

# **Asset Acquisition and Disposal Procedures**

## **Chang Hwa Commercial Bank Ltd.**

Adopted by the regular shareholders' meeting held on June 6, 2003

Amended and adopted by the regular shareholders' meeting held on  
June 15, 2007

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June 22, 2012

Amended and adopted by the regular shareholders' meeting held on  
June 12, 2015

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June 16, 2017

Amended and adopted by the regular shareholders' meeting held on  
June 14, 2019

Amended and adopted by the regular shareholders' meeting held on  
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### **Article 1 General Principles**

Article 1 The Disposition Procedures is set up in accordance with the “Regulations Governing the Acquisition and Disposal of Assets By Public Companies” enacted by the Financial Supervisory Commission.

Article 2 The Bank's asset acquisition or disposal shall be processed in accordance with the Disposition Procedures unless otherwise prescribed by other statutory laws and regulations.

Matters not covered by the Disposition Procedures shall be subject to the regulations of the Bank's relevant businesses.

Article 3 The applicable scope of the assets referred to in the Disposition Procedure is as follows:

1. Investments in stocks, government bonds, corporate bonds, financial debentures, securities representing interest in a fund, depositary receipts,

- call (put) warrants, beneficiary securities, asset-backed securities, etc.
2. Real property (including land, houses and buildings and investment property) and equipment.
  3. Membership certificates
  4. Intangible assets such as patent rights, copyrights, trademark rights, franchises, etc.
  5. Right-of-use assets.
  6. Claims of the Bank (including receivables, foreign exchange purchase and discount and loans as well as overdue receivables).
  7. Derivatives
  8. Assets acquired or disposed of through merger, split, acquisition or transfer of shares by law.
  9. Other major assets.

Article 4 Terms used in the Disposal Procedure are defined as follows:

1. Derivatives: They refer to forward contracts, option contracts, futures contracts, leverage contracts and swap contracts whose value is derived from specified interest rates, financial instrument prices, commodity prices, forex rates, indexes of prices or rates, credit ratings or credit indexes or other variables, hybrid contracts combining the above contracts or hybrid contracts or structured commodities containing embedded derivatives. The term “forward contracts” referred to above does not include insurance contracts, performance

contracts, after-sales service contracts, long-term lease contracts and long-term purchase (sales) contracts.

2. Assets acquired or disposed of through merger, split, acquisition or transfer of shares by law: They refer to the assets acquired or disposed of through merger, split, acquisition or transfer of shares in accordance with the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act or other laws, or the transfer of shares from another company through issuance of new shares of its own as the consideration (hereafter referred to as the transfer of shares) in accordance with Article 156-3 of the Company Act.
3. Related parties and subsidiaries: They shall be defined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraisers: They refer to real property appraisers or those who, by law, may engage in appraisal of real property or equipment. °
5. Fact occurrence date: It refers to the contract signing date, payment date, date fixing a consigned order, ownership transfer date, board meeting resolution date or any other date that can confirm the transaction counterparty and the trading amount, whichever date is earlier. However, for the investment required to be approved by the

competent authority, the fact occurrence date shall be determined according to the earlier of the above dates or the date of receiving the approval from the competent authority. For the assets acquired from court statement or auction, the fact occurrence date shall be determined according to the earlier of the date that can confirm the transaction counterparty and the trading amount or the date receiving the court's approval document.

6. Mainland China investment: It refers to the investments made in the mainland China area in accordance with the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area enacted by Economic Affairs Investment Commission, MOEA.
7. Investment professionals: They refer to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises and fund management companies established by law and governed by their local financial competent authorities.
8. Securities exchanges: The domestic securities exchange refers to Taiwan Stock Exchange Corporation (TSEC), whereas the foreign securities

exchange refers to any organized securities exchange market governed by the securities competent authorities of the foreign country in question.

