whether acquisition and disposal of assets comply with their "Guidelines Governing the Acquisition and Disposal of Assets."
3. Subsidiaries' internal audit units shall review the self-inspection report above.
4. Conduct public announcement and regulatory filing for non-domestic public companies' subsidiaries.

Acquisition and disposal of assets conducted by the Bank's overseas branches shall be compliant with local financial regulations and business practices. For cases that do not comply with the Rules, they shall first be reported to the Responsible Units in charge of the Bank's acquisition and disposal of assets (hereinafter referred to as "Responsible Units"), and the Responsible Units will then report to the Competent Authority for approval.

Chapter 2 Appraisal Procedures

Article 7 Real Property, Equipment, or Right-of-Use Assets

In acquiring or disposing of real property, equipment, or right-of-use assets where the transaction amount reaches NT\$300 million or more, the Bank, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors,

and the same procedure shall be followed for any subsequent changes to the terms and conditions of the transaction.

2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
3. Where any one of the following situations occurs with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to state a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - (1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 - (2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

Article 8 Securities

The Bank, when acquiring or disposing of securities, shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the amount of the transaction is NT\$300 million or more, the Bank shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

Article 9 Memberships or Transactions of Intangible Assets or Right-of-Use Assets

Where the Bank acquires or disposes of memberships or intangible assets or right-of-use assets, and the transaction amount reaches NT\$300 million or more, except in transactions with a domestic government agency, the Bank shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.

Article 9-1

The calculation of the transaction amounts referred to in the preceding three Articles shall be done in accordance with Article 26, paragraph 2, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA’s opinion has been obtained need not be counted toward the transaction amount.

Article 10 Derivatives

The Bank, when engaging in derivatives trading, shall obtain sources and methods of market prices with an objective evaluation and maintain consistency thereof.

1. Be obtained from bid or ask quotes of dealers.
2. When it is unable to obtain from bid or ask quotes of dealers, the risk control unit, accounting unit, and trading department personnel shall negotiate a reasonable evaluation model.
3. The Bank shall avoid engaging in the trading of products that are unable to be evaluated by the Bank. If it is unavoidable, professional financial institutions shall be entrusted to carry out the evaluation for the Bank.

Article 11 Acquisition or Disposal of Collateral Takeover (Tender Offer)

The Bank shall acquire or dispose of collateral takeover (tender offer) in compliance with the provisions of the “Collateral Takeover Guidelines.” Where the Bank shall also obtain an appraisal report from a professional appraiser or a CPA’s opinion in compliance with the provisions of these Guidelines, the documentary evidence issued by the court may be substituted for the appraisal report or CPA opinion.

Chapter 3 Operating Procedures

Article 12 Degree of Authority Delegated, Levels to Which Authority is Delegated, and Transaction Process

The unit in charge shall present the relevant evaluation report to complete the submission and approval in accordance with the sign-off procedures in the Delegation of Authority Matrix of the Bank before proceeding to the next step.

Unless the securities traded on the centralized exchange market or at the business premises of securities firms shall be subject to the prices on the given day, other assets shall be acquired or disposed of by adopting either the tendering procedures, price comparison, or price negotiation after conducting appraisal procedures, with payment terms depending on the general business practice in the market.

Where the Bank acquires real property from a related party, engages in derivatives trading, or conducts a merger, demerger, acquisition, or transfer of shares of enterprises, shall, in addition to conducting such matters in compliance with the provisions of the preceding paragraph, also do so in accordance with the provisions of Chapter 4 to 6 of these Guidelines.

All of the Bank's arrangements of asset acquisition, liability undertaking, reinvestment transactions, and non-traditional reinsurances conducted through trusts, private equity fund reinvestments, and Special Purpose Vehicles (SPV), must be approved by the Board of Directors prior to the transaction.

Article 13 Units Responsible for Implementation

Where the Bank handles the acquisition or disposal of an asset, the management unit of such asset shall be responsible for implementation of public announcement and regulatory filing procedures.

Chapter 4 Related Party Transaction

Article 14 Special Resolution

In the event the Bank conducts real property transactions with an entity in which the Bank holds more than 3% of the paid-in capital, or with the responsible person(s) or staff members or major shareholders of the Bank, or with a related party of the

Bank's responsible person as defined in Article 33-1, the Bank shall do so at arm's length and obtain the consent of more than three-quarters of its directors present at a board meeting at which at least two-thirds of the directors are present.

