# Bank of Kaohsiung Co., Ltd.

## 2020 The Second Shareholders' Meeting

# Handbook

Time: November 11, 2020 (Wednesday) 9:30 am

Venue: No. 99, Po Ai 2nd Road, Kushan District, Kaohsiung City

(Park Hyatt Hall, 2F, Kaohsiung Lin Palace)

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## Agenda for 2020 The Second Shareholders' Meeting

Time: November 11, 2020 (Wednesday) 9:30 am

Venue: No. 99, Po Ai 2nd Road, Kushan District, Kaohsiung City (Park Hyatt Hall, 2F, Kaohsiung Lin Palace)

I. Reporting the number of shares represented by the shareholders present and calling the meeting to order

II. Opening speech by the chairperson

III. Issues for report

(I) Report on the operating performance in 2019

(II) 2019 audit report by the Audit Committee

(III) Report on the remuneration for employees and remuneration for directors in 2019

IV. Issues for acknowledgement

(I) Acknowledgement of the business report and financial statements of 2019

(II) Acknowledgement of the earnings distribution proposal of 2019

V. Issues for Discussion and Election

(I) Proposal to increase capital through earnings and capital reserves to issue new shares

(II) Proposal to amend the Articles of Incorporation

(III) The motion of election of the 14th Board of Directors

(IV) Motion of lifting the ban on newly elected Directors and their representatives regarding competition

VI. Extemporary motion

VII. Adjournment of the meeting

## Issue for Report No. I

Subject: Report on the operating performance in 2019

Descriptions:

The operating performance of the Bank of Kaohsiung (hereinafter referred to as the Bank) in 2019 is detailed in the Business Report, with the highlights as enumerated below:

I. Operating performance in 2019:

Including the domestic and foreign financial environments, changes in the Bank's organization, results of implementation of the business plans and operational strategies, spending of budgets, financial revenues and expenditures, profitability analysis, and status of research and development.

II. Summary of the business plan of 2020:

Including business orientations, important operating policies, and expected business objectives.

III. Strategies for future development

IV. Impacts of the external competitive environment, regulatory environment, and macroeconomic environment

V.The most recent credit rating result

# Business Report

In 2019, the Bank spared no effort in adjusting and structuring its assets and liabilities to bolster its position in offshore banking and overseas investment. With the concerted efforts of the management and staff, the Bank has gained earnings before taxation amounting to NT$887 million, which represents a year-to-date increase of 81.76%, from NT$488 million in the same period in 2018. Likewise, the Bank has experienced net interest income amounting to NT$2,764 million or an increase of 5.02% from NT$2,632 million in the same period of the previous year (2018). This is coupled with net income beyond interest amounting to NT$955 million or an increase of 10.02% from NT$868 million in the same period of the previous year (2018). Earnings per share in 2018 amounted to NT$0.72 or an increase of NT$0.44 or 63.64% from the same period of the previous year, which is a record high in the past several years.

In the year 2020, the Directorate-General of Budget, Accounting and Statistics in the Executive Yuan projected economic growth of 2.37% (2020.02.12), given the backflow of capital from Taiwan firms and the ramifications of switching purchase orders, to the extent that the macro-economic conditions will become stabilized and drive-up domestic demand, with an eventual contribution to domestic investment and export growth. Yet, the seriousness of the COVID-19 pandemic, the level of progressive accomplishment in subsequent negotiations of the U.S.-China Phase I trade agreement, the continued volatility of international stock markets, trends in exchange markets and bond markets, oil and commodity prices, fluid geopolitical situations and other unforeseen factors have created a climate of uncertainty that significantly affects the global economy.

A review of our 2019 operations and of our 2020 business plans are provided as follows.

## 1.1 Operating Performance in 2019

### 1.1.1 Domestic and Foreign Financial Environment

The global economy in 2019 was at the mercy of “4 black

swans"; namely, the U.S.-China trade war, Brexit, an economic downturn in China's market, and geo-political risk. The stock market yielded record high performance albeit the prolonged low interest rate and low growth development in Japan and Europe, and the occasional volatility of the global financial market. In alignment with the global trade dispute and conjunction with anti-tax avoidance laws, Taiwan unveiled the "Statute for Managing the Use and Taxation of Repatriated Funds" to facilitate the backflow of overseas capital for bolstering domestic economic transformation and vitalization of economic growth.

1.1.2 Transformation of the Bank's Organization

I. The 18th session of the 13th Board of Directors on 2019.05.02 promulguated the motion to appoint the Director of the Secretariat of the Board who will assume the executive position of "Chief Corporate Governance Officer" of the Bank.

II. The "Da Fa Branch" was relocated to No. 381, FengLin 3rd Road, Daliao District, Kaohsiung, on 2019.11.11.

III. The "Ming Cheng Branch" was relocated to No. 163, ChangRong 4th Road, North District, Tainan City, on 2019.12.12, and was re-named "Cheng Da Branch."

IV. The "Taipei Branch" was relocated to F1&2, No. 145, ChangChung Road, Chungsang District, Taipei, on 2020.01.06.

1.1.3 Results of Business Plans and Operating Strategies for FY 2019

Unit：NT$/US$ 100 Million, %

| Items \ FY | 2019 Actual number | 2018 Actual number | Increase (or decrease) amount | Increase (or decrease) ratio |
|---|---|---|---|---|
| Average Deposits Balance | 2,208.45 | 2,307.58 | (99.13)(Note) | (4.30) |
| Average Loans Balance | 1,766.90 | 1,766.75 | 0.15 | 0.01 |
| Foreign Exchange Business (USD) | 77.03 | 87.80 | (10.77) | (12.27) |
| Commission & service fees | 5.40 | 5.55 | (0.15) | (2.70) |
| Income before tax | 8.87 | 4.88 | 3.99 | 81.76 |

*Note*: The average deposit balance fell by NT$9,913 million due mainly to an active

adjustment of the deposit structure of the Bank where high-cost time deposits in TWD decreased by NT$14,529 million and low-cost demand deposits in TWD increased by NT$3,638 million, and high-spread foreign currency deposits increased by NT$754 million.

### 1.1.4 Execution of Business Target:

Unit：NT$/US$ 100 Million, %

| FY / Items | 2019 Actual number | 2019 Business target | Achievement ratio |
|---|---|---|---|
| Average Deposits Balance | 2,208.45 | 2,251.00 | 98.11 |
| Average Loans Balance | 1,766.90 | 1,820.00 | 97.08 |
| Foreign Exchange Business (US$) | 77.03 | 86.00 | 89.57 |
| Commission & service fees | 5.40 | 6.10 | 88.52 |

### 1.1.5 Analyses of Financial Revenue, Expenditure and Profitability

Unit : NT$ Million,%

| Items | | 2019 | 2018 | Increase (or decrease) amount | Increase (or decrease) ratio |
|---|---|---|---|---|---|
| Net interest revenue | | 27.64 | 26.32 | 1.32 | 5.02 |
| Net non-interest revenue | | 9.55 | 8.68 | 0.87 | 10.02 |
| Net revenue | | 37.19 | 35.00 | 2.19 | 6.26 |
| Credit loss expenses | | (4.14) | (7.18) | (3.04) | (42.34) |
| Operating expenses | | (24.19) | (22.94) | 1.25 | 5.45 |
| Income before tax | | 8.87 | 4.88 | 3.99 | 81.76 |
| Net income | | 7.74 | 4.80 | 2.94 | 61.25 |
| EPS after income tax | | 0.72 | 0.44 | 0.28 | 63.64 |
| ROA | Before income tax | 0.33 | 0.18 | — | 0.15 |
| | After income tax | 0.29 | 0.18 | — | 0.11 |
| ROE | Before income tax | 5.94 | 3.41 | — | 2.53 |
| | After income tax | 5.18 | 3.35 | — | 1.83 |

### 1.1.6 Status of R & D

We have continued to study and analyze worldwide economic and financial conditions contingent upon the dynamic data of major

Taiwanese industries. Analytical reports pertaining to the economy, finance, and major industries are presented on a regular basis. Significant economic and financial topics related to regular banking operations and industry partners to which we have credit exposure, have been addressed in research papers drafted as a reference for business development.

## 1.2 Business Plan in 2020

1.2.1 Business Objectives and Important Operating Policies

I. Lending －Further development of loans in foreign currencies, with a focus on small and medium enterprises, and an expansion into the niche market:

(i) Maintain the core group of preferred customers appropriately and spare no effort in the development of small and medium enterprises possessing high yield potential. Provide customers with a full-range of services in order to seek any opportunity to become their principal service bank and achieve a larger market share.

(ii) Strengthen the credit information and collateral management and assessment system of the Bank in order to improve overall loan quality. Install an internal credit rating system of the Bank incrementally.

(iii) Upgrade the professional standing of AO in corporate banking to provide distinctive service in the industry. Develop a concern that will assist in a diagnosis of customers' relative financial positions, create application, and insure supervision of resources that will attract and retain the customer base.

(iv) Set the borrowing interest rate for customers that reflects the basic level of their contribution to the Bank.

II. Deposits – Raise the level of foreign currency deposit, upgrade the ratio of demand deposit, and reduce the cost of capital:

(i) Attract foreign currency deposits as much as possible in order to reduce the overall cost of the Bank's access to foreign currencies.

(ii) Upgrade the ratio of demand deposit to reduce the cost of capital in TWD.

(iii) Guide the deposits at high cost of capital to short-term time deposits in foreign currencies or other wealth management products.

III. Commission income – Increase the proportion of commission income to improve the revenue structure:

(i) Integrate marketing resources and cultivate existing accounts in depth for upgrading the overall contribution.

(ii) Guide banking units to become inclined to finance small and medium enterprises, foreign exchange, and wealth management that will improve the proportion of commission income and the general revenue structure.

(iii) Develop the concept of costing among the banking units in order to strengthen the flow of commission income coupled with a reduction in and waiver of related fees to accord preferential treatment to customers relevant to their contribution to the Bank. Avoid excessive charge of payment that may jeopardize the best interests of the Bank.

(iv) Keep abreast of the market pulse and policy direction in order to make improvement of existing products or services. Or, learn from well-developed banking institutions for innovative development of operation processes concerned with customer needs. Offer customized services or differentiated products, such as developing consumer loans with an edge, trust services for an aging society possessing high potential for development and annuity products. Introduce customized wealth management products for the Bank.

IV. Financial operation – Strengthen capital investment for higher performance in financial operations:

(i) Make timely adjustment of asset allocation that will optimize the use of capital with positive effort in foreign exchange operations bringing about higher revenue streams.

(ii) Make dynamic adjustment of the position of stock and funds investment to improve operational performance.

V. Digital Banking – Refine the virtual channels and fortify digital banking efforts:

(i) Develop digital deposit accounts, online surety of student loans, open accounts and online credit.

(ii) Install a CRM system to gather and analyze customer information to provide a higher level of professional services to different customer groups leading to enhanced transactions. Gather big data such as click-through rate and customer interaction and then warehouse data to map out feasible marketing products and options to extend the function of the CRM system.

(iii) Continue cooperation with other industries for the development of innovative cash flow, account service, and inquiry API opportunities.