9. Securities firms' business outlets: The domestic securities firm' business outlet refers to the counter specifically set up by a securities firm for trading in accordance with the Regulations Governing Securities Trading on the Taipei Exchange, whereas the foreign securities firm's business outlet refers to any financial institution's business outlet governed and permitted by the foreign competent authority for engaging in the securities business

Article 5 The professional appraisers and their appraisal personnel, certified public accountants, attorneys and securities underwriters providing the Bank with appraisal reports or opinion statements shall meet the following requirements:

1. They have never been sentenced to imprisonment of more than one year in final and conclusive judgment for violation of the Securities and Exchange Act, Company Act, Banking Act, Insurance Act, Financial Holding Company Act, Business Entity Accounting Act, or offense of fraud, breach of trust, embezzlement, document forgery or commitment of any business crime. However, it is not limited to the circumstance where three years has already passed since the

sentence was fully served, the suspended sentence expired or the amnesty was granted.

2. They shall not be the related party or de facto related party of the concerned transaction party.
3. In the event that the Bank is required to acquire appraisal reports from two or more than two professional appraisal firms, the different professional appraisal firms or appraisers shall not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion statement, the preceding concerned parties shall comply with the self-regulatory rules of the trade association to which it belongs and the following:

1. Prior to undertaking the case, they shall prudently assess their own professional capacity, practice experience and independence.
2. When implementing the case, they shall have appropriate planning and execute the adequate operation process to reason the conclusion and issue the report or opinion statement with the conclusion. They shall also literally detail their execution procedure, data collection and conclusion in the case's work sheet..
3. They shall evaluate the appropriateness and rationality item by item of the used data sources, parameters and information, and the results shall be used as the basis for issuance of the appraisal report or opinion statement.

4. The statement shall cover the items including that the relevant personnel are all equipped with professionalism and independence, appropriate and rationality of the information used in appraisal has been assessed and relevant laws and regulations are complied with, etc.

## **Chapter 2 Disposition Procedures**

### **Section 1 Establishment of Disposition Procedures**

Article 6 Establishment of or amendment to the Disposition Procedures shall be approved by a majority of the entire body of audit committee members and adopted by the board of directors before being submitted to the board of shareholders for approval.

Where the approval from a majority of the entire body of audit committee members as required in the preceding paragraph is not obtained, the Procedures may still be implemented if adopted by more than two thirds of the entire body of directors, and the resolution adopted by the audit committee shall be recorded in the board meeting minutes.

The entire body of audit committee members referred to in the preceding 1<sup>st</sup> paragraph and the entire body of directors referred to in the preceding 2<sup>nd</sup> paragraph shall be counted according to the actual number of incumbent persons.

When the Disposition Procedures are submitted to

the board of directors for discussion, each independent director's opinions shall be fully taken into account. In case of any objection or qualified opinion from an independent director, it shall be recorded in the board meeting minutes.

Article 7 Where the assets acquired or disposed of by the Bank shall be adopted by the board of directors as required by the Disposition Procedures or other laws, each independent director's opinions shall be fully taken into account when the case is submitted to the board of directors for discussion. In case of any objection or qualified opinion from an independent director, it shall be recorded in the board meeting minutes.

Any transaction involving major assets or derivatives shall be approved by a majority of the entire body of audit committee members, submitted to the board of directors for a resolution and subject to mutatis mutandis application of Paragraph 2 and Paragraph 3 of Article 6.

Article 8 The total amount of the non-business-use real property and its right-of-use assets or securities acquired by the Bank and its subsidiaries and limits on individual securities shall comply with statutory laws and regulation as well as the regulations enacted by the competent authorities.

Article 9 For the acquisition and disposal of assets acquired by its subsidiaries, the Bank's control procedures shall include the following:

1. Push its subsidiaries to set up and execute their



own asset acquisition or disposal disposition procedures.

2. Push its subsidiaries to self-inspect if the established asset acquisition or disposal disposition procedures meets stipulated regulations and if the transactions regarding asset acquisition or disposal are processed in accordance with the established disposition procedures.
3. Matters regarding the response given by the internal auditor to subsidiary's preceding self-inspection reports.
4. Process announcement and declaration related matters on behalf of the subsidiary which is not a domestic public company. With regard to the requirement of the subsidiary referred to in the preceding subparagraph 4 for making announcement and declaration when reaching 20% of the paid-in capital or 10% of the total assets as set forth in Paragraph 1 of Article 32, the Bank's paid-in capital or total assets shall prevail.