Article 15 Substance of the Relationship

When engaging in any acquisition or disposal of assets or right-of-use assets from or to a related party, the Bank shall adopt necessary resolutions and appraise the reasonableness of the transaction terms in accordance with the provisions of the preceding Section/Chapter and this Chapter. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

Article 16 Documentary Requirements

When the Bank intends to acquire or dispose of real property or right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets from or to a related party and the transaction amount reaches NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the Bank may not proceed to enter into a transaction contract or make a payment until the following matters have been reviewed by the Audit Committee and resolved by the Board of Directors:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a trading counterparty.
3. With respect to the acquisition of real property or right-of-use assets from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 17 and Article 18.
4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Bank and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated

month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.

6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
7. Restrictive covenants and other important stipulations associated with the transaction.

With respect to the following transactions between the Bank and its parent, subsidiaries, or the subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Board of Directors may authorize the Chairman to decide such matters when the transaction is within a certain amount stipulated in each unit's delegation of authority matrix and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:

1. With respect to the acquisition or disposal of business-use equipment or right-of-use assets.
2. With respect to the acquisition or disposal of business-use real property right-of-use assets.

Where the position of independent director has been created by the Bank in accordance with the provisions of the Securities and Exchange Act, when these Guidelines are submitted for discussion by the Board of Directors pursuant to Paragraph 1, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.

If the Bank or the Bank's subsidiary that is not itself a public company in Taiwan conducted any transactions described in Paragraph 1 and the transaction amount is more than 10 percent of the Bank's total asset, information listed in Paragraph 1 shall be submitted to the Shareholder Meeting for approval, before the Bank may proceed to enter into a transaction contract or make a payment. However, this does not apply to transactions made between the Bank and its parent company and subsidiaries or transactions made between the Bank's subsidiaries.

The calculation of transaction amount referred to in Paragraph 1 and preceding Paragraph shall be made in accordance with Paragraph 2 of Article 26 herein, and

“within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been submitted to the Shareholder Meeting, Board of Directors and Audit Committee for approval need not be counted toward the transaction amount.

Article 17 Transaction Evaluation

The Bank, when acquiring real property or right-of-use assets from a related party, shall evaluate the reasonableness of the transaction costs in accordance with Article 7 and by the following means:

1. Based upon the related party’s transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. “Necessary interest on funding” is computed as the weighted average interest rate on borrowing in the year the Bank purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

Where land and buildings thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the buildings may be separately appraised in accordance with either of the means listed in the preceding paragraph.

The Bank acquiring real property or right-of-use assets from a related party and appraises the cost of the real property in accordance with paragraph 1 and paragraph 2 shall also engage a CPA to check the appraisal and express a specific opinion.

Where the Bank acquires real property or right-of-use assets from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 16 and the preceding three paragraphs do not apply:

1. The related party acquired the real property or right-of-use assets through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Bank's own land or on rented land.
4. Real property right-of-use assets held for business use are acquired by the Bank and its parent, subsidiaries, or the subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

Article 18 Proof of Reasonableness of the Price

When the results of the Bank's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 19. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and buildings according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of

reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.

2. Where the Bank acquires real property, or obtains real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or right-of-use assets.

Article 19

Where the Bank acquires real property or right-of-use assets from a related party and the results of appraisals conducted in accordance with Article 17 and Article 18 are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property or right-of-use assets transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside in a proportion consistent with the share of public company's equity stake in the other company.
2. The provisions regarding the role of supervisors in Article 218 of the Company Act shall apply *mutatis mutandis* to the Audit Committee.
3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

Where the Bank has set aside special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

When the Bank obtains real property or right-of-use assets from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.

Chapter 5 Derivatives Trading

Article 20

The Bank shall engage in financial derivatives trading in accordance with the Bank's "Financial Derivatives Business Handling Guidelines."

Chapter 6 Mergers and Consolidations, Splits, Acquisitions, and Transfer of Shares

Article 21 Opinion

The Bank, when conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.

However, where a public company merges with or is merged into a directly or indirectly owned subsidiary holding 100% of its shares or capital, the opinion issued by the experts in the preceding paragraph may not be necessary. The Bank shall prepare important contractual content and matters relevant to the merger, demerger, or acquisition prior to the Board of Directors meeting along with the expert opinion referred to in paragraph 1 of the preceding Article and the meeting notice, and deliver them to the directors for reference in deciding whether to approve the merger, demerger, or acquisition.

