

Title :	<u>Regulations Governing Issuance of Bank Debentures by Banks</u> (2017.03.23 Modified)
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Article 1     These Regulations are adopted in accordance with Articles 72-1 and 90 of the Banking Act (the "Act").

Article 2     The term "Bank Debentures" as used in these Regulations shall mean general Bank Debentures, subordinated Bank Debentures, convertible Bank Debentures, exchangeable Bank Debentures and other Bank Debentures approved by the competent authority, in each case, issued by a bank in accordance with the relevant provisions of The Banking Act, after having obtained the approval of the competent authority.

Article 3 of the Regulations Governing Offshore Structure Products shall apply to the terms "professional institutional investor" and "non-professional investor" referred to in these Regulations.

Article 3     In order to issue Bank Debentures a bank must first apply to the competent authority by submitting an application (report) form and the items and documents listed therein.

An application to issue general Bank Debentures, subordinated Bank Debentures, or other Bank Debentures that do not involve shareholding rights made in accordance with the preceding paragraph shall be deemed approved if the competent authority does not object thereto within twelve (12) business days from the date of receipt of such application form (as attached).

If a bank's application to issue Bank Debentures is incomplete or otherwise does not include all of the required information, but the bank remedies such deficiencies within the time period specified by the competent authority, the application shall be deemed approved if the competent authority does not object thereto within twelve (12) business days from the date of receipt of such missing information.

A bank applying (or filing a report) under paragraph 1 hereof to issue convertible Bank Debentures, exchangeable Bank Debentures, or other Bank Debentures that involve shareholding rights shall comply with the provisions of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers or the Regulations Governing the Offering and Issuance of Overseas Securities by Issuers, in addition to the provisions of these Regulations.

A bank that wishes to issue equity-based Bank Debentures by means of private placement shall comply with relevant provisions of the Securities & Exchange Act and file with the competent authority information on the terms of private placement as well as qualification requirements for buyers seven (7) business days prior to the issue date.

A bank that wishes to issue foreign currency denominated Bank Debentures shall obtain approval from the competent authority as well as comply with relevant Central Bank of China regulations.

Article 4 Unless it is otherwise provided in Paragraphs 2 hereof, a bank may not apply to issue Bank Debentures if any of the following circumstances exist:

1. Provisions for bad loans are insufficient and such an insufficiency has not been improved;
2. A bank's average non-performing loan ratio for the past three (3) months reaches five (5) percent or up when the bank applies to issue Bank Debentures and the ratio has not been improved.
3. Within one (1) year preceding the year when the bank applies for issuance of Bank Debentures, the number of penalty imposed on the bank by the competent authority reaches three (3) or up or the cumulative penalty amount imposed on the bank by such an authority reaches NT\$ 10 million (NT\$10,000,000) or up because of the bank's violation of laws and orders; provided that the bank has not corrected

its act.

4. The ratio of the bank's self-owned capital to risk-weighted assets at the time of the bank's application for issuance of Bank Debentures is less than the ratio in the provisions of Article 5 of Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks.

5. The negative value received by the bank after deducting the unamortized loss on the disposal of non-performing loans from the latest accumulated profit or loss which was reviewed and then certified by an accountant or has been inspected by the competent authority.

6. The negative value received by the bank after deducting the unamortized loss on the disposal of non-performing loans from the latest net worth which was reviewed and then certified by an accountant or has been inspected and then adjusted by the competent authority; or such a deficit of capital has not been corrected by the bank within a prescribed period of time as ordered by the competent authority pursuant to Article 64 of the Banking Act of the Republic of China.

For the purposes of improving a bank's financial constitution, the bank has a situation which falls under the circumstance mentioned in Subparagraph 4 and 5 can issue Bank Debentures with minimum par value of NT\$10 million (NT\$10,000,000) after the approval of the competent authority. In addition, sales and transfer objects of Bank Debentures are limited to banks, bill finance companies, trust enterprises, insurance companies, securities firms, specific persons who participate in the Bank Capital Strengthening Program., companies or funds whose total assets as recorded in the latest financial reports reviewed or perused by accountants exceed NT\$ 50 million (NT\$ 50,000,000), or trust property mentioned in a trust agreement concluded with a trust enterprise exceeds NT\$ 50 million (NT\$ 50,000,000).