Article 9-1 The operation procedures for the Bank to acquire or dispose of its assets shall include the authorized credit line, delegation level, execution unit, transaction process, etc., which shall be processed in accordance with statutory laws and regulations, relevant regulations enacted by the competent authorities, the list of authority and responsibility of the Bank's business items and relevant operation rules.

## **Section 2 Asset Acquisition or Disposal**

Article 10 Where the Bank acquires or disposes of real property, equipment or its right-of-use assets and the transaction amount reaches 20% of the Bank's paid-in capital or NT\$300 million or more, unless trading with domestic government agencies, engaging in the construction assigned by the land owner, construction assigned for the leased land or acquiring or disposing of business-use equipment or its right-of-use assets, it shall obtain an appraisal report prior to the fact occurrence date from a professional appraiser and comply with the following:

1. Where the specified price, specific price or special price is used as the reference for the transaction price due to special circumstances, the transaction shall be first put forth to the board of directors for adoption. The same shall also apply in case of any change in the transaction terms afterwards.
2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more than two professional appraisers are required.
3. Where professional appraisal results show any of the following circumstances, unless that all the appraisal results for 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 (CPA) shall be engaged to perform the appraisal and render a specific opinion on the discrepancy and the adequacy of the of transaction price:

(1) Where the discrepancy between the appraisal result and the transaction amount is 20% of the transaction amount or more.

(2) Where the discrepancy between the appraisal result from two or more than professional appraisers is 10% of the transaction amount or more.

4. Professional appraiser's report issuance date and contract establishment date shall be no more than three months apart. However, if the government assessed present value in the same period is applicable and within six months, the original professional appraiser shall issue an opinion statement.

Article 11 For the securities acquired or disposed of by the Bank, the Bank shall, prior to the fact occurrence date, obtain the financial statements of the latest period of the underlying company audited, certified or reviewed by a CPA and use them as the reference for transaction price assessment. Also, if the transaction amount is 20% of the Bank's paid-in capital or more, or NT\$300 million or more, a CPA shall be engaged prior to the fact occurrence date to provide an opinion on the rationality of the

transaction price. However, it is not limited to the public offer of the securities with active market or the regulations separately prescribed by the competent authorities.

Article 12 Where the transaction amount of the intangible assets or their right-of-use assets or the membership certificate acquired or disposed of by the Bank is 20% of the Bank's paid-in capital or more, or NT\$300 million or more, except the transaction with domestic government agencies, the Bank shall engage a CPA prior to the fact occurrence date to render an opinion on the rationality of the transaction price.

Article 13 The transaction amount referred to in the preceding three articles shall be calculated in accordance with Paragraph 2 of Article 32, and the "within the previous year" thereof refers to the year preceding the date that the transaction actually occurs. Those that have already acquired the appraisal report from a professional appraiser or a CPA's opinion statement in accordance with the Disposition Procedures can be exempted from the calculation.

Article 14 In case of any of the circumstances below, the Bank shall replace the appraisal report or CPA's opinion statement with the certificate issued by the court:

1. The assets have been acquired or disposed of through the court auction procedure.
2. The assets acquired through the court action procedure due to exercise of the real property

mortgage are re-disposed of within three months after the date that the court undertaking or auctioning the real property has finalized the auction and there is no change in the government assessed present value or assessed value in the period between the court auction being finalized and re-disposal.

### **Section 3 Transactions with Related Parties**

Article 15 For the assets that the Bank acquires from or disposes of with a related party, in addition to complying with the requirements of the preceding and this sections for relevant resolution procedures and assessing the rationality of the transaction terms, if the transaction amount reaches 10% of the Bank's total assets or more, the Bank shall also obtain an appraisal report from a professional appraiser or a CPA's opinion statement as required by the preceding section.

The preceding transaction amount shall be calculated in accordance with Article 13.

When judging whether a transaction counterparty is a related party, other than its legal formality, the substantive relationship shall also be considered.