(iv) Develop Internet and mobile banking in full-fledge in order to broaden banking applications to meet the needs of the online services dedicated to the new generation of netizens.

VI. Capital management – Maintain strict control over the ratio and increase capital:

(i) Exercise strict control over the capital adequacy ratio, Class I capital ratio and equity ratio of common shares and set the early warning indicators of the Bank as the minimum criteria.

(ii) Continue the quest for the opportunity and means to increase equity funds to bolster the pool of capital.

VII. Liquidity Management – Control the ratio for liquidity:

Monitor and control the liquidity reserve ratio with current ratio and net stable funding ratio in particular with the early warning indicators of the Bank set as the lowest benchmark.

VIII. Risk Tolerance – Maintain a stable ratio to improve the Bank's risk-taking capacity:

Pay close attention to the coverage ratio of doubtful accounts, provision for doubtful accounts of Class I loans, provision for property loans, and provision for doubtful accounts originated in Mainland China for assurance of above a particular level.

IX. Channeling – Adjust channeling for higher levels of performance:

Continue to review the layout of banking units and operational efficiency to achieve proper adjustment that will upgrade the overall efficacy of the Bank as the primary concern and the gravity of development.

X. Vitalization of assets –Procure lands, dispose of idle assets, and improve the utilization of existing assets:

Strengthen the competitive edge of the Bank through proper planning of asset allocation in the long run, upgrade the overall operation performance, plan for the procurement of lands, and dispose of idle assets and other plans deemed necessary for the vitalization of assets.

XI. Law Abiding – Upgrade the level of legal compliance for proper pursuit of anti-money laundering activities:

(i) Map out a viable action plan in compliance with applicable laws to upgrade the level of performance in this regard.

(ii) Strengthen the idea of compliance among the banking staff and fortify the 3 lines of defense in terms of legal compliance.

(iii) Enforce the updated versions of applicable laws governing AML / CFT, introduce the CRS, PIMS and applicable GDPR, and share pertinent knowledge for vitalization of the organization with the banking staff.

XII. Internal Control – Fortify the 3 lines of defense and intensify risk control:

(i) Review internal control systems and operational procedures at regular intervals to reduce operational risks.

(ii) Continue to fortify the 3 lines of defense, pursue self-assessment properly to prevent fault. Continue the review mechanism under general examination to bolster internal control systems and

simplification of operational procedures.

XIII. Optimization of IT – Optimize active development of application systems leading to upgraded informational security:

(i) Plan to launch the "BOK One-Stop Banking Card," the "ATM Card-Free Deposit," E-Loan system for small loans.

(ii) Continue to improve the IT infrastructure to upgrade informational security.

1.2.2 Expected Business Objectives

I. Average Deposits Balances： NT$ 228.60 billion.

II. Average Loans Balances： NT$ 184.00 billion.

III. Foreign Exchange Business： USD $ 8.60 billion.

IV. Commission and Service Fees： NT$ 0.643 billion.

## 1.3 Future Development Strategy

"Creation of operational performance to build a good quality BOK" remains the vision of the Bank operations with a shared commitment to achieve 7 major strategic business operations objectives, including:

I. Cultivate business among small and medium enterprises in depth for development of a niche market;

II. Increase the proportion of demand deposits to reduce the cost of capital;

III. Increase the proportion of commission income to improve the revenue structure;

IV. Strengthen capital investment for pooling capital structure assets;

V. Continue financial innovation and integration of financial services;

VI. Upgrade the legal compliance capacity with a proper pursuit of anti-money laundering activities;

VII. Develop training procedures for key personnel to refine the Bank's human resources structure.

The Bank hopes that this year's efforts will lay down a solid

foundation for the future building of a good quality BOK bringing it to a higher standard.

## 1.4 The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Environment on Banking

### 1.4.1 External competitive environment

Three "virtual banks" have already engaged in competition in current the financial system. These "open" banks possess only their corporate headquarters and customer service centers, and they have no physical branches as such. Through online communications equipment, these banks are able to achieve the goals of offering transactions such as account openings, deposits, fund transfers, borrowing / loans, or a wide-range of investment services to its customers.

Furthermore, "Open Banking" has been launched through an opening of application program interfaces for the secure disclosure of banking information in 3 phases. In Phase I, "Inquiry of public information," there has been an initial inquiry of financial information not unrelated to transactions, which has been officially launched online as of 2019.10.16. The planning of Phase II is already underway, which is to provide the "consumer information inquiry" service, whereby banking customers' transaction information will be linked to a third party upon the customer consent so that other non-financial firms (i.e., technology firms, telecommunication service providers and payment service providers) will join the ecology-circle of banking and commerce. This will develop and innovate a diversity of services in favor of the consumers' relations to these resources.

To tackle these new challenges, the Bank will respond with the optimum use of Fintech, including the sustained improvement and transformation of physical branches, online services and mobile banking.

### 1.4.2 Regulatory environment

In the wake of international banking deregulation and thriving development of internet technology, several innovative means of money-laundering operations have emerged. The Bank duly observes

and adheres to the Anti-Money Laundering Act (AML) and the Regulations Governing Anti-Money Laundering of Financial Institutions (CFT). A sample version of the rules and regulations governing AML/CFT established by the association of banks to improve and amend the internal rules and regulations of AML/CFT and demand for compliance with applicable laws is firmly in place.

The Bank has incrementally completed the inception of related operational procedures, due diligence review training under the CRS bill for the observation of "Regulations Governing Financial Institutions in Joint Declaration and Review under Due Diligence" (CRS bill), and the "Regulations Governing the Exchange of Tax Information Concerning Agreements on Tax Matters" (Tax information exchange regulations). Likewise, the Bank has conducted a related review under due diligence in accordance with the required schedule to facilitate the declaration of financial account information from 2020 onward, and to sustainedly pursue due diligence review.

Pursuant to Article 44-1 of the "Corporate Government Best Practice Principles for Banks," the Bank has set up the dedicated position of Chief Corporate Governance Officer as a matter of obligation. Likewise, the Bank has also amended its Articles of Incorporation, whereby the appointment and dismissal of the Chief Corporate Governance Officer shall be subject to the decision of the Board of Directors. The Bank has already appointed the Chief Corporate Governance Officer to fortify policies related to the corporate governance of the Bank.

1.4.3 Macroeconomic environment

The outbreak of COVID-19 in early 2020 has yet to be controlled at the time of this writing. Pursuit of the US-China trade agreement remains at the opening 1st stage, and it will be conditioned by subsequent negotiations. These events will continue to create uncertainty for the Taiwanese domestic economy and globally at significant levels.

The impact of the COVID-19 on Industry and the negative effect on the macroeconomic situation is quite obvious. Conceived with the

notion of “Take from society and give back to the society” and to augment the performance of corporate social responsibility, the Bank launched the “BOK Scheme in Supporting the Prevention of Epidemic” loan to assist micro-enterprises with a higher credit limit so that they might survive the epidemic safely.

The extensive spread of COVID-19 worldwide is unlikely to come to an end in the short term. Yet, our preliminary judgment indicated that the influence of the pandemic on the core business of deposits and loans of the Bank is mild, such that we are not going to adjust our business objectives in 2020. If the reverse is true that COVID-19 will continue to spread out, the overall economic growth will certainly be impacted. The Bank will continue to pay attention to the developments of the pandemic and keep abreast of any changes in the market and customers for mapping out the strategy for proper response to minimize the impact.

### 1.5 The Bank’s Most Recent Credit Rating Result and Date of Rating

| Date | Rating Agency | Long-Term IDR | Short-Term IDR | National Long-Term | National Short-Term | Outlook |
|---|---|---|---|---|---|---|
| Oct. 30 2019 | Fitch Australia Pty Ltd. | BBB+ | F1 | AA-(twn) | F1+(twn) | stable |

**Bank of Kaohsiung Co., Ltd.**

Chairman: Rueen-Fong Chu

President: Chang-Yi Chen

Chief Accountant: Jin-You Xue

## Issue for Report No. II

Subject: 2019 audit report by the Audit Committee

Descriptions:

I. The Bank's financial statements of 2019 have been duly certified and audited by Certified Public Accountants Jen-Yao Hsieh and Ping-Chang Su of Crowe Horwath International, who have, in turn, issued an audit report with unqualified (unreserved) opinions.

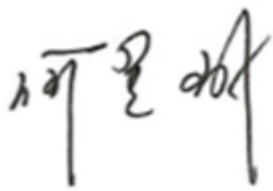
II. The Bank's business report, financial statements, and earnings distribution proposal of 2019 have been duly audited by the Audit Committee, which has, in turn, issued an audit report. Please refer to Page 15 of the Meeting Agenda Handbook for details.

# Bank of Kaohsiung Co., Ltd.
## Audit Committee's Audit Report

To 2020 Regular Shareholders' Meeting of the Bank:

The Board of Directors has prepared the business report, financial statements, and earnings distribution proposal of 2019. Among these, Crowe Horwath (TW) CPAs has audited the financial statements and issued an audit report. We, the Audit Committee, have reviewed the said documents prepared and submitted by the Board of Directors. We believe that these documents conform to applicable regulations. This report is duly prepared pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Your approval would be greatly appreciated.

Audit Committee

Independent Director: Mei-Yueh Ho 

Independent Director: Wen-Yuan Lin

Independent Director: Tzen-Ping Su

March 19, 2020

## Issue for Report No. III

Subject: Report on the remuneration for employees and remuneration for directors in 2019

Descriptions:

I. This matter is handled in accordance with Paragraph 3 of Article 235-1 of the Company Act.

II. The present issue was duly discussed and resolved in the 25th meeting of the 13th Board of Directors of the Bank (convened on March 19, 2020).

III. As expressly provided for in Article 34-1 of the Articles of Incorporation: 5% of the profit earned by the Bank in the year shall be appropriated as remuneration for employees, and no more than 1.25% shall be set aside as remuneration for directors. Regarding the remuneration for directors in 2019, the 13th Remuneration Committee of the Bank proposed in the 10th meeting held on March 5, 2020 that 1.25% of the earnings shall be allotted. The two remunerations shall be distributed in the following manners:

Expressed in New Taiwan Dollars

| Item | Amount | Remark |
|---|---|---|
| Net profit before tax in 2019 (A) | 886,568,427 | |
| Remuneration for employees and remuneration for directors on book (B) | 59,068,000 | |
| Profit before tax (C) | 945,636,427 | (C)= (A)+ (B) |
| Distribution of remuneration for employees (D) | 47,281,821 | (D)=(C)*5% |
| Distribution of remuneration for directors (E) | 11,820,455 | (E)=(C)*1.25% |

Note: The remuneration for employees is NT$27,821 more than the estimate, and the remuneration for directors is NT$6,455 more than the estimate, due to the differential gap in previous estimation. The amounts of such differential gaps shall be accounted as adjustments in the profit and/or loss of 2020.

IV. The remuneration for employees and remuneration for directors shall be distributed in the following manners:

(I) The remuneration for employees amounts to NT$47,281,821, which

shall be distributed in cash.

(II) The remuneration for directors amounts to NT$11,820,455, which shall be distributed in cash.

## Issue for Acknowledgement No. I

Proposed by the Board of Directors

Subject: The business report and financial statements of 2019

Descriptions:

I. The present issue is duly handled in accordance with Article 230 of the Company Act.

II. Please find enclosed herewith the financial statements of the Bank for 2019 as duly audited and certified by Crowe Horwath International, including the certified public accountants' audit report, balance sheets, consolidated profit & loss statement, statement of changes in equity, and cash flow statement. For the contents therein, please refer to pp. 19-28 of the Meeting Agenda Handbook.

III. All aforementioned financial reports were duly resolved in the 18th meeting of the 13th Audit Committee and the 25th meeting of the 13th Board of Directors.

IV. The Bank's business report of 2019 was duly reviewed and resolved in the 18th meeting of the 13th Audit Committee, and was duly resolved in the 25th meeting of the 13th Board of Directors. For the contents therein, please refer to pp.3-13 of the Meeting Agenda Handbook.

Resolutions:

27F.-1, No.6, Siwei 3rd Rd.,
Lingya Dist., Kaohsiung
City, Taiwan, R.O.C.
TEL：886 7 3312133
FAX：886 7 3331710

# INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Bank of Kaohsiung Co., Ltd.

## Opinion

We have audited the accompanying balance sheets of Bank of Kaohsiung Co., Ltd. (the Company), as of December 31, 2019 and 2018 and the related statements of comprehensive income, changes in equity and cash flows for the years then ended and related notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

## Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on those matters. The Company's key audit matters for the year ended December 31, 2019 are addressed as follows:

1. Impairment losses on loans and receivables

The balance of loans and receivables from the balance sheet of the Company as of December 31, 2019 was $176,470,212 thousand (after deducting the allowance for bad debts of $2,122,934 thousand). Please refer to Notes 5, 6.7 and 6.8 to the financial report. Due to the unstable domestic and foreign economic situation, the collection risk of retrieve of loans and receivables has increased. Since the provision of impairment losses involves significant judgments of management, we decided to take it as a key audit matter.

The main audit procedures we had implemented for the above-mentioned aspects include: understanding and appraisal of the assumptions and assessments of the Company's loans and receivables impairment losses (including default loss rate, default probability, forward-looking factor, future cash flow and the collateral value) and relevant policies; selecting samples for credit cases that have been assessed for impairment, assessment of future cash flow projections and the reasonableness of the collateral value; for collective assessment of impairment cases, understanding and testing whether impairment model's assumption and important parameters (default loss rate, default probability and forward-looking factor) reflect the actual situation of each loan combination; testing the classification of credit assets to assess whether the allowance for bad debts meets the requirements of the competent authority's laws and regulations.

2. Fair value measurement of financial instruments

Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income as of December 31, 2019 were $482,216 thousand and $18,807,763 thousand, respectively. The fair value of partial financial instruments is evaluated by the evaluation model because there is no trading price in the market, and some of the required input values are not

publicly available in the market. Since the use of different evaluation techniques and input value assumptions involve significant judgments of the management, we decided to take it as a key audit matter.

The main audit procedures we had implemented for the above-mentioned aspects include: understanding the Company's control over the identification, measurement and management of the evaluation risks; sampling test to assess the appropriateness and accuracy of public quoted prices for financial instruments with active market prices; and sampling test the internal review documents to assess the appropriateness of the evaluation method for financial instruments with no active market prices and using evaluation model. In addition, we also evaluates whether the expression and disclosure of the financial instrument is in accordance with relevant accounting standards.

**Responsibilities of management and those charged with governance for the financial statement**

Management is responsible for the preparation and fair representation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statement management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basic of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company’s financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial

statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Jen Yao Hsieh and Ping Chang Su.

Crowe (TW) CPAs
Kaohsiung, Taiwan
Republic of China
March 19, 2020

**BANK OF KAOHSIUNG CO., LTD.**

**BALANCE SHEETS**

**(In Thousands of New Taiwan Dollars)**

| ASSETS | | | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|---|---|
| A/C No. | Account | Note | Amount | % | Amount | % |
| | Assets | | | | | |
| 11000 | Cash and cash equivalents | 6.1 | $ 2,833,786 | 1 | $ 2,939,455 | 1 |
| 11500 | Due from the Central Bank and call loans to banks | 6.2 | 13,412,538 | 5 | 12,863,177 | 5 |
| 12000 | Financial assets at fair value through profit or loss | 6.3 | 482,216 | - | 384,390 | - |
| 12100 | Financial assets at fair value through other comprehensive income | 6.4 | 18,807,763 | 7 | 18,366,343 | 7 |
| 12200 | Investments in debt instruments at amortized cost | 6.5 | 49,566,827 | 19 | 41,341,955 | 15 |
| 12500 | Securities purchased under resale agreements | 6.6 | 5,352,821 | 2 | 5,242,712 | 2 |
| 13000 | Receivables, net | 6.7 | 1,318,777 | - | 2,174,501 | 1 |
| 13200 | Current income tax assets | | 19,095 | - | 19,095 | - |
| 13500 | Discounts and loans, net | 6.8 | 175,151,435 | 65 | 181,244,224 | 68 |
| 15500 | Other financial assets, net | 6.9 | 35,435 | - | 41,145 | - |
| 18500 | Properties and equipment, net | 6.10 | 2,833,780 | 1 | 2,887,819 | 1 |
| 18600 | Right-of-use assets, net | 6.11 | 265,982 | - | - | - |
| 19000 | Intangible assets, net | 6.12 | 128,639 | - | 118,803 | - |
| 19300 | Deferred income tax assets | 6.35 | 203,637 | - | 258,879 | - |
| 19500 | Other assets, net | 6.13 | 243,173 | - | 116,603 | - |
| 10000 | Total Assets | | $ 270,655,904 | 100 | $ 267,999,101 | 100 |

| LIABILITIES AND EQUITY | | | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|---|---|
| A/C No. | Account | Note | Amount | % | Amount | % |
| | Liabilities | | | | | |
| 21000 | Due to the Central Bank and other banks | 6.14 | $ 8,834,876 | 3 | $ 8,695,456 | 3 |
| 22000 | Financial liabilities at fair value through profit or loss | 6.15 | 32,628 | - | 199,806 | - |
| 22500 | Securities sold under repurchase agreements | 6.16 | 8,890,539 | 4 | 10,430,841 | 4 |
| 23000 | Payables | 6.17 | 3,419,076 | 1 | 4,105,726 | 2 |
| 23200 | Current income tax liabilities | | 18,116 | - | - | - |
| 23500 | Deposits and remittances | 6.18 | 225,754,145 | 84 | 223,286,113 | 83 |
| 24000 | Bonds payables | 6.19 | 7,500,000 | 3 | 6,300,000 | 2 |
| 25500 | Other financial liabilities | | 171 | - | 257 | - |
| 25600 | Provisions | 6.20 | 379,916 | - | 432,830 | - |
| 26000 | Lease liabilities | 6.11 | 280,819 | - | - | - |
| 29500 | Other liabilities | 6.21 | 116,008 | - | 103,060 | - |
| 20000 | Total Liabilities | | 255,226,294 | 95 | 253,554,089 | 94 |
| | Equity | | | | | |
| 31101 | Capital stock | 6.22 | 10,809,165 | 4 | 10,403,431 | 4 |
| 31500 | Capital surplus | 6.22 | 1,242,676 | - | 1,487,157 | 1 |
| 32000 | Retained earnings | | | | | |
| 32001 | Legal reserve | 6.22 | 2,218,218 | 1 | 2,097,423 | 1 |
| 32003 | Special reserve | 6.22 | 7,243 | - | 5,230 | - |
| 32005 | Unappropriated earnings | 6.22 | 786,043 | - | 402,652 | - |
| | Total Retained Earnings | | 3,011,504 | 1 | 2,505,305 | 1 |
| 32500 | Other Equity | 6.22 | 366,265 | - | 49,119 | - |
| 30000 | Total Equity | | 15,429,610 | 5 | 14,445,012 | 6 |
| | Total Liabilities and Equity | | $ 270,655,904 | 100 | $ 267,999,101 | 100 |



(The accompanying notes are an integral part of the financial statements.)

**BANK OF KAOHSIUNG CO., LTD.**

**STATEMENTS OF COMPREHENSIVE INCOME**

**(In thousands of New Taiwan dollars, Except Earnings Per Share)**

| A/C No. | Account | Note | For the Year Ended December 31 | | | | Percentage change |
|---|---|---|---|---|---|---|---|
| | | | 2019 | | 2018 | | |
| | | | Amount | % | Amount | % | |
| 41000 | Interest income | | $5,215,798 | 140 | $4,961,527 | 142 | 5 |
| 51000 | Less: Interest expense | | (2,451,822) | (66) | (2,329,894) | (67) | 5 |
| 49010 | Net interest income | 6.23 | 2,763,976 | 74 | 2,631,633 | 75 | 5 |
| | Net non-interest income | | | | | | |
| 49100 | Commission income and service fee | 6.24 | 487,905 | 14 | 503,670 | 14 | (3) |
| 49200 | Gain (loss) on financial assets and liabilities at fair value through profit or loss | 6.25 | 14,953 | - | 192,684 | 6 | (92) |
| 49310 | Realized gain (loss) on financial assets at fair value through other comprehensive income | 6.26 | 184,467 | 5 | 213,684 | 6 | (14) |
| 49450 | Gain (loss) on derecognition of financial assets measured at amortized cost | 6.27 | 174,486 | 5 | - | - | 100 |
| 49600 | Foreign exchange gain (loss) | 6.28 | 76,628 | 2 | (55,742) | (2) | 237 |
| 49700 | Reversal of (provision for) impairment loss on assets | 6.29 | 862 | - | (5,318) | - | 116 |
| 49800 | Other net non-interest income | | | | | | |
| 49899 | Other miscellaneous income (loss) | 6.30 | 16,163 | - | 19,009 | 1 | (15) |
| | Total net revenue | | 3,719,440 | 100 | 3,499,620 | 100 | 6 |
| 58200 | Provisions for bad debt expense, commitments and guarantee liabilities | 6.8 | (414,052) | (11) | (717,977) | (20) | 42 |
| 58400 | Operating expenses | | | | | | |
| 58500 | Employee benefits expenses | 6.31 | (1,624,377) | (44) | (1,495,954) | (43) | 9 |
| 59000 | Depreciation and amortization expenses | 6.32 | (194,572) | (5) | (105,472) | (3) | 84 |
| 59500 | Other general and administrative expenses | 6.33 | (599,871) | (16) | (692,085) | (20) | (13) |
| 61001 | Income before income tax | | 886,568 | 24 | 488,132 | 14 | 82 |
| 61003 | Income tax expense | 6.34 | (112,112) | (3) | (8,529) | - | 1,214 |
| 64000 | Net income | | 774,456 | 21 | 479,603 | 14 | 61 |
| | Other comprehensive income : | | | | | | |
| | Items that will not be reclassified subsequently to profit or loss | | | | | | |
| 65201 | Loss on remeasurement on defined benefit plans | | ($5,380) | - | ($32,336) | (1) | (100) |
| 65204 | Gain on valuation of investments in equity instruments at fair value through other comprehensive income | | 175,759 | 5 | (45,834) | (1) | 483 |
| 65220 | Income tax related to items that will not be reclassified subsequently to profit or loss | 6.34 | 1,076 | - | 11,759 | - | (91) |
| | Items that may be reclassified subsequently to profit or loss | | | | | | |
| 65301 | Exchange differences on the translation of financial statements of foreign operations | | (535) | - | 95 | - | (663) |
| 65309 | Unrealized loss on investments in debt instruments at fair value through other comprehensive income | | 154,486 | 4 | (195,904) | (6) | 179 |
| 65310 | Reversal of (provision for) impairment loss on debt instruments measured at fair value through other comprehensive income | | (943) | - | 3,656 | - | (126) |
| 65320 | Income tax related to items that may be reclassified subsequently to profit or loss | 6.34 | 107 | - | (12) | - | 992 |
| 65000 | Other comprehensive income (loss), net of tax | 6.35 | 324,570 | 9 | (258,576) | (8) | 226 |
| 66000 | Total comprehensive income | | $1,099,026 | 30 | $221,027 | 6 | 397 |
| | Earnings per share (dollars) | | | | | | |
| 67500 | Basic earnings per share | 6.36 | $0.72 | | $0.44 | | |
| 67700 | Diluted earnings per share | 6.36 | $0.71 | | $0.44 | | |

(The accompanying notes are an integral part of the financial statements.)

**BANK OF KAOHSIUNG CO., LTD.**

**STATEMENTS OF CHANGES IN EQUITY**

**(In Thousands of New Taiwan Dollars)**

| Items | | | Retained Earnings | | | Other Equity Item | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on the Translation of Financial Statements of Foreign Operations | Unrealized Gains on Available-for-sale Financial Assets | Unrealized Gains on Financial Assets at Fair Value Through Other Comprehensive Income | Others | Total Equity |
| Balance at January 1, 2018 | $10,032,238 | $1,657,705 | $1,969,842 | $47,037 | $425,268 | ($193) | $55,076 | $ - | $73 | $14,187,046 |
| Effect of retrospective application | - | - | - | - | (71,178) | - | (55,076) | 293,603 | - | 167,349 |
| Balance at 1 January after adjustments | 10,032,238 | 1,657,705 | 1,969,842 | 47,037 | 354,090 | (193) | - | 293,603 | 73 | 14,354,395 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | |
| Legal reserve | - | - | 127,581 | - | (127,581) | - | - | - | - | - |
| Reversal of special reserve | - | - | - | (41,807) | 41,807 | - | - | - | - | - |
| Cash dividends | - | - | - | - | (130,410) | - | - | - | - | (130,410) |
| Stock dividends | 200,645 | - | - | - | (200,645) | - | - | - | - | - |
| Other changes of retained earnings: | | | | | | | | | | |
| Capital surplus distributed as stock dividends | 170,548 | (170,548) | - | - | - | - | - | - | - | - |
| Net income for the year ended December 31, 2018 | - | - | - | - | 479,603 | - | - | - | - | 479,603 |
| Other comprehensive income (loss) for the year ended December 31, 2018 | - | - | - | - | (20,577) | 83 | - | (238,082) | - | (258,576) |
| Total comprehensive income (loss) for the year ended December 31, 2018 | - | - | - | - | 459,026 | 83 | - | (238,082) | - | 221,027 |
| Disposal of equity instruments measured at fair value through other comprehensive income | - | - | - | - | 6,365 | - | - | (6,365) | - | - |
| Balance at December 31, 2018 | $10,403,431 | $1,487,157 | $2,097,423 | $5,230 | $402,652 | ($110) | $ - | $49,156 | $73 | $14,445,012 |
| Balance at January 1, 2019 | $10,403,431 | $1,487,157 | $2,097,423 | $5,230 | $402,652 | ($110) | $ - | $49,156 | $73 | $14,445,012 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | |
| Legal reserve | - | - | 120,795 | - | (120,795) | - | - | - | - | - |
| Special reserve | - | - | - | 2,013 | (2,013) | - | - | - | - | - |
| Cash dividends | - | - | - | - | (114,428) | - | - | - | - | (114,428) |
| Stock dividends | 161,253 | - | - | - | (161,253) | - | - | - | - | - |
| Other changes of retained earnings: | | | | | | | | | | - |
| Capital surplus distributed as stock dividends | 244,481 | (244,481) | - | - | - | - | - | - | - | - |
| Net income for the year ended December 31, 2019 | - | - | - | - | 774,456 | - | - | - | - | 774,456 |
| Other comprehensive income (loss) for the year ended December 31, 2019 | - | - | - | - | (4,304) | (428) | - | 329,302 | - | 324,570 |
| Total comprehensive income (loss) for the year ended December 31, 2019 | - | - | - | - | 770,152 | (428) | - | 329,302 | - | 1,099,026 |
| Disposal of equity instruments measured at fair value through other comprehensive income | - | - | - | - | 11,728 | - | - | (11,728) | - | - |
| Balance at December 31, 2019 | $10,809,165 | $1,242,676 | $2,218,218 | $7,243 | $786,043 | ($538) | $ - | $366,730 | $73 | $15,429,610 |

(The accompanying notes are an integral part of the consolidated financial statements.)

**BANK OF KAOHSIUNG CO., LTD.**
**STATEMENTS OF CASH FLOWS**
**(In thousands of New Taiwan Dollars)**

| Items | For the Year Ended December 31 2019 | 2018 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income before income tax | $886,568 | $488,132 |
| Adjustments : | | |
| Adjustments to reconcile profit or loss | | |
| Depreciation expenses | 161,129 | 70,604 |
| Amortization expenses | 33,443 | 34,868 |
| Expected credit losses/bad-debt expenses | 667,493 | 828,789 |
| Loss (gain) on financial assets and liabilities at fair value through profit or loss | (14,953) | (192,684) |
| Interest expenses | 2,451,822 | 2,329,894 |
| Gain (loss) on derecognition of financial assets measured at amortized cost | (174,486) | - |
| Interest income | (5,215,798) | (4,961,527) |
| Dividend income | (69,674) | (86,238) |
| Net change in provision for guarantee liabilities | (10,701) | (5,356) |
| Net change in other provisions | 6,268 | 25,152 |
| Impairment losses on financial assets | - | 5,318 |
| Reversal of impairment loss on financial assets | (862) | - |
| Gains on disposal of investments | (114,793) | (127,446) |
| Total of earnings and losses | (2,281,112) | (2,078,626) |
| Net changes in operating assets and liabilities | | |
| Net changes in operating assets | | |
| Decrease (increase) in due from the Central Bank and call loans to banks | (151,227) | (196,786) |
| Decrease (increase) in financial assets at fair value through profit or loss | (250,051) | 354,720 |
| Decrease (increase) in financial assets at fair value through other comprehensive income | 3,486 | 2,507,288 |
| Decrease (increase) in investments in debt instruments at amortized cost | (8,050,335) | (6,242,764) |
| Decrease (increase) in receivables | 922,931 | (854,715) |
| Decrease (increase) in discounts and loans | 5,432,871 | (6,241,137) |
| Decrease (increase) in other financial assets | 1,518 | (22,863) |
| Total of net changes in operating assets | (2,090,807) | (10,696,257) |
| Net changes in operating liabilities | | |
| Increase (decrease) in due to the Central Bank and other banks | 139,420 | 2,772,309 |
| Increase (decrease) in securities sold under repurchase agreements | (1,540,302) | 5,063,436 |
| Increase (decrease) in payables | (631,183) | 345,938 |
| Increase (decrease) in deposits and remittances | 2,468,032 | (6,462,715) |

(Continued)

| Items | For the Year Ended December 31 2019 | 2018 |
|---|---|---|
| Increase (decrease) in other financial liabilities | (86) | (943) |
| Increase (decrease) in provision for employee benefits | (36,708) | (67,774) |
| Total of net changes in operating liabilities | 399,173 | 1,650,251 |
| Total of net changes in operating assets and liabilities | (1,691,634) | (9,046,006) |
| Total adjustments | (3,972,746) | (11,124,632) |
| Net cash used in operations | (3,086,178) | (10,636,500) |
| Interest received | 5,145,208 | 4,821,916 |
| Dividend received | 69,674 | 86,238 |
| Interest paid | (2,507,289) | (2,229,769) |
| Income tax refunded (paid) | (37,571) | (7,988) |
| Net cash used in operating activities | (416,156) | (7,966,103) |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for properties and equipment | (20,658) | (18,214) |
| Payments for intangible assets | (38,967) | (28,004) |
| Increase in other assets | (130,882) | - |
| Decrease in other assets | - | 30,322 |
| Net cash used in investing activities | (190,507) | (15,896) |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of bonds | 1,200,000 | 2,300,000 |
| Increase in guarantee deposits received | 134,687 | - |
| Decrease in guarantee deposits received | - | (1,976) |
| Repayments of principal of lease liabilities | (88,748) | - |
| Increase in other liabilities | - | 6,219 |
| Decrease in other liabilities | (121,739) | - |
| Cash dividends ditributed | (114,428) | (130,410) |
| Net cash generated from financing activities | 1,009,772 | 2,173,833 |
| Effects of exchange rate changes on cash and cash equivalents | (535) | 95 |
| Net increase (decrease) in cash and cash equivalents | 402,574 | (5,808,071) |
| Cash and cash equivalents at the beginning of the year | 14,978,758 | 20,786,829 |
| Cash and cash equivalents at the end of the year | $15,381,332 | $14,978,758 |
| | | |
| Composition of cash & cash equivalents | | |
| Cash and cash equivalents in the balance sheets | $2,833,786 | $2,939,455 |
| Due from the Central Bank and call loans to banks in accordance with cash and cash equivalents under IAS 7 "Statement of Cash Flows" | 7,194,725 | 6,796,591 |
| Investments in securities sold under repurchase agreements that meet the definition of cash & cash equivalents in IAS No. 7 "Statement of Cash Flows" | 5,352,821 | 5,242,712 |
| Cash and cash equivalents at the end of the year | $15,381,332 | $14,978,758 |

(The accompanying notes are an integral part of the financial statements.)

## Issue for Acknowledgement No. II

Proposed by the Board of Directors

Subject: The earnings distribution proposal of 2019

Descriptions:

I. The Bank's final accounts of 2019 have been audited and certified by Certified Public Accountants Jen-Yao Hsieh and Ping-Chang Wu of Crowe Horwath International. The outcome indicates that the net profit after tax came to NT$774,456,047. The initial unappropriated retained earnings came to NT$4,151,687, plus NT$9,266 as restoration of the odd shares of the preceding year in cash dividends and NT$11,729,144 as the gain on disposal through OCI instruments. After deduction of the impairment in actuarial calculation (NT$4,303,818), the total distributable earnings came to NT$786,042,326.

II. The distribution shall be duly conducted in accordance with Article 35 of the Bank's Articles of Incorporation, with NT$0.51 per share to be distributed to each shareholder (including cash dividends of NT$0.15 per share and stock dividends of NT$0.36 per share). The details about the distribution are provided below:

Expressed in New Taiwan Dollars

| Item | Amount | Remark |
|---|---|---|
| Distributable earnings | 786,042,326 | |
| Amortization of legal reserve | (234,567,191) | A sum of 30% is to be duly amortized in accordance with the Banking Act |
| Cash dividends to shareholders | (162,137,472) | 1,080,916,486 shares X NT$0.15 (NT$0.15 per share) |
| Stock dividends to shareholders | (389,129,930) | 1,080,916,486 shares X NT$0.36 (NT$0.36 per share) |
| Unappropriated retained earnings at end of the term | 207,733 | |

III. Moreover, in an attempt to increase the Bank's working capital, in accordance with Article 241 of the Company Act, where the Bank launches capital increase through cash injection to issue share certificates in excess of the face amount, the Bank may take part of the

capital reserve for the Bank’s capital to distribute stock dividends of NT$0.09 per share for which new shares shall be distributed based on shareholders' original shareholding ratio. In total, NT$97,282,480 shall be used for capital increase (the issue regarding capital increase shall be raised for discussion in another case).

IV. To sum up, in 2019, the Bank anticipates to distribute NT$0.15 per share as cash dividends and NT$0.45 per share as stock dividends (including shares distributed with earnings at NT$0.36 per share and shares distributed with capital reserve at NT$0.09 per share), totaling NT$0.6 per share.

V. The Bank’s earnings distribution proposal of 2019 should be put into enforcement after being resolved in the regular shareholders' meeting, including:

(I) The ex-dividend base day for cash dividends shall be fixed separately by the Board of Directors with bestowed power after the issue is duly resolved in the regular shareholders' meeting.

(II) The ex-right base day for cash dividends shall be fixed separately by the Board of Directors with bestowed power after the issue regarding capital increase is approved by the Securities and Futures Bureau, Financial Supervisory Commission.

VI. The present issue was duly resolved in the 12th meeting of the 18th Audit Committee and the 25th meeting of the 13th Board of Directors.

VII. One copy of the earnings distribution proposal of 2019 is annexed hereto (refer to pp. 31 of the Meeting Agenda Handbook for details).

Resolutions:

# Bank of Kaohsiung
# Distribution of Earnings
2019

Expressed in New Taiwan dollars

| Item | Amount | Remark |
|---|---|---|
| Initial unappropriated retained earnings | $4,151,687 | |
| Add: restoration of the odd shares of the preceding year in cash dividends | 9,266 | |
| Gain on disposal through OCI instrume | 11,729,144 | |
| Less:impairment in actuarial calculation | (4,303,818) | |
| Adjusted unappropriated earnings | 11,586,279 | |
| Add: net profit after tax | 774,456,047 | (Note 1) |
| Distributions earnings | $786,042,326 | |
| Distributions: | | |
| Legal reserve | (234,567,191) | Duly handled in accordance with Article 50 of Banking Act |
| Cash dividends to shareholders | (162,137,472) | Distribution of cash dividends at NT$0.15 per share (Note 2) |
| Stock dividends to dhareholders | (389,129,930) | Distribution of stock dividends at NT$0.36 per share |
| Unappropriated retained earnings at end of the term | **207,733** | |

Notes:(1)The distribution is conducted based on the data audited and certified by Crowe Horwath International.

(2)The cash dividend, calculated according to the distribution ratio, is rounded down to the nearest dollar, and number to the right of the decimal point is discarded. The aggregate total of the odd amounts below NT$1 is entered under the equity.

Chairman President : Chief Accountant:

## Issue for Discussion and Election No. I

Proposed by the Board of Directors

Subject: Proposal to increase capital through earnings and capital reserves to issue new shares

Descriptions:

I. The present issue was duly discussed and resolved in the 25th meeting of the 13th Board of Directors of the Bank convened on March 19, 2020.

II. The details of the capital increase and issue of new shares are as follows:

(I) Purpose of the capital yielded through the capital increase: To enrich working capital.

(II) Source of funding for the capital increase: The earnings and capital reserves of 2019.

(III) The aggregate total of outstanding shares and amount per share: The registered total capital is NT$20,000,000,000, divided into 2,000,000,000 shares which may be issued in installments. The paid-in capital amounts to NT$10,809,164,860, divided into 1,080,916,486 shares at NT$10 par value.

(IV) The aggregate total of new shares to be issued through capital increase, face amount per share, and terms of issue:

1. Out of the earnings of 2019, a dividend of NT$389,129,930 to shareholders and capital reserve of NT$97,282,480, totaling NT$486,412,410, shall be set aside to issue 48,641,241 new shares at the par value of NT$10.
2. Terms of issue of new shares: The capital increase is calculated based on the numbers of shares held by shareholders as shown in the register of shareholders as of the distribution base date, with 45 bonus shares (including 36 shares from earnings and 9 shares from capital reserve) to be allocated out of every one thousand shares. The odd lots less than one share in the distribution may be consolidated by the Bank's shareholder services agent within five days from the distribution base date. The odd lots not consolidated within the specified time limit or

still less than one share after consolidation shall be granted in cash based on the face amount (rounded to the whole number). The chairman is authorized to approach specific personnel to purchase the accumulated odd shares at the face value.

3. The rights and obligations related to the new shares issued in the capital increase are exactly the same as those related to the previously issued shares.

(V) The total amount of shares and amount per share after the capital increase: The total capital is NT$11,295,577,270, divided into 1,129,557,727 shares at the par value of NT$10.

(VI) Other information:

1. New shares will be issued after the proposal is duly resolved in the regular shareholders' meeting and approved by the competent authority.
2. A request will be made at the regular shareholders' meeting to bestow the Board of Directors with plenipotentiary power to schedule the distribution base date for the capital increase after the competent authority grants its approval.

Resolutions:

## Issue for Discussion and Election No. II

Proposed by the Board of Directors

Subject: Proposal to amend the Articles of Incorporation

Descriptions:

Amendment to the Articles of Incorporation of the Company was made pursuant to the definition of "the same person" and "the same related party" under Article 25 and 25-1 of the Banking Act and the "the parties calling for the convention of shareholders and the method of call for convention" and "the basic requirements of calling for a special session of the Board of Directors" as stated in Article 203 and Article 203-1 of the Company Act and related rules.

I. This motion has been discussed and passed by the 25th session of the 13th Board of Directors of the Bank (2020.03.19).

II. The gravity of amendment for this instance:

(I) Paragraph 3 in Article 7: amendment to the definition of "the same person" and "the same related party" pursuant to Article 25 and 25-1 of the Banking Act.

(II) Paragraph 1 in Article 22: amendment to "the parties calling for the convention of shareholders and the method of call for convention" pursuant to Article 203 and Article 203-1 of the Company Act.

(III) Paragraph 1 in Article 23: amendment to "basic requirements of calling for a special session of the Board of Directors" pursuant to Article 203-1 of the Company Act.

(IV) Paragraph 3 in Article 17, and Paragraph 3 in Article 38: revision of the wording of "the Bank" to "the Bank of Kaohsiung."

III. The Table of mapping of the provisions of the "Articles of Incorporation" of the Bank after amendment (refer to pp. 35-40 of the Meeting Handbook) and the provisions currently in effect (refer to pp. 41-55 of the Meeting Handbook.

Resolutions:

Bank of Kaohsiung Co., Ltd.

Comparison Table of Partial Provisions of the Articles of Incorporation Before and After Amendment

Approved by a resolution adopted at Promoters Meeting on August 24, 1981
Amended and adopted at 1987 Regular Meeting of Shareholders on December 30, 1987
Amended and adopted at 1988 2nd Special Meeting of Shareholders on September 12, 1988
Amended and adopted at 1989 Regular Meeting of Shareholders on November 22, 1988
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Amended and adopted at 1997 3rd Special Meeting of Shareholders on June 26, 1997
Amended and adopted at 1997 4th Special Meeting of Shareholders on August 11, 1997
Amended and adopted at 1998 Regular Meeting of Shareholders on November 27, 1998
Amended and adopted at 1999 Regular Meeting of Shareholders on December 7, 1999
Amended and adopted at 2001 Regular Meeting of Shareholders on May 22, 2001
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Amended and adopted at 2008 Regular Meeting of Shareholders on June 19, 2008
Amended and adopted at 2011 Regular Meeting of Shareholders on June 16, 2011
Amended and adopted at 2012 Regular Meeting of Shareholders on June 21, 2012
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Amended and adopted at 2018 Regular Meeting of Shareholders on June 20, 2018
Amended and adopted at 2019 Regular Meeting of Shareholders on June 20, 2019
Amended and adopted at 2020 2nd Regular Meeting of Shareholders on ○ ○, 2020

| Amended Provisions | Existing Provisions | Remark |
|---|---|---|
| Article 7 Where a shareholder of the Bank is the same person or the same related party who individually, jointly or in aggregate holds more than 5% of the Bank's total issued voting shares, or the accumulated shareholding increase/decrease in excess of 5% exceeds 1%, such shareholder shall make a declaration to the competent | Article 7 Where a shareholder of the Bank is the same person or the same related party who individually, jointly or in aggregate holds more than 5% of the Bank's total issued voting shares, or the accumulated shareholding increase/decrease in excess of 5% exceeds 1%, such shareholder shall make a declaration to the competent | Amendment to the definition of "the same person" and "the same related party" pursuant to Article 25 and 25-1 of the Banking Act. |

| Amended Provisions | Existing Provisions | Remark |
| --- | --- | --- |
| authority within ten (10) days from the holding date.<br>The same person or the same related party who intends to hold 10%, 25%, or 50% of the Bank's total issued voting shares individually, jointly or in aggregate shall apply to the competent authority for approval beforehand respectively.<br>The same person as referred to in the preceding 2 paragraphs is the same natural person or the same institution; the scope of the same related party is specified under Article 25 and Article 25-1 of the Banking Act.<br>Where the same person, or the principal and his or her spouse, or minor child(ren) holds more than 1% of the Bank's total issued voting shares, such principal shall notify the Bank. | authority within ten (10) days from the holding date.<br>The same person or the same related party who intends to hold 10%, 25%, or 50% of the Bank's total issued voting shares individually, jointly or in aggregate shall apply to the competent authority for approval beforehand respectively.<br>The term "same person" as set forth in the two preceding paragraphs denotes the same natural person or the same juristic person; the scope of the "same related party" includes the principal himself or herself, his or her spouse, blood relatives within the second degree of kinship, and the enterprise where the principal or his or her spouse serves as a responsible person.<br>Where the same person, or the principal and his or her spouse, or minor child(ren) holds more than 1% of the Bank's total issued voting shares, such principal | |

| Amended Provisions | Existing Provisions | Remark |
| --- | --- | --- |
| | shall notify the Bank. | |
| Article 17 Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be signed or sealed by the chairperson of the meeting and distributed to all shareholders of the Bank within twenty (20) days after the meeting. The minutes may be prepared in electronic form and distributed by means of a public announcement. The minutes of meeting on record shall contain information on the year, month, day, place, name of the presiding officer, method of resolution, summary of the procedure and result of the meeting and shall be kept by the Bank of Kaohsiung in the duration of its perpetuity. The attendance list bearing the signatures of the attending shareholders and the powers of attorney of the proxies shall be kept for at least one year. However, if a lawsuit has been instituted by any shareholder in accordance with Article 189 of the Company Act, the attendance list or | Article 17 Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be signed or sealed by the chairperson of the meeting and distributed to all shareholders of the Bank within twenty (20) days after the meeting. The minutes may be prepared in electronic form and distributed by means of a public announcement. The minutes shall faithfully record the date and place of the meeting, the name of the chairperson, the method of adopting resolutions, a summary of the essential points of the proceedings, and the results of the meeting. The minutes shall be kept permanently for the duration of the Bank's existence. The attendance list bearing the signatures of the attending shareholders and the powers of attorney of the proxies shall be kept for at least one year. | Revision of the wording of "the Bank" to "the Bank of Kaohsiung." |

| Amended Provisions | Existing Provisions | Remark |
| --- | --- | --- |
| power of attorney involved shall be kept until the legal proceedings of the foregoing lawsuit are concluded. | However, if a lawsuit has been instituted by any shareholder in accordance with Article 189 of the Company Act, the attendance list or power of attorney involved shall be kept until the legal proceedings of the foregoing lawsuit are concluded. | |
| Article 22 The Chairman shall call for the session of the Board unless the Company Act provides otherwise.<br>Unless otherwise provided, resolutions of the Board of Directors shall be adopted by over half of the attending directors at a meeting attended by over half of the directors. The meeting minutes shall be signed or sealed by the Chairperson and kept together with the attendance record signed by the attending directors. | Article 22 Meetings of the Board of Directors shall be convened by the Chairperson of the Board.<br>Unless otherwise provided, resolutions of the Board of Directors shall be adopted by over half of the attending directors at a meeting attended by over half of the directors. The meeting minutes shall be signed or sealed by the Chairperson and kept together with the attendance record signed by the attending directors. | Amendment to "the parties calling for the convention of shareholders and the method of call for convention" pursuant to Article 203 and Article 203-1 of the Company Act. |
| Article 23 The Board of Directors' meetings are divided into two categories which are:<br>1. Regular meeting: The Board of Directors | Article 23 The Board of Directors' meetings are divided into two categories which are:<br>1. Regular meeting: The Board of Directors | Amendment to "basic requirements of calling for a special session of the Board of |

| Amended Provisions | Existing Provisions | Remark |
| --- | --- | --- |
| meets once every two months; the managing directors meet once every two weeks. Both shall be convened by the Chairperson.<br>2. Special meeting : In the event of a vital issue or at the proposal of more than half of the Directors in writing with the content and the reasons of meeting specified pursuant to Article 203-1 of the Company Act, the Chairman shall call for a special session at any time. In addition, a special session of the Executive Directors may also be called where necessary.<br>Notices of Board of Directors may be served in writing, by fax or e-mail. | meets once every two months; the managing directors meet once every two weeks. Both shall be convened by the Chairperson.<br>2 Special meeting: In case of important matters or at the request of more than one-third of the directors, the Chairperson may convene a special meeting at any time. A managing directors' meeting may be convened depending on actual needs.<br>Notices of Board of Directors may be served in writing, by fax or e-mail. | Directors" pursuant to Article 203-1 of the Company Act. |
| Article 38 The Articles of Incorporation shall come into force after passing by the Shareholders' Meeting. The same procedure is applicable to any amendments thereto.<br>The Articles of Incorporation was amended, with addition and removal of provisions, including the | Article 38 These Articles of Incorporation shall be implemented after the approval of the shareholders' meeting; the same applies for amendment.<br>Amendments, additions and deletions of these Articles of Incorporation on June 20, 2013, except | Revision of the wording of "the Bank" to "the Bank of Kaohsiung." |

| Amended Provisions | Existing Provisions | Remark |
| --- | --- | --- |
| amendment to Article 11, Article 14, Article 19, Article 19-1, Article 21-1, Subparagraph 16 of Article 25, Article 34, Article 35, and removal of Article 28 to Article 30 in Chapter VI on 2013.06.20, which came into force after the election of the 12th Board. All other amendments came into force at the resolutions of the Shareholders' Meeting.<br>The amendment to the Articles of Incorporation on 2014.06.19 became effective at the resolutions of the Shareholders Meeting except Article 18-2 regarding the adoption of the candidate nomination system for the candidates to the seats of Directors, which was effective after the election of the 13th Board of Bank of Kaohsiung. | for the amendments to Articles 11, 14, 19, 19-1, 21-1, Paragraph 16 of Article 25, Articles 34 and 35, and deletion of Articles 28 through 30 of Chapter VI, shall be implemented after the election of the 12th Board of Directors. Other amendments shall be implemented after being approved in the shareholders' meeting.<br>Amendments to these Articles of Incorporation on June 19, 2014 shall be implemented after being approved in the shareholders' meeting, except for the amendment to Paragraph 2 of Article 18 concerning nomination of candidates for election of non-independent directors, which shall be implemented starting from the election of the 13th Board of Directors. | |

# Bank of Kaohsiung Co., Ltd.
# Articles of Incorporation

Approved by a resolution adopted at Promoters Meeting on August 24, 1981
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Amended and adopted at 2018 Regular Meeting of Shareholders on June 20, 2018
Amended and adopted at 2019 Regular Meeting of Shareholders on June 20, 2019

## Chapter I General Provisions

Article 1 Bank of Kaohsiung Co., Ltd., known as “Bank of Kaohsiung” (hereinafter referred to as “the Bank”), is duly incorporated under the Banking Act of The Republic of China and the Company Act. The English name hereof is “BANK OF KAOHSIUNG CO., LTD.” (abbreviated as “BOK”).

Article 2 The Bank aims at assisting the government in development and construction, promoting industrial and business development, supporting production, strengthening financing for small and medium enterprises, offering agricultural, labor and fishery loans,

encouraging savings, and providing convenient services to the people in line with the national financial policy.

Article 3 The Bank is headquartered in Kaohsiung City, with branches set up at appropriate locations on account of business needs. Additional establishment, relocation or abolition of branches shall be reported to the competent authority for approval, and registered with the Ministry of Economic Affairs after the resolution of the Board of Directors.

Article 4 The Bank's public announcements shall be made in accordance with the relevant provisions of laws and regulations.

**Chapter II Shares**

Article 5 The Bank has capital amounting to NT$20 billion, say, Twenty Billion New Taiwan Dollars, divided into 2 billion shares at NT$10 par value. The capital may be issued in installments. Special shares may be issued within the amount of capital set forth in the preceding paragraph.

Article 6 The stocks issued by the Bank, except for those printing of physical securities is not required pursuant to relevant regulations, shall be registered, signed or sealed by the Chairperson and two or more directors, and issued in accordance with the laws and regulations.

Article 6-1 The rights and obligations related to special shares of the Bank and other important terms of issue thereof are as follows:

1. If there are earnings in the final accounts of each year, the Bank shall, after all taxes and dues have been paid according to law, first cover its losses in previous years, set aside a portion of the earnings as a legal reserve, and appropriate or reverse a special reserve in accordance with Article XXXV of the Articles of Incorporation. Any remaining earnings may be first distributed as the special share dividends distributable for the year.
2. The Bank may distribute special share dividends at its own discretion. The annual dividend is calculated based on the issue price per share, and shall not exceed eight percent (8%).

3. Except for receipt of the dividends set forth in Subparagraph 2, special shareholders are not allowed to participate in the distribution of earnings and capital reserves as cash and equity capital to common shareholders.
4. Special shareholders have priority over common shareholders in the distribution of residual assets of the Bank. The order for them to receive indemnification is the same as that for holders of various special shares issued by the Bank, which is next to general creditors. However, such distribution shall not exceed the issuing amount.
5. Special shareholders do not have the rights to vote and elect. However, they have voting rights at meetings of special shareholders or shareholders' meetings in which issues related to the rights or obligations of special shareholders are raised.
6. Special shares shall not be converted into common shares. Special shareholders shall also not request the Bank to redeem the special shares held by them.
7. In case of no expiration date for special shares, the Bank may, at any time from the day following the fifth anniversary of the issue thereof, redeem the special shares in whole or in part at the original issue price. The special shares not redeemed yet shall still bear all the rights and obligations specified in the terms of issue, as stipulated in this article. If it is resolved at a shareholders' meeting to distribute dividends in the year when special shares are redeemed, the dividends distributable as of the date of redemption will be calculated according to the number of days before redemption in the year.

The Board of Directors is authorized to determine the name of special shares, date of issue, and specific terms of issue according to the capital market and investors' inclination to subscribe for special shares at the time of issue and in accordance with the Articles of Incorporation and applicable laws and regulations.

Article 7 Where a shareholder of the Bank is the same person or the same related party who individually, jointly or in aggregate holds more than 5% of the Bank's total issued voting shares, or the accumulated shareholding increase/decrease in excess of 5% exceeds 1%, such shareholder shall make a declaration to the competent authority within ten (10) days from the holding date. The same person or the same related party who intends to hold 10%, 25%, or 50% of the Bank's total issued voting shares individually, jointly or in aggregate shall apply to the competent authority for approval beforehand respectively.

The term "same person" as set forth in the two preceding paragraphs denotes the same natural person or the same juristic person; the scope of the "same related party" includes the principal himself or herself, his or her spouse, blood relatives within the second degree of kinship, and the enterprise where the principal or his or her spouse serves as a responsible person.

Where the same person, or the principal and his or her spouse, or minor child(ren) holds more than 1% of the Bank's total issued voting shares, such principal shall notify the Bank.

Article 8 The Bank shall handle its stock affairs in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies" promulgated by the competent authority.

**Chapter III Business Operation**

Article 9 The Bank's scope of business is shown as follows:

H101021 Commerce Banking

H301011 Securities Brokerage

H601011 Personal Insurance Agency

H601021 Property and Liability Insurance Agency

The Bank may also concurrently engage in other financing-related businesses approved by the competent authority.

Article 10 The Bank may accept commissioning from other financial institutions to engage in various businesses in agency.

**Chapter IV Shareholders' Meeting**

Article 11 The shareholders' meetings are classified into two categories, i.e., the regular shareholders' meeting and special shareholders' meeting. The regular shareholders' meeting shall be convened on an annual basis. The special shareholders' meeting may be convened whenever necessary.

The regular shareholders' meeting mentioned in the preceding Paragraph shall be duly convened by the board of directors within six (6) months from the closing of every fiscal year.

Unless otherwise prescribed in the Company Act, a special shareholders' meeting may be duly convened according to law whenever necessary.

When necessary, a meeting of special shareholders may be convened in accordance with applicable laws and regulations.

Article 12 Notices of regular shareholders' meetings shall be served to all shareholders 30 days prior to the scheduled meeting date and that of a special shareholders' meeting shall be served 15 days prior to the scheduled meeting date, specifying the date, place, and reason(s) for convening the meeting.

For shareholders who hold less than one thousand shares, notices of regular and special shareholders' meetings may be served by means of public announcements 30 days and 15 days prior to the scheduled meetings, respectively.

Article 13 For each shareholders' meeting convened by the Bank, a shareholder may issue a power of attorney printed by the Bank, expressly stating therein the scope of authorization and send it to the Bank five days prior to a shareholders' meeting. In case of repeated powers of attorney, the first-served one shall prevail unless an earlier power of attorney is rescinded.

For shareholders authorizing a proxy to attend a meeting, the provisions of the Company Act and the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" issued by the competent authority shall be abided by.

Article 14 The shareholders' meeting shall make resolutions and execute matters as follows:

1. Enact and amend the Bank's Articles of Incorporation.
2. Make resolutions on capital increase and reduction.
3. Elect, appoint, or dismiss directors.
4. Examine statements and books prepared by the Board of Directors and reports of the Audit Committee, as well as select inspectors to examine the above.
5. Make resolutions on the distribution of surpluses, and allocation of dividends and bonuses.
6. Make resolutions on other important matters.

Article 15 Resolutions at a shareholders' meeting shall, unless otherwise provided by relevant laws and regulations, be adopted with the consent of over half of the votes represented by the shareholders attending a meeting in person or by proxy, and the attending shareholders shall represent more than half of the total issued voting shares.

When the number of attending shareholders falls short of the quorum specified in the preceding paragraph, but there are shareholders who represent one-third or more of the total issued shares attending a meeting, a tentative resolution may be passed with the consent of over half of the votes represented by the attending shareholders. A notice of the tentative resolution shall be given to each shareholder, and another shareholders' meeting shall be convened within one month.

In the aforesaid shareholders' meeting, if shareholders representing one-third or more of the total issued shares have attended and over half of the votes represented by the attending shareholders have approved the tentative resolution, the resolution is deemed the same as resolutions adopted under the first paragraph.

The tentative resolution mentioned in the preceding two paragraphs does not apply to matters for which a special resolution shall be adopted in accordance with the Company Act.

Article 16 The Bank's shareholders are entitled to one vote per share, except for shares without the rights to vote as prescribed by the Company Act.

Article 17 Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be signed or sealed by the chairperson of the meeting and distributed to all shareholders of the Bank within twenty (20) days after the meeting.

The minutes may be prepared in electronic form and distributed by means of a public announcement.

The minutes shall faithfully record the date and place of the meeting, the name of the chairperson, the method of adopting resolutions, a summary of the essential points of the proceedings, and the results of the meeting. The minutes shall be kept permanently for the duration of the Bank's existence.

The attendance list bearing the signatures of the attending shareholders and the powers of attorney of the proxies shall be kept for at least one year. However, if a lawsuit has been instituted by any shareholder in accordance with Article 189 of the Company Act, the attendance list or power of attorney involved shall be kept until the legal proceedings of the foregoing lawsuit are concluded.

**Chapter V Board of Directors**

Article 18 The Bank shall have 11 to 15 directors for the organization of the Board of Directors.

Directors serve for a term of three years and are eligible for re-election. However, the government and corporate shareholders or their representatives who are elected as directors may be replaced at any time in accordance with their duties.

For the election of directors, candidates shall be nominated, and shareholders shall elect the directors from the list of director candidates.

When one third of the directorship becomes vacant, the Board of Directors shall call a special shareholders' meeting within 60 days for a by-election. Replacing or by-elected directors shall serve the unexpired term of their predecessors.

The aggregate shareholding of all directors shall not be less than the percentage specified by the competent authority.

Article 18-1 The Board has the following two offices:

1. Audit Office: An Auditor-General is in charge of all auditing work of the Bank, and other staff include a Deputy Auditor-General, division chiefs, lead auditors, auditors, and officers. Divisions may be set up depending on actual needs. The Audit Office should make a business report to the Board of Directors and the Audit Committee at least once every six months.
2. Secretariat: One chief secretary, and a number of managers, division chiefs and officers are to handle matters related to the Board meetings.

Article 19 The Bank shall have at least three independent directors and their number shall not fall short of one-fifth of the total number of directors.

Regarding the professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination and election, and other matters of compliance with respect to independent directors, the relevant regulations prescribed by the competent authority shall apply.

Article 19-1 The Bank has established an Audit Committee since the 12th Board of Directors, which is composed entirely of independent directors. The committee shall have no less than three persons, and one of them shall be the convener. At least one of them shall have accounting or financial expertise.

The exercise of the Audit Committee's duties and other matters of compliance shall be in compliance with the relevant laws and regulations as well as the Bank's "Audit Committee Charter".

Article 19-2 The Board of Directors shall establish a remuneration committee and other functional committees. Regulations governing the exercise of their powers of office shall be separately prescribed by the Board of Directors.

Article 20 A Board of Directors' meeting shall be attended by at least two thirds of the directors, and three to five managing directors shall be mutually elected among the directors with the consent of over half of the attending directors. Moreover, a Chairperson of the Board of Directors shall be mutually elected among the managing directors with the consent of over half of the attending managing directors at a meeting attended by over two-thirds of the managing directors. At least one of the managing directors shall be independent director and the number of independent directors shall not be less than one fifth of the number of managing directors. The Chairperson of the Board of Directors shall preside the shareholders' meetings, the Board of Directors' meetings, and the meetings of managing directors, and represent the Bank before external parties.

In case the Chairperson is on leave or absent or fails to exercise his/her power and authority for a reason, he/she shall designate one of the managing directors to act on his/her behalf; where the Chairperson has failed to designate a managing director to act on his/her behalf, the managing directors shall mutually elect an Acting Chairperson of the Board of Directors.

The Board of Directors is authorized to examine and specify the remuneration for directors by referencing the customary standards of the same industry.

The remuneration for the Chairperson of the Board of Directors is calculated at 1.25 times the incomes paid to the General Manager.

When the Chairperson retires or resigns, his/her pension shall be calculated on the basis of two points per year for the duration of his/her employment pursuant to the provisions pertaining to the pension fund system in the Labor Standards Act, without being subject to age or seniority.

Article 21 The board of directors shall have the following powers, duties and responsibilities:

1. Proposal for increase/ decrease of the Bank's capital.

2. Review and decision on establishment, change or dissolution of a unit of the bank.
3. Review and decision on the Bank's budget, annual financial statements and semiannual financial statements.
4. Enactment of and amendment to the internal control system and evaluation of the validity of the internal control system.
5. Proposal for enactment of or amendment to the Procedures for the Acquisition or Disposal of Assets.
6. Enactment of and amendment to the Procedures to Engage in Transactions and Disposal of Derivatives.
7. Proposals for allocation of earnings.
8. Appointment, discharge and payment of the auditing Certified Public Accountant(s).
9. Appointment and discharge of the Auditor-General, law compliance directors, consultants, chief secretary, assistant managers, corporate governance heads, heads of various divisions, departments, and units of the Head Bank, directors of finance, accounting, and risk management, and branch managers.
10. Review and decision on the standards for performance evaluation of managerial officers and business staff.
11. Review and decision on the standards for remuneration and fringe benefits.
12. Appointment of the directors (supervisors) and representatives for investees and subsidiaries.
13. Donations to related parties or significant donations to non-related parties. In case of donation to public interests in case of significant acts of God or disaster by nature, nevertheless, it may be posed to next board of directors meeting for retroactive acknowledgement.
14. Review and decision on the Bank's business plans.
15. Surveillance over the mechanism of risk control.
16. Review and decision on the Bank-wide loaning policies, major credit facility loans and investment cases.

17. Review and decision on the external contracts and commissioned cases.
18. Review and decision on the real estate transaction and leasehold cases.
19. Review and decision on major rules and regulations.
20. Other responsibilities and powers bestowed by laws or a shareholders' meeting.

Article 21-1 The Bank may enter into a liability insurance contract with an insurance company for the directors' and key staff's liability for compensation within the scope of their duties.

Article 22 Meetings of the Board of Directors shall be convened by the Chairperson of the Board.

Unless otherwise provided, resolutions of the Board of Directors shall be adopted by over half of the attending directors at a meeting attended by over half of the directors. The meeting minutes shall be signed or sealed by the Chairperson and kept together with the attendance record signed by the attending directors.

Article 23 The Board of Directors' meetings are divided into two categories which are:

1. Regular meeting: The Board of Directors meets once every two months; the managing directors meet once every two weeks. Both shall be convened by the Chairperson.
2 Special meeting: In case of important matters or at the request of more than one-third of the directors, the Chairperson may convene a special meeting at any time. A managing directors' meeting may be convened depending on actual needs.

Notices of Board of Directors may be served in writing, by fax or e-mail.

Article 24 In case a director is unable to attend a meeting for any reason, he/she shall notify the Board of Directors in advance and designate another director to act on his/her behalf, but a power of attorney, stating the scope of authorization thereof shall be presented in each incident.

A proxy mentioned above shall accept one person's authorization only.

Article 25 During the recess of the Board of Directors, the managing directors shall meet regularly to exercise the power and perform the duties of the Board of Directors in accordance with the provisions of laws and regulations, the Articles of Incorporation herein, and the resolutions adopted by the shareholders' meetings, except for matters described in Paragraphs 1-13 of Article 21 and the following matters:

1. Examination and approval of important contracts concerning merger, division, transfer of business or assets and acceptance of business or assets transfer.
2. Examination and approval of real estate transactions worth of more than NT$300 million.
3. Review and approval of directors' remunerations.
4. Other matters that shall be deliberated by the Board of Directors as required by law.

Resolutions made at a managing directors' meeting shall be reported to the Board of Directors for future reference.

Article 26 Resolutions of the managing directors' meeting shall, unless otherwise prescribed by the Company Act, be adopted by over half of the attending managing directors in a meeting attended by over half of the managing directors.

Article 27 When a Board of Directors' meeting or a managing directors' meeting is convened, the General Manager, Deputy General Manager, and relevant competent supervisors may be required to present themselves in the meeting to answer inquiries.

**Chapter VI (Deleted)**

Article 28 (Deleted)

Article 29 (Deleted)

Article 30 (Deleted)

**Chapter VII Managers**

Article 31 The Bank shall have one General Manager and several Deputy General Managers, to be nominated by the Chairperson of the

Board of Directors, and whose appointment and dismissal shall be approved by more than half of the Board members.

Article 32 The General Manager shall oversee the Bank's affairs by upholding the Chairperson's orders and the resolutions of the Board of Directors, and the Deputy General Manager shall assist the General Manager in handling the Bank's affairs. When the General Manager is unable to perform his/her duties for any reason, the Chairperson shall designate one of the Deputy General Managers as acting by proposing to the Board of Directors.

**Chapter VIII Accounting**

Article 33 The Bank's accounting year runs from January 1 to December 31 each year, and is designated according to the Republic of China calendar. Accounts are concluded twice a year, with June 30 as the closing date for the first half and December 31 the closing date for the second half. At the end of the year, the annual financial statements should be prepared based on the closing figures of the two halves.

Article 34 At the close of each fiscal year, the Bank's Board of Directors shall prepare the following statements and shall submit them to the regular shareholders' meeting for ratification according to the statutory procedures:

1. the business report;
2. the financial statements; and
3. the surplus distribution or loss make-up proposals.

The foregoing statements shall be forwarded to the competent authority and the Central Bank for reference within 15 days after the Board of Directors has submitted them to the regular shareholders' meeting for ratification.

Article 34-1 If a profit is made in a year, 5% of the profit shall be set aside as employees' compensation and no more than 1.25% as directors' remunerations. However, if the Bank has an accumulated loss, the loss shall be made up first, and then employees' compensation and directors' remunerations may be allocated from the remaining surplus.

The allocation manner of employees' compensation referred to in the preceding paragraph shall be approved by over half of the attending directors in a meeting attended by at least two thirds of the directors in the Board, and shall be reported to the shareholders' meeting. However, directors' remunerations shall only be distributed in cash.

Distribution of directors' remunerations shall be proposed by the Remuneration Committee and submitted to the Board of Directors. Decision shall be made with approval by over half of the attending directors in a meeting attended by two thirds of the directors in the Board.

Article 35 If the Bank has a surplus as shown in the year-end final statements, the surplus shall be used to make up for the accumulated losses over the years first after paying all taxes and dues, and then thirty percent of the remaining surplus shall be allocated as legal reserve, and a special reserve may be provided or reversed in accordance with the law and depending on business needs. The remaining balance plus the accumulated undistributed surplus carried down from the previous years becomes the distributable surplus. The Board of Directors shall prepare a surplus allocation proposal and submit it to the shareholders' meeting for resolution on dividend distribution.

In the abovementioned surplus allocation proposal, the shareholders' meeting may decide to retain all or part of the surplus depending on business needs or profitability.

For distribution of dividends, the Board of Directors may propose to the shareholders' meeting to adjust the ratio of cash to stock dividends depending on the year's surplus condition and business development needs; however, the cash dividend shall not be less than 5% of the stock dividends issued in the current year.

Before the legal reserve runs up to the amount equivalent to the total capital, or when the regulatory capital to risk assets ratio has not met the requirements of the Banking Act, the maximum

cash surplus allocation shall be handled in accordance with the Banking Act and the competent authority's regulations.

**Chapter IX Supplementary Provisions**

Article 36 The Bank's Organizational Charter shall be separately enacted.

Article 37 Matters not covered herein shall be handled in accordance with the Company Act, Banking Act, and relevant laws and regulations.

Article 38 These Articles of Incorporation shall be implemented after the approval of the shareholders' meeting; the same applies for amendment.

Amendments, additions and deletions of these Articles of Incorporation on June 20, 2013, except for the amendments to Articles 11, 14, 19, 19-1, 21-1, Paragraph 16 of Article 25, Articles 34 and 35, and deletion of Articles 28 through 30 of Chapter VI, shall be implemented after the election of the 12th Board of Directors. Other amendments shall be implemented after being approved in the shareholders' meeting.

Amendments to these Articles of Incorporation on June 19, 2014 shall be implemented after being approved in the shareholders' meeting, except for the amendment to Paragraph 2 of Article 18 concerning nomination of candidates for election of non-independent directors, which shall be implemented starting from the election of the 13th Board of Directors.

## Issue for Discussion and Election No. III

Proposed by the Board of Directors

Subject: The motion of election of the 14th Board of Directors

Descriptions:

I. Bank of Kaohsiung's regular shareholders meeting should have held on June 24, 2020, but it failed to meet because of the statutory attendance rate. According to Article 195 of the Company Act, the term of office of the 13th directors was extended until the completion of the re-election of directors.

II. According to Article 192-1 of the Company Act, Article 5 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, Article 18 and 19 of the Articles of Incorporation of the Bank, the election of company directors and independent directors adopts a candidate nomination system. Shareholders shall elect the candidates to the seats of Directors and Independent Directors from the list of candidates.

III. In consideration of the scale of the Bank and the aforementioned requlations, we plan to hold an election of the 14th Board pursuant. There will be 13 seats of Directors (including 3 seats for Independent Directors). Candidates elected to the seats will assume office immediately after the end of the Shareholders Meeting for the election. The term of office runs from 2020.11.11 to 2023.11.10.

IV. The list of candidates to the seats of Directors and Independent Directors of the 14th Board has been approved by the 28th session of the 13th Board on 2020.09.24. The names, education and major experience of the candidates are shown on p.57-62 of the Meeting Handbook.

V. Proceed to voting

**Election Results:**

# List of Candidates to the seats of Directors of the 14th Board of Bank of Kaohsiung

| Code no. | Name of candidate | Education | Major experience | Current position | **Shareholdings** (Unit: share) Date: 2020.09.13 |
|---|---|---|---|---|---|
| 1 | Kaohsiung City Government Representative : Ray-Beam Dawn | PhD in Economics, Vanderbilt University | 1. Chairman of First Financial Holding Co.<br>2. Chairman of Taiwan Tobacco & Liquor Corporation<br>3. Chairman of Central Deposit Insurance Corporation<br>4. Chairman of MEGA Bills Finance Co. | Chairman, Bank of Kaohsiung | 466,164,011 |
| 2 | Kaohsiung City Government Representative : Yung-Sheng Chen | Master in Economics, National Taiwan University | 1. Revenue Officer, National Taxation Bureau of Taipei, Minister of Finance<br>2. Chief of Liaison Section, Minister of Finance<br>3. Director of Property Tax Division, Taxation Administration, Minister of Finance<br>4. Chief Secretary of Taxation Administration, Minister of Finance | Director, Department of Finance, Kaohsiung City Government | 466,164,011 |
| 3 | Kaohsiung City Government Representative : Tai-Hsiang Liao | Master in Economics, Boston University | 1. GMA of Cathay Financial Group<br>2. Policy Integration Evaluation Office researcher, MOEA<br>3. SAP Taiwan Co.,Ltd., senior | Director, Department of Economic Development, Kaohsiung City Government | 466,164,011 |

| | | | | | |
|---|---|---|---|---|---|
| | | | business manager<br>4. SAS Institute Inc. Consultant Analyst | | |
| 4 | Kaohsiung City Government Representative : Chin-Tsang Ho | Ph.D., Department of Business Administration, National Central University | 1. Deputy Director General of Southern Taiwan Science Park Bureau, MOST<br>2. Secretary General of Small and Medium Enterprise Administration, MOEA | Director-general of Small and Medium Enterprise Administration, Ministry of Economic Affairs | 466,164,011 |
| 5 | Kaohsiung City Government Representative : Chun-Chieh Huang | San Hsin Commercial High School | 1. Representative, Bank of Kaohsiung Corporate Union<br>2. Director, Executive Director, Bank of Kaohsiung Corporate Union<br>3. Director, Taiwan Financial Services Roundtable. | 1.Representative, Kaohsiung Independent Labor Union.<br>2.Representative, Kaohsiung City Confederation of Trade Union<br>3. Executive Director, Taiwan Federation of Financial Unions<br>4. Chairman, Kaohsiung Bankers Association | 466,164,011 |
| 6 | Hong-Cheng Liu | Doctor of Public Administration University of La Verne | 1. Civil Service Development Institute, Lecturer<br>2. National Academy of Civil Service, Lecturer<br>3. Executive V.P. of Chinese Society for Training and Development<br>4. President of | 1. Professor & Chair of I-SHOU University Department of Public Policy and Management<br>2. Independent Director of Powertech | 0 |

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|---|---|---|---|---|---|
| | | | Taiwan Association for Schools of Public Administration and Affairs | 3. Director of Yeou Yih Steel Co., LTD | |
| 7 | JinnHer Enterprise Co., Ltd. Representative: Chung-Hsin Liu | Graduate Institute of Political Science, National Sun Yat-Sen University. | 1. Secretary-General , Deupty Director, Treausry Department, Kaohsiung City Government.<br>2. Director, Agricultural Credit Guarantee Fund<br>3. Director, Kaohsiung Steamship Co., Ltd.<br>4. Director of the12th and 13th Board, Bank of Kaohsiung. | Director, Bank of Kaohsiung | 145,851,766 |
| 8 | JinnHer Enterprise Co., Ltd. Representative: Chien-Tsai Chao | Master of Business Administration, National Kaohsiung University of Science and Technology | 1. 10 ~ 13th Director of Bank of Kaohsiung<br>2. Chairman of Tang Eng Iron Works CO., LTD<br>3. Chairman of Chyang Dah Stainless CO., LTD<br>4. Advisor of Kaohsiung City Government | | 145,851,766 |
| 9 | JinnHer Enterprise Co., Ltd. Representative: Ming-Chang Wu | Master of Civil Engineering, National Pingtung University of Science and Technology | 1. Senior Engineer of Construction and Planning Agency Ministry of the Interior, R.O.C<br>2. Director of Maintenance Office, Public Works Bureau of Kaohsiung City Government | | 145,851,766 |

| | | | | | |
|---|---|---|---|---|---|
| | | | 3. Deputy Minister of Tourism Bureau of Kaohsiung City Government<br>4. Director of Public Works Bureau of Kaohsiung City Government | | |
| 10 | Chuan Pu Investment Co., Ltd.<br>Representative: Chien-Fu Chen | EMBA, Guanghua College of Management, Peking University, China | 1. Research Fellow, Harvard University Business School, USA.<br>2. Director, Nan Ho Industry Co., Ltd., Tian Pu Enterprise Col, Ltd., Noah Group, Han Suan Enterprise Co., Ltd., Adimmune Corporation, Senhwa Biosciences, Taiwan Styrene Monomer Corporation, E&E Recycling, JKO Asset Management. | 1. Chairman, Chuan Pu Investment Co., Ltd.<br>2. Nan Ho Industry Co., Ltd., Tian Fu Enterprise Col, Ltd., Noah Group, Han Suan Enterprise Co., Ltd., Adimmune Corporation, Senhwa Biosciences, Taiwan Styrene Monomer Corporation, E&E Recycling, JKO Asset Management | 5,974,599 |

# List of Candidates to the seats of Independent Directors of the 14th Board of Bank of Kaohsiung

| Code no. | Name of candidate | Education | Major experience | Current position | Shareholding (Unit: share) Date: 2020.09.13 |
|---|---|---|---|---|---|
| 1 | Yi-Shun Chang | EMBA of University of South Australia | 1.Finance consultant of Small and Medium Enterprise Administration, MOEA<br>2. Vice Chairman of Kaohsiung CPA Association<br>3. Vice Chairman of Finance law committee of The National Federation of CPA Associations of the R.O.C. | Chairman of ShunTian SongHe CPA Firm Ltd. | 0 |
| 2 | Yao-Yung Chang | Concentration in Finance & Investment, MBA, University of Washington | 1. Morgan Stanley Asia Vice President<br>2. Vice President of Merrill Lynch International Bank.<br>3. Merrill Lynch President of Securities Asia Pacific Investment | 1. Chairman of Morgan Asia Pacific Quantitative Transactions<br>2. Chairman of Morgan Asia Pacific M&A Investment<br>3. Chairman of Morgan Asia Pacific Financial Advisory | 0 |
| 3 | Li-Jen Lien | Master of Political Science, National Sun Yat-sen University | 1. Attorney of Landbank<br>2. law consultant of Taiwan Business Bank at Kaohsiung district<br>3. Director of | 1. Independent director of Aerospace Industