


Content

Title :	Rules on Preferred share offerings by Taiwan R.O.C. banks 
Date :	2004.12.20
Legislative :	1.Date : 1999.05.31 (Announced) 2.Abolished on December 20,2004
Content :	<p>I.These rules set forth below were instigated in order to make additional financing alternatives available to banks, to enhance the capital bases of banks, and to improve overall banking operations.</p> <p>II.Application for issuance of Preferred shares by banks shall be filed with the Ministry of Finance (“MOF”) for approval in accordance with Article 58 of the Banking Law. The following documents shall be submitted together with the foregoing application:</p> <ul style="list-style-type: none">a.an evaluation of the impact that the proposed issuance of Preferred shares may have on the financial profile of banks for the next three years;b.information on whether a shareholder with an interest in such Preferred shares would have voting rights with respect to order, fixed amount or fixed ratio relating to dividends , bonus and residue in respect of Preferred shares pursuant to Article 157 of the Company Law; in the event that such shareholders have such voting rights, information on the order of and restrictions on the exercise of such voting rights, whether such issuance of Preferred shares has set forth terms and conditions as to redemption and other rights and obligations, etc. shall be required;c.a copy of the most recent financial statements certified by an accountant;d.a copy of the resolutions from shareholders’ meeting;e.an evaluation of the impact that redemption of Preferred shares may have on banks’ capital ratio (the ratio of capital to risk weighted assets);f.purpose of issuance, number of shares issued, and use of proceeds relating to such issuance of Preferred shares; andg.aggregate amount of Preferred shares approved for issuance to date and total outstanding number of Preferred shares. <p>III.With respect to issuance of Preferred shares by banks, where the following conditions are satisfied, the shares shall be deemed as part of the capital used to calculate the capital ratio:</p> <ul style="list-style-type: none">a.perpetual and non-cumulative Preferred shares may be recognized as Tier I capital;b.perpetual and cumulative Preferred shares may be recognized as Tier II capital;c.non-perpetual Preferred shares may be recognized as Tier II or Tier III capital in such a manner that subordinate debt is recorded in the proper

consequence; Perpetual and non-cumulative Preferred shares recognized as Tier I capital shall not exceed 15% of the total amount of Tier I capital.

IV. Perpetual Preferred shares refer to those Preferred shares that satisfy one of the following conditions:

a. no maturity date, if there is any redemption clause, banks in capacity of an issuer have such redemption rights;

b. provisions relating to mandatory conversion into ordinary shares are available; Cumulative Preferred shares refer to those Preferred shares which earn dividends in the event that banks shall distribute dividends in a fiscal year during which earnings are posted to make up for the undistributed dividends in a fiscal year during which no earnings are posted.

Non-cumulative Preferred shares refer to Preferred shares which earn dividends in the event that banks shall not be required to distribute dividends in a fiscal year during which earnings are posted to make up for the undistributed dividends in a fiscal year during which no earnings are posted.

V. Banks holding perpetual and non-cumulative Preferred shares issued by other banks for more than one year shall deduct the amount of such holding from its total capital .

Banks holding Preferred shares not categorized as perpetual and non-cumulative Preferred shares issued by other banks shall calculate risk weighted assets by 100% credit risk weights.

VI. Banks shall submit to the MOF information on profit distribution relating to Preferred shares accompanied with a copy of the audited financial statements certified by an accountant within one month of the determination of a profit distribution plan.

VII. Banks shall use bold font to highlight words specifying all terms and conditions relating to any Issuance of Preferred shares at presentation meetings.

VIII. Except as otherwise required by laws, any application for Issuance of Preferred shares by banks shall comply with these rules set forth herein.