Article 16 When the Bank acquires real property or its right-of-use assets from a related party or disposes of a related party's real property or its right-of-use assets, or when it acquires other assets beyond the

real property or its right-of-use assets from a related party or disposes of a related party's aforesaid other assets and the transaction amount is 20% of its paid-in capital or more, 10% of its total assets or more, or NT\$300 million or more, except for trading of domestic government bonds or bonds under repurchase, reverse repurchase agreement and subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, the Bank shall not sign any transaction contracts or make any payments until the following information is submitted to the audit committee and board of directors and adopted by them:

1. The purpose, necessity and expected effects of the asset acquisition and disposal.
2. The reason for choosing the related party as a transaction counterparty.
3. The data related to the rationality assessment of the expected transaction terms required by Article 17 and Article 18 for the real property or its right-of-use assets acquired from a related party.
4. The matters regarding related party's original acquisition date and price, transaction counterparties, the relationship between the transaction counterparty and the Bank as well as the Bank's related party, etc.
5. Monthly cash receipt and expenditure forecasts for the year after the month expected to sign the contract, and assessment of transaction necessity

and rationality of capital utilization.

6. The appraisal report issued by a professional appraiser or CPA's opinion statement and acquired according to the requirement of the preceding Article.
7. Restriction terms and other important matters associated with this transaction.

When submitting the items to the Board of Directors for discussion in accordance with the provisions of the preceding paragraph, the opinions of each independent director shall be fully considered. In case of any dissenting opinions or reserved opinions of independent directors, they shall be clearly recorded in the minutes of the board meeting.

The provision of Paragraph 1 shall be approved by one half or more of all members of the Audit Committee, and submitted to the Board of Directors for a resolution, to which the provisions of Paragraphs 2 and 3 of Article 6 shall apply mutatis mutandis.

If the Bank or a subsidiary of the Bank that is not a domestic public company engages in the transactions in Paragraph 1 with the transaction amount reaching 10% or more of the Bank's total assets, the Bank shall submit the various materials set out in Paragraph 1 to the Shareholders Meeting for approval before the transaction contract can be signed and payment can be made. However, such

provisions shall not apply to transactions between the Bank and its subsidiaries, or between the Bank's subsidiaries.

Paragraph 1 and the preceding transaction amount shall be calculated in accordance with Paragraph 2 of Article 32, and the “within the previous year” thereof refers to the year preceding the date that the transaction actually occurs. Those that have already been submitted to the audit committee and board of directors or the shareholders' meeting and adopted by them can be exempted from the calculation.

Article 17 The rationality of the transaction cost of the real property or its right-of-use assets acquired by the Bank from its related parties shall be assessed according to the methods below:

1. Required capital interest and the cost required to be borne by the buyer shall be added to the related party’s transaction price. The “required capital interest” cost referred to above shall be calculated according to the average weighted interest rate of the loan borrowed in the year that the Bank purchases the assets; however, the interest rate shall not be higher than the non-financial industry lending rate announced by the Ministry of Finance.
2. If a related party once encumbered the underlying property to a financial institution for a loan, the



total value of the underlying property assessed by the financial institution for the loan shall be considered; however, the accumulated value of the loan actually released by the financial institution for the underlying property shall be 70% or more than 70% of the total appraised value and the term of the loan shall have been over one year. Nevertheless, it is not applicable to the circumstance where the financial institution and the transaction counterparty are related parties of each other.

Those that merge, purchase or lease of a same underlining land and house shall assess the transaction cost in accordance with either of the methods listed in the preceding paragraphs for the land and house respectively.

Where the Bank acquires real property or its right-of-use assets from a related party, it shall follow the requirements of the preceding two paragraphs to assess the cost of the real property or its right-of-use assets and engage a CPA to re-review the cost and provide their specific opinion.

In case that any of the following circumstances occurs in the Bank's acquisition of real property or its right-of-use assets from a related party, the acquisition shall be processed in accordance with the preceding Article and the preceding three paragraphs are not applicable:

1. Where the related party acquired the real property or its right-of-use assets through inheritance or bestowal.
2. Where the period between the date that the related party signed the contract to acquire the real property or its right-of-use assets and the time that this transaction was signed is over five years apart.
3. Where the real property was acquired by engaging a related party to construct the real property through a joint construction contract, the construction assigned by the land owner, or the construction assigned for the leased land.
4. Where the real property right-of-use assets for the business use are acquired by the Bank with any of its subsidiaries, or with the subsidiary where the Bank directly or indirectly holds 100% of the subsidiary's issued shares or total capital amount.

Article 18 Where the results of the assessment conducted by the Bank in accordance with Paragraph 1 and Paragraph 2 of the preceding Article all show a price lower than the transaction price, the matter shall be processed in accordance with Article 19. However, it shall be excluded if there is any of following circumstances and the objective evidence as well as concrete rational opinion from a real property professional appraiser and CPA has been submitted:

1. The related party acquiring undeveloped land or

leased land for construction shall provide the evidence to prove compliance with any of the following terms: :

(1) The undeveloped land is assessed in accordance with the method set forth in the preceding Article and the total value of the house calculated by adding the rational construction profit to the related party's construction cost exceeds the actual transaction price. The rational construction profit shall refer to the lower of the average gross profit margin of the related party's construction division over the past three years or the construction industry's gross profit margin announced by the Ministry of Finance in the latest period.

(2) Other transactions of non-related parties made for other floors of the same underlying real estate or in the neighboring regions within the previous year, in which the area size is close and the transaction terms are consistent in terms of the price differentiation assessed according to real property trading or leasing practices for the similar rational floor or region.

2. The Bank provides the evidence to prove that the transaction terms of its purchase of real property or lease of the real property's right-of-use assets from its related party are similar to the

transactions of its non-related parties made in the neighboring regions with approximate area sizes within the previous year.

The transactions made in the neighboring regions referred to in the preceding paragraph shall be based on the principle where the real property is located within 500 meters from the same street or neighboring streets of the underlying transaction property or the announced present value is close. The approximate area sizes referred to above shall be based on the principle where the area size of the transaction of a non-related party is not lower than 50% of the transaction underlying property's area. The "within the previous year" referred to above shall be the year preceding the date that the acquisition of the real property or its right-of-use assets actually occurs

Article 19 Where the Bank acquires real property or its right-of-use assets from a related party and, compared with results of the assessment required by the preceding two Articles, the assessed price is lower than the transaction price is lower, the following steps shall be taken:

1. For the difference between the transaction price of the real property or its right-of-use assets and the assessed cost, a special surplus reserve shall be set aside in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act, and the reserve shall not be distributed or used as

the stock dividend from capital increase. Where an investor adopting the equity method for their investment is a public company, it shall follow the pro-rata entitlement to set aside a special surplus reserve from the appropriated amount in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act.

2. Independent directors of the audit committee shall comply with Article 218 of the Company Act.
3. The handling status of the preceding two subparagraphs shall be reported to the board of shareholders and the transaction detailed content shall be disclosed in the annual report and prospectus.

Where a special surplus reserve is set aside in accordance with the preceding paragraph, the Bank shall not use the special surplus reserve until the loss on market value for the assets purchased or leased with a high price has been recognized, the assets have been disposed of, the lease has been terminated, proper compensation has been made, the assets have been restituted, or there is evidence confirming no irrationality and the use of the reserve has been approved by the competent authority.

In the case that the Bank acquires real property or its right-of-use assets from its related party, if there is any other evidence showing a non-arm's length

transaction, the preceding two paragraphs shall be complied with. ■

#### **Section 4 Engaging in Trading of Derivatives**

Article 20 The Bank's trading of derivatives shall incorporate the items below in the procedures:

1. Trading principles and guidelines: They shall include the types of derivatives trading to be engaged in, operating or hedging strategies, segregation of duties, essentials of performance evaluation, total contract amount for the derivatives allowed to be traded, and upper-limit amount of the loss on either total trading or individual contracts.
2. Risk management measures.
3. Internal audit system.
4. Regular evaluation method and handling of irregular circumstances.

Article 21 The Bank shall adopt the risk management measures below when engaging in transactions of derivatives:

1. The scope of risk management shall cover credit, market prices, liquidity, cash flows, operational and legal risks, etc.
2. The personnel engaging in the trading of derivatives shall not concurrently serve as the confirmation and settlement personnel.
3. Risk measurement, monitoring and control personnel and the preceding personnel shall not be in a same division, and they shall report to the

board of directors or the high-rank management personnel not responsible for determination of transactions or positions.

4. The position held for transactions of derivatives shall be evaluated at least once a week. However, hedge transactions required by business shall be evaluated at least twice a month. The evaluation report shall be sent to the high-rank management personnel authorized by the board of directors.
5. Other important risk management measures.

Article 22 Where the Bank engages in trading of derivatives, its board of directors shall follow the principles below to literally supervise and manage the transactions:

1. Designate high-rank management personnel to keep an eye out for supervising and controlling derivatives trading risk at any time.
2. Periodically evaluate whether derivatives trading performance is consistent with established operating strategy, and whether the undertaking risk is within the Bank's tolerance limit.

The high-rank management personnel authorized by the board of directors shall following the principles below to manage transactions of derivatives:

1. Periodically evaluate whether the risk management measures adopted currently are appropriate and literally follow this Disposition Procedures and the ones set up by the Bank to the

relevant operating rules of the trading of derivatives.

2. When any irregularity is found in the course of a transaction and gain/ loss supervision, required coping measures shall be taken and the board of directors shall be promptly reported, while independent director(s) shall be present at the board meeting and express their opinions.

Where the Bank authorizes its personnel to handle derivatives trading in accordance with the relevant operating rules of derivatives trading, the handling status shall be reported to the nearest next board meeting afterwards.

Article 23 For engaging in derivatives trading, the Bank shall establish its memorandum book, in which the details regarding types and amounts of its transactions of derivatives, board meeting bill adoption dates and the items to be prudently evaluated in accordance with Subparagraph 4 of Article 21, Subparagraph 2 of Paragraph 1 and Subparagraph 1 of Paragraph 2 of the preceding Article shall be recorded in the memorandum book for future reference.

The Bank's internal audit personnel shall periodically come to understand the adequacy of the internal control of derivatives trading, and the compliance with the relevant operating rules of derivatives trading audited by the transaction audit division shall be included in the monthly



audit items of the annual audit plan to come up with an audit report. In case of any material violation, the audit committee shall be notified in writing.

## **Section 5 Corporate Merger, Split, Acquisition and Transfer of Shares**

Article 24 When processing merger, split, acquisition or transfer of shares, the Bank shall engage its CPA, attorney or securities underwriter to provide opinions on the rationality of the share swap ratio, acquisition price or distribution of cash or other property to shareholders prior to holding the board meeting for resolution. The opinions shall be submitted to the board of directors for discussion and adoption. Nevertheless, the opinions on rationality issued by the preceding experts can be exempted under the circumstance where the Bank merges its subsidiaries, of which it directly or indirectly holds 100% of their issued shares or total capital amount, or merges with its subsidiaries, of which it directly or indirectly holds 100% of their issued shares or total capital amount

Article 25 In case of participation in merger, split or acquisition, the Bank shall incorporate the major contents of the merger, split or acquisition and relevant items into an open report to shareholders which shall be produced prior to the shareholders' meeting, and deliver the details together with the

expert opinions referred to in the preceding Article and meeting notice for the upcoming shareholders' meeting to shareholders as the reference for whether they agree to the merger, split or acquisition case. However, it is not limited to the circumstance where the shareholders' meeting for resolution of merger, split or acquisition can be exempted as prescribed by other laws.

Where the shareholders' meeting of any party of a company participating in merger, split or acquisition fails to be convened, the resolution in the shareholder's meeting is not able to be adopted or the proposal is vetoed by the shareholders' meeting due to deficiency in the number of attending shareholders or required votes or other legal restrictions, the company participating in merger, split or acquisition shall immediately externally explain the reason for what has happened, the follow-up handling operation and the date expected to hold the shareholders' meeting.

Article 26 Unless otherwise stated by law or a special factor which is required to be reported to and approved by the competent authority in advance, the company participating in merger, split or acquisition shall also convene a board meeting and shareholders' meeting on the same day to resolve merger, split or acquisition related matters.

Unless otherwise stated by law or a special factor

which is required to be reported to and approved by the competent authority in advance, the company participating in the transfer of shares shall convene a board meeting on the same day.

The Bank shall compile the following data into an intergraded written record, and retain the record for five year for future reference:

1. Personnel's basic information: Including the occupational title, name, ID certificate No. (or passport number in case of a foreign national) of all the persons participating in the plan of merger, split, acquisition or transfer of shares or executing the plan prior to the information being made public.
2. Dates of important events: Including the dates signing the letters of intent and memorandums, appointing financial or legal consultants, signing contracts, holding board meetings, etc.
3. Important documents and meeting minutes: Including the paper-form documents regarding the plans of merger, split, acquisition or transfer of shares, letters of intent or memorandums, important contracts, minutes of board meetings, etc.

The TSEC or OTC-listed company participating in merger, split, acquisition or transfer of shares shall declare the data required by subparagraph 1 and subparagraph 2 of the preceding paragraph to the competent authority for future reference via

the internet information system with the prescribed format within two days as of the date that the resolution is adopted by the board of directors.

Where the company participating in merger, split, acquisition or transfer of shares is neither a TSEC-listed nor an OTC-listed company, the Bank shall sign an agreement with the company by complying with the preceding two paragraphs.

Article 27 All the persons participating in or learning the company's plan for merger, split, acquisition or transfer of shares shall issue a written confidentiality commitment, with which they shall neither divulge the plan content to others nor trade the stock of the company related to the merger, split, acquisition or shares transfer case and other equity-type securities in their own names or under the names of other persons prior to public disclosure of the information.

Article 28 Where the Bank participates in merger, split, acquisition or transfer of share, the share swap ratio or acquisition price shall not discretionarily change except under the circumstances below in which the circumstances allowed for change shall be indicated in the contract of merger, split, acquisition or transfer of shares:

1. Seasoned equity offering, issuance of convertible corporate bonds, scrip issue, issuance of bonds with warrants, preferred shares with warrants,

- stock warrants or other equity-type securities.
2. The conduct, such as disposal of the Bank's major assets which affects the Bank's financial businesses.
  3. Occurrence of grave disasters or important technology reform which affects the Bank's shareholders' equity and prices of securities.
  4. Repurchase of treasury stock by law for adjustment by any party of a company participating in merger, split, acquisition or transfer of shares.
  5. Increase or decrease in the number of entities or companies participating in merger, split, acquisition or transfer of shares.
  6. Other terms for allowing change have been set forth in the contract and it has been made public.

Article 29 Where the Bank participates in merger, split, acquisition or transfer of shares, the contract shall record the rights and interests of its participation in merger, split, acquisition or transfer of shares and state the following matters:

1. Default handling.
2. The principle to handle the equity-type securities or treasury stock issued or repurchased by a company before it was extinguished or divided due to merger.
3. The quantity of the treasury stock which can be repurchased by law by a participating company after the share swap ratio calculation base day and

its handling principle.

4. The method to handle increase or decrease in the number of participating entities or companies.
5. Plan's execution schedule and expected completion days.
6. The handling procedures regarding the date slated for a shareholders' meeting which shall be held by law when the plan is not finished after the due time.

Article 30 Where any party of a company participating in merger, split, acquisition or transfer of shares plans to proceed with merger, split, acquisition or transfer of shares with another company after the information is externally disclosed, unless that the number of participating companies decreases, the resolution has been adopted by the shareholders' meeting for authorizing the board of directors to alter its authority, of which the participating company can be exempted from holding a shareholders' meeting again to resolve on the matter, all of the participating companies shall reprocess the procedure or legal action which was completed for the case of original merger, split, acquisition or transfer of shares.

Article 31 In the event that a company participating in merger, split, acquisition or transfer of shares is a non-publicly listed company, the Bank shall sign an agreement with it in accordance with Article 26, Article 27 and the preceding Article.

### Chapter 3 Public Disclosure of Information

Article 32 In case of any of the following circumstances occurring to the Bank's asset acquisition or disposal, the Bank shall announce and declare the relevant information with stipulated format on the website specified by the competent authority according to the characteristics of the information within two days after the day that the fact occurs:

1. The Bank acquires real property or its right-of-use assets from a related parties or disposes of a related party's real property or its right-of-use assets, or it acquires other assets beyond the real property or its right-of-use assets from a related party or disposes of a related party's aforesaid other assets, and the transaction amount is 20% of its paid-in capital or more, 10% of its total assets or more, or NT\$300 million or more. However, it is not limited to the trading of domestic government bonds or bonds under repurchase or reverse repurchase agreements and subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.
2. Proceed with merger, split, acquisition or transfer of shares.
3. The loss resulting from engaging in transactions of derivatives reaches the upper limit set forth in the relevant operating rules of the loss of total or individual contracts.

4. The acquired or disposed assets are the equipment or its right-of-use assets for the business use, the transaction counterparty is not a related party and the transaction amount is over NT\$100 million or more.
5. The real property is acquired by the method of construction assigned by the land owner, construction assigned for the leased land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale, the transaction counterparty is not a related party and the transaction amount expected to be put in by the Bank is NT\$500 million or more.
6. Except for the asset transactions beyond those that are referred to in the preceding five subparagraphs, the transaction amount of the Bank's claim disposal or investment in the mainland China area reaches 20% of its paid-in capital or more, or NT\$300 million or more. However, it is not limited to the circumstances below:
  - (1) Trading of domestic bonds, or foreign government bonds with a credit rating not lower than our country's sovereign rating
  - (2) Securities trading made by investment professionals in securities exchanges or securities firms' business outlets, subscription foreign government bonds or offering and issuance of ordinary corporate bonds and



general financial debentures without involving equity (not including second junior subordinated debentures) in the primary market, subscription or repurchase of securities investment trust funds or futures trust funds, or subscriptions to or redemptions of exchange traded notes, or securities subscription made in accordance with the rules of the Taipei Exchange by a securities firm acting as an emerging-listed company's securities consulting advisor as required by its underwriting business need.

(3) Trading of the bonds under the repurchase or reverse repurchase agreement, and subscription or repurchase of money market funds issued by domestic securities investment trust enterprises

The preceding transaction amount shall be calculated as follows:

1. The amount of each transaction.
2. The accumulated amount of transactions with a same counterparty for acquisition or disposal of a same type of underlying objects within one year.
3. The accumulated amount of the real property or its right-of-use assets acquired or disposed of (accumulation of acquisition and disposal respectively) for a same development plan within one year.
4. The accumulated amount of the same securities acquired or disposed of (accumulation of

acquisition and disposal respectively) within one year.

The “within one year” used in the previous paragraphs refers to the year preceding the date that the transaction actually occurs. The part which has already been announced in accordance with the Disposition Procedure can be exempted from being counted in again.

The Bank shall monthly post the status of its and the subsidiary of the Bank that is not a domestic public company's transactions of derivatives made as of the end of the previous month according to the required format on the information declaration website designated by the competent authority before the 10<sup>th</sup> of each month.

In the event that any error or omission occurs in the announcement of the items required to be announced as stipulated and correction is required to be made, the Bank shall announce and declare all the items again on the website within two days as of the day that the error or omission is learned.

Where the Bank acquires or disposes of its assets, the documents regarding relevant contracts, minutes books, memorandum books, appraisal reports, opinion statements provided by CPAs, attorneys or securities underwriters, etc. shall be retained in the Bank for at least five years unless otherwise stated by law.

Article 33 In case that any of the following circumstances

occurs after the Bank announces and declares its transactions according to the preceding Article, the Bank shall announce and declare the relevant information on the website designated by the competent authority within two days as of the day that the fact occurs:

1. Any change, termination or discharge of the contracts related to the original transaction.
2. Merger, split, acquisition or transfer of shares fails to be completed within the contract scheduled date.
3. Any change in the originally announced and declared content

#### **Chapter 4 Supplementary Provisions**

Article 34 The 10% of total assets set forth in the Disposition Procedures shall be calculated according to the total asset amount indicated in the latest entity or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 35 In the case that the personnel in charge of asset acquisition or disposal fail to follow the Disposition Procedures, the Bank shall send them to its personnel appraisal committee for discussion of the punishment to them according to the degree of their violation.

Article 36 The Disposition Procedures shall first be reviewed by the audit committee, followed by being put forth

to the board of directors for adoption. After being adopted by the board of directors, it shall be proposed to the shareholders' meeting for adoption. After being adopted by the shareholders' meeting, it can then be enacted and enforced accordingly. The same also applies in case of any revision.