Article 22 Convention of a Meeting

The Bank, when participating in a merger, demerger, or acquisition, shall convene a Board of Directors' meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. The Bank, when participating in a merger, demerger, or acquisition, shall convene a Board of Directors' meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.
3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for use-and-file approval.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Bank so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of paragraphs 3 and 4.

Article 23 Confidentiality Obligation

Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

Article 24 Acquisition Price

The Bank, when participating in a merger, demerger, acquisition, or transfer of shares, shall not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
2. An action, such as a disposal of major assets, which affects the Bank's financial operations.
3. An event, such as a major disaster or major change in technology, which affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.

6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

Article 25 Particulars to be Recorded in the Contract

The contract for participation by the Bank in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies is permitted under the law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

Chapter 7 Public Disclosure of Information

Article 26 Public Announcement and Regulatory Filing

Under any of the following circumstances, the Bank's acquiring or disposing of assets shall be publicly announced and reported on the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event. When the Bank at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety:

1. Acquisition or disposal of real property or right-of-use assets from or to a related

party, or acquisition or disposal of assets other than real property or right-of-use assets from or to a related party where the transaction amount reaches NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.

2. Merger, demerger, acquisition, or transfer of shares.
3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Bank.
4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$1 billion or more.
5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.
6. An asset transaction other than the preceding 5 subparagraphs, a disposal of receivables by a financial institution, or an investment in China reaching NT\$300 million or more. However, the following circumstances are not applicable:
 - (1) Trading of domestic government bonds or foreign bonds with credit ratings no lower than Taiwan's Sovereign Rating.
 - (2) Where done by professional investors-securities trading on securities exchanges or OTC markets, or subscription of foreign bonds or ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the domestic primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or resale of exchange-traded notes, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
 - (3) Trading of bonds under repurchase/resale agreements, or subscription or

redemption of domestic money market funds issued by domestic securities investment trust business.

The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
3. The cumulative transaction amount of real property or right-of-use assets acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

“Within the preceding year” as used in the preceding paragraphs refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.

The Bank shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

The paid-in capital or total assets shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to the Bank’s paid-in capital or total assets in the latest individual financial statement, it reaches a threshold requiring public announcement and regulatory filing under Paragraph 1, Article 26.

Article 27 Document Retention

The Bank, when acquiring or disposing of assets, shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Bank’s Head Office, where they shall be retained for 5

years except where another act provides otherwise.

Article 28 Public Announcement of Change

Where any of the following circumstances occurs with respect to a transaction that the Bank has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be filed on the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:

1. Change, termination, or rescission of a contract signed in regard to the original transaction.
2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change to the originally publicly announced and reported information.

Article 29 Public Announcement for a Subsidiary

Information required to be publicly announced and reported in accordance with the provisions on acquisitions and disposals of assets by a subsidiary of the Bank that is not itself a public company in Taiwan shall be reported by the Bank.

Chapter 8 Penalties

Article 30 Penalties for Violation of Discipline

The Bank's relevant personnel violating these Guidelines shall be punished in accordance with the Bank's personnel rules. For cases involving any illegal acts, they shall be reprimanded to the judicial authorities for investigation.

Chapter 9 Additional Provisions

Article 31

After these Guidelines have been approved by the Audit Committee and Board of Directors, they shall be reported to shareholders' meeting for approval before implementation, and these Guidelines shall be submitted to the parent company for reference; the same applies when these Guidelines are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the Bank

shall submit the director's dissenting opinion to each independent director. Where the position of independent director has been created by the Bank in accordance with the provisions of the Securities and Exchange Act, when these Guidelines are submitted for discussion by the Board of Directors pursuant to the preceding paragraph, 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 proxy, and the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.

In case a director of the Bank transacts a sale with, or borrows money from or conducts any legal act with the Bank on his own account or for any other person, the independent director shall act as the representative of the Bank.

Article 32

A subsidiary of the Bank shall also stipulate the "Guidelines Governing the Acquisition or Disposal of Assets" in compliance with the provisions of Article 1, and after the Guidelines have been approved by the subsidiary's Board of Directors, they shall be reported to the subsidiary's shareholders' meeting for approval before implementation, and they shall be submitted to the Bank for reference; the same applies when the Guidelines are amended.