

Cathay Life Insurance Co., Ltd. Regulations Governing Extending Loans to Stakeholders and Observed Trading Counterparts

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Amended on November 17, 2017

Amended on November 13, 2019

Responsible Unit: Loan Department

Purpose

Article 1 The Regulations are adopted in order to control the loan by the Company to the stakeholders and observed trading counterparts effectively and satisfy Article 44 of the Financial Holding Company Act (hereinafter referred to as the “Act”), and the “Regulations for Extending Loans by Insurance Enterprises to Interested Parties” promulgated by the competent authority (hereinafter referred to as the “Regulations Governing Extending Loans”) and related decrees.

Loan policy

Article 2 When extending loans to stakeholders and observed trading counterparts, the Company shall take the interest of Cathay Financial Holdings (hereinafter referred to as Cathay Financial Holdings) and its subsidiaries as the first priority, and avoid injuring the safety and stability of Cathay Financial Holdings and its subsidiaries and the Company, as well as any conflict of interest.

Stakeholders

Article 3 The stakeholders referred to herein shall mean any of the following:

1. The spouse, relatives by blood within the third degree of kinship, or relatives by marriage within the second degree of kinship, of the responsible person or employees in charge of administering the loans in the Company.
2. A sole proprietorship or partnership owned or operated by said responsible person or employees in charge of administering the loans of the Company, or the stakeholders prescribed in the preceding subparagraph.
3. The enterprise in which more than 10 percent of the total outstanding shares or total capital is held singly or aggregately by the Company's responsible person and employees in charge of administering the loans, or stakeholders referred to in subparagraph 1.
4. The enterprise in which the Company's responsible person and employees in charge of administering the loans, or stakeholders mentioned in subparagraph 1 act as director, supervisor or manager, but except those who concurrently hold these posts due to investment in that enterprise after approval of the central competent authority.
5. A juristic person or any other organization at which the Company's responsible person and employees in charge of administering the loans, or stakeholders mentioned in subparagraph 1 act as a representative or administrator.
6. Responsible persons and majority shareholders of Cathay Financial Holdings.
7. A sole proprietorship or a partnership owned and operated by a responsible person and majority shareholder of Cathay Financial Holdings, or an enterprise or an organization in which a responsible person or major shareholder of Cathay Financial Holdings acts concurrently as its responsible person or representative.
8. A company of which the majority of directors are as same as those of Cathay Financial Holdings or its subsidiaries.
9. Subsidiaries of Cathay Financial Holdings, and responsible persons and majority shareholders of the subsidiaries.

Definitions

Article 4 The terms used herein are defined as following:

1. Major shareholder: As used herein, it refers to one who holds more than 1% of the total outstanding shares of the Company. When the shareholder is a natural person, the shares held by his or her spouse or underage children shall be deemed as his/her own shareholding.
2. Full guarantee: As used herein, it denotes that the total amount of the loans extended by the Company to its responsible person, employees or major shareholders, or parties interested with said responsible person or employees, shall not exceed a stipulated percentage of the assessed value of the appraised collateral submitted by the borrower upon the extending loans.
3. Responsible person: Including directors, supervisors, presidents, vice presidents, department/office managers and the executive officers of branch companies; where the corporate shareholder is elected as a director or supervisor in the capacity of juristic person or its representative is elected as the director or supervisor, the responsible person shall include the juristic person, and its chairman of board, and natural person authorized to perform duties pursuant to laws, and the representative of the juristic person elected as the director or supervisor.
4. Subsidiary: The subsidiary referred to in Article 4 of the Act.
5. Employees in charge of administering the loans: Those who reserve the ultimate right to decide whether the loan should be extended.
6. Employees: All of the formal employees employed (or retained) by the Company, but excluding its insurance agents.
7. Majority shareholder: As used herein, it refers to one who holds more than 5% of the total outstanding shares with voting right or total capital of Cathay Financial Holdings or any of its subsidiaries (including the Company). When the shareholder is a natural person, the shares held by his or her spouse or underage children shall be deemed as his/her own shareholding.
8. The terms and conditions of the loans shall include the following:
 - (1) Interest rates, collaterals and the appraisal of the values thereof;
 - (2) Availability of guarantor(s);
 - (3) Term of validity of the loans;
 - (4) The repayment methods of the principals and the interests.
9. The borrower of the same categories: It refers to the person to whom the

loans are extended by the Company, for the same purpose, and under the same accounting item in the latest year.

10. Observed trading counterpart: It refers to the one referred to in Article 2 of the Company's "Self-Regulatory Rules on Transactions Other than Granting of Loans with Observed Trading Counterparts".

Scope of loan to be extended

Article 5 Loans made by the Company herein shall be limited to the following:

1. Loans guaranteed by a bank, or by a credit guarantee institution recognized by the competent authority.
2. Loans secured by movable property or real property.
3. Loans secured by qualified securities as defined in Article 146-1 of the Insurance Act.

