

## Regulations Governing Investment in Real Estate by Commercial Banks

Article 1      These Regulations are adopted pursuant to Paragraph 5, Article 75 of the Banking Act (referred to as “the Act” hereunder).

Article 2      The term “real estate for self use” as used in Article 75 of the Act shall include offices, warehouses for business use and non-business operation offices as approved by the Financial Supervisory Commission (referred to as the "Commission" hereunder) pursuant to Paragraph 2, Article 57 of the Act, whereas the other real properties are defined as real estate not for self use.

Article 3      The term "real estate with substantial portion for self use" as used in Subparagraphs 1 and 3, Paragraph 2, Article 75 of the Act shall mean more than 50% of the usable floor area of the real estate is for self use.

For real estate originally purchased for self use where a part of which is subsequently changed to non-self use, the self-use proportion of the real estate shall meet the ratio requirement for real estate with substantial portion for self use as defined in the preceding paragraph, except where the situations under Paragraph 1 or 3 of Article 4, Article 4-1 or Article 5 herein apply.

The term "in the near future" as used in Subparagraph 2, Paragraph 2, Article 75 of the Act shall mean a duration less than one year from the date of ownership transfer.

The duration of "in the near future" as used in the preceding paragraph may be extended up to two years, provided a bank has special reasons and has obtained approval of the Competent Authority after submitting a concrete plan for self use and relevant support documents. However, the duration may be extended up to seven years when a bank purchases land to construct real estate for self- use.

The term "rebuilt original real estate" as used in Subparagraph 3, Paragraph 2, Article 75 of the Act shall mean the original real estate is totally demolished and then rebuilt.

A bank that plans to invest in real estate not for self use under

Subparagraph 4, Paragraph 2, Article 75 of the Act shall first submit a real estate investment plan, a document evidencing that the institution or organization to use the real estate has been established with approval from the competent authority in charge of the industry concerned and other documents designated by the Competent Authority, and obtain approval of the Competent Authority in consultation with the competent authority in charge of the industry concerned before making the investment.

Where the Competent Authority finds the plan, the proof document or other documents submitted by a bank according to the preceding paragraph non-conforming, the Competent Authority may ask the bank to make correction within a specified time period, and disapprove the planned investment if the bank fails to make correction or is still found non-conforming after making correction.

Article 4     A bank that owns surplus real estate in terms of self-use needs as a result of any of the following circumstances other than new investment shall promptly dispose such surplus real estate. However the bank is not subject to the requirement for self-use proportion provided in the preceding article prior to disposal, but the surplus real estate shall be counted toward the limit on investment in real estate not for self use provided in Paragraph 3, Article 75 of the Act:

1. Merger or general assumption of other financial institutions;
2. Swap of rights without input of funds due to government or public needs, adjustment of boundaries of adjacent land, or reclamation of land;
3. Relocation or closing of offices, warehouses for business use and non-business operation offices due to circumstances other than those provided in the preceding two subparagraphs; or
4. The cultural, art or public interest institution or organization established with approval from the competent authority in charge of the industry concerned for some reasons did not use the bank's real estate after approval of the Competent Authority.

If a bank relocates from or closes its real estate for self use in a short period of time after investment, the bank shall still be subject to the requirement for self-use proportion provided in the preceding article and the real estate involved shall be counted toward investment limit provided in Paragraph 3, Article 75 of the Act.

When a bank provides its originally owned surplus real estate in terms of self-use needs for use by a cultural, art or public interest institution or organization established with approval from the competent authority in charge of the industry concerned and the use has obtained approval of the Competent Authority, the bank may temporarily hold the disposal of such surplus real estate and is not subject to the requirement for self-use proportion provided in the preceding article. However the surplus real estate shall be counted toward the limit on investment in real estate not for self use provided in Paragraph 3, Article 75 of the Act.

Article 4-1 Where a bank participates in reconstruction projects with its originally owned real estate pursuant to the Urban Renewal Act or laws governing accelerated urban reconstruction of hazardous and dilapidated buildings, the self-use proportion of the newly acquired real estate shall be more than 20%.

Except for the portion projected to be used in future business development, a bank shall promptly dispose of the surplus portion of real estate acquired under the preceding paragraph in terms of self-use needs.

The surplus portion of the real estate in terms of self-use needs mentioned in the preceding paragraph may be temporarily leased out or used for non-self-use purpose before it becomes self-use or is disposed of, but it shall be counted toward the investment limit provided in Paragraph 3, Article 75 of the Act.

Article 5 For real estate for self use purchased by a bank before it is transformed into a wholly owned subsidiary of a financial holding company, the financial holding company may, in consideration of business synergy, have the bank lease out such real estate to the parent company or other wholly owned

subsidiaries of the parent company and charge reasonable rent thereon without being subject to the requirement for self-use proportion provided in Article 3 herein. However such real estate shall be counted toward the limit on investment in real estate not for self use provided in Paragraph 3, Article 75 of the Act.

Article 6 For real estate invested by a bank prior to the amendment of Article 75 of the Act on November 1, 2000 or real estate invested by an institution prior to the aforementioned amendment date and acquired by a bank through merger of the institution, the bank may maintain the existing use of the real estate. However the real estate shall be counted toward the limit on real estate investment provided in Paragraph 3, Article 75 of the Act by its purpose of use.

Article 7 For real estate investments not under Article 75 of the Act, including real estate taken over or assumed by a bank without paying compensation, and real estate paid off to offset debts owed by the Japanese and assumed by a bank prior to the amendment of the Act on July 4, 1975, as well as real estate newly acquired by a bank without input of funds due to participation in an urban renewal project, a bank may continue to hold such real estate.

Article 8 These Regulations shall be in force on the date of promulgation.