The competent authority may limit the sales object of the bank which issues Bank Debentures in accordance with the aforesaid requirements based on their financial

situations and may limit the transfer object after sales to those people who participate in the Bank Capital Strengthening Program.

The bank which issues Bank Debentures shall exhaust the responsibility to reasonably investigate the qualifications of persons or funds which comply with each of the aforesaid requirements.

Article 5 The competent authority may reject a bank's application to issue Bank Debentures if any of the following circumstances exist:

1. The bank's application to issue Bank Debentures is incomplete or otherwise does not include all of the required information and the bank fails to remedy such deficiencies within the time period specified by the competent authority;
2. Any of the situations described in the first paragraph of Article 4, above, exist; or
3. The bank has failed to fully implement a previous issuance plan with no reasonable explanation having been provided for such failure.

Article 6 The issue amount of Bank Debentures plus the amount of outstanding previously issued financing bonds shall not exceed two (2) times the bank's net worth as of the end of the preceding fiscal year; provided that subject to compliance with other requirements for the issuance of Bank Debentures by industrial banks, the above issue amount limit shall not apply to industrial banks.

When the subordinated Bank Debenture issued by a bank targets individual non-professional investors, the debentures shall be rated by a credit rating agency sanctioned by the competent authority. In other circumstances, either the issuing bank or the Bank Debenture shall be rated by a credit rating agency sanctioned by the competent authority, unless with the approval of the competent authority, the bank has reasonable explanations for not having such a credit rating.

For the issuance and the sale of Bank Debentures, a bank shall inform investors of the following:

1. Credit rating: Credit rating of the bank or the Bank Debenture; if only credit rating of the bank is provided, the bank shall remind investors to heed the risks associated with the Debenture itself;
2. Investment risk: It includes the fact that a Bank Debenture is non-deposit and not insured by the Central Deposit Insurance Corporation;
3. Major terms and conditions: They include investor's interest related issues in the provisions of Paragraph 2 of Article 8, and Paragraph 3 of Article 9 of Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks, and whether the Bank Debenture is cancelable, callable or redeemable, and other conditions etc;
4. In the case of a subordinated bank debenture, explanations to the priority of claim and the legal effect of subordination; and
5. Other material terms and conditions with respect to issuance of Bank Debentures.

For the offering and the issuance of Bank Debentures, a bank shall follow the provisions of the Regulations Governing Information to be Published in Financial Institution Prospectuses for Offering and Issuance of Securities.

If a bank commissions an underwriter to issue its Bank Debentures, the bank shall enter an agreement with the said underwriter, requiring the said underwriter to perform the obligation of disclosure as provided in the paragraph 3.

Article 7 Bank Debentures issued by banks in the domestic market shall be delivered in book-entry form without the printing of physical certificates, and their issuance, transfer, provision as security or cancellation shall be handled in accordance with relevant rules of the centralized securities depository enterprise.

Except for Bank Debentures issued pursuant to the provisions in the second paragraph of Article 4 herein, the minimum par value of Bank Debentures issued by a bank shall be NT\$100,000.

Article 8 Bank Debentures may be freely transferred and provided as security.

A bank which issues Bank Debentures shall not use its assets as security.

A bank which handles secured credit and issue Bank Debentures shall not use such Bank Debentures as collateral.

The prescription of Bank Debentures shall be handled in accordance with the relevant provisions of R.O.C Civil Code or other regulations governing the issuance thereof.

Article 9 When calculating and paying interest on Bank Debentures, a bank shall withhold income tax in accordance with the Income Tax Act.

Article 10 A bank shall issue Bank Debentures within one (1) year from the date on which an application becomes effective; failure to do so shall result in the invalidation of such effectiveness. However the provisions hereof do not apply to any of the following:

1. Bank Debentures requiring application for approval or effective registration under the Regulations Governing the Offering and Issuance of Securities by Securities Issuers or Regulations Governing the Offering and Issuance of Overseas Securities by Issuers.

2. Bank Debentures approved by the competent authority for issuance on a revolving basis during a certain period of time and to be sold exclusively to professional institutional investors.

Article 11 The title transfer and trust registration of Bank Debentures under Article 4, paragraph 2, of the Trust Act shall be handled in accordance with the Regulations Governing Book-Entry Operations for Centrally Deposited Securities.

Article 12 These Regulations shall be effective from the date of promulgation.