A loan secured by the movable property or real property referred to in the subparagraph 2 of the preceding paragraph shall be registered as entitled to the first priority mortgage.

Resolution procedure

Article 6 The loan extended by the Company to the stakeholders referred to in Article 3 herein shall be fully guaranteed and satisfy the arm's length principles and risk control principles. The terms thereof shall be no more favorable than those offered to the same category counterpart, and prior to the transactions, the opinion showing compliance with laws and internal rules is required from the chief compliance officer of the head office. If the loans extended to the same borrower, respectively or aggregately, reaches NT\$100 million or accounts for 1 percent of the proprietary equity of the Company's parent company, such loans shall be subject to approval of three-fourths of the directors present at a Board meetings attended by more than two-thirds of the all directors.

The attending directors referred to in the preceding paragraph shall recuse themselves from any motion for which they have a conflict of interest with, and be prohibited from attending and exercising voting rights at the meeting on behalf of the other directors.

Limit of loans

Article 7 For loans made pursuant to the subparagraphs of Article 5 herein, the amount loaned to each borrower may not exceed 5 percent of the Company's capital, and the total amount of all loans shall not exceed 35 percent of the Company's capital.

Total loans to stakeholders

Article 8 The total amount of loans extended by the Company under the pledge of its responsible person, employees, major shareholders, or the parties interested with the responsible or employees in charge of administering the loans shall not exceed 1.5 times of the proprietary equity of the Company's parent company.

Article 9 When the Company extends any secured loan to its responsible person, employees, major shareholders, or the parties interested with the responsible or employees in charge of administering the loans, the total secured loan extended to the same natural person shall not exceed 2% of the proprietary equity of the Company's parent company; the total secured loan to the same juristic person shall not exceed 10% of the proprietary equity of the Company's parent company; the total secured loan to the same stakeholder shall not exceed 30% of the proprietary equity of the Company's parent company.

Total loans extended observed trading counterpart

Article 10 For the loans extended by the Company to the observed trading counterparts, in addition to the applicable relevant requirements herein, the following rules shall apply:

1. The total secured loan extended to an observed trading counterpart shall not exceed 1 time the proprietary equity of the parent company of the Company.
2. The total secured loan extended to the same juristic person shall not exceed 10% of the proprietary equity of the parent company of the Company.
3. The total secured loan extended to the same observed trading counterpart shall not exceed 20% of the proprietary equity of the parent company of the Company.

Compliance by offshore insurance branches

Article 11 The loan extended by the Company's offshore insurance branches to their responsible persons, employees or major shareholders, or to the persons interested with their responsible persons or employees in charge of administering the loan shall be fully guaranteed. The terms thereof shall be no more favorable than those offered to the same category counterpart. Where the loans reach the threshold prescribed by the competent authority under the Regulations Governing Extending Loans, it shall be subject to approval of three-fourths of the directors present at a Board meeting attended by more than two-thirds of the all directors, unless the loans refer to those secured by the life insurance policy denominated in foreign currency as issued by the branches.

Excluded from limit and aggregate of loans

Article 12 The following loans are excluded from limit and aggregate of loans :

1. The loans under the purposes of special projects, public or social welfare investments, in support of government policies, in accordance with Article 146-5 of the Insurance Act.
2. The loans to be extended under the collateral of government bonds, treasury bills, or negotiable certificates of time deposit issued by the Central Bank of the Republic of China (Taiwan), or life insurance policies issued by the Company.

System check

Article 13 When planning the loan operating system, the Company shall note that the system needs to check the "the Company's stakeholders" profiles and "Cathay Financial Holdings' stakeholders" profiles automatically to verify whether the counterparts are indeed the Company's stakeholders, and disclose the results in the written response to the loan.

Control over operations

Article 14 When various loan operating units are processing applications for loan, the personnel in charge of investigation and review thereon and related supervisors shall strictly control the limit of loan, aggregate of loan and loan

terms and conditions, in order to comply with the Regulations and other related laws and regulations.

Confidentiality

Article 15 The access to any stakeholder's information herein shall be strictly subject to the non-disclosure obligation, and such information shall never be disclosed to another person.

Internal control and penalty

Article 16 The matters defined herein shall be identified as the important rules for internal control and compliance system of various departments. The relevant personnel in violation of them shall be disciplined in accordance with the Company's related personnel regulations.

Additional Provisions

Article 17 Any matters not covered herein shall be implemented in accordance with the Act, insurance laws, and the Company's Articles of Incorporation.

Article 18 The old loan contract beyond the scope of the Regulations may survive until expiration of the term initially set forth therein.

Enforcement, amendment and abolishment

Article 19 The Regulations shall be enforced upon approval of the Board of Directors, so shall the amendments to or abolishment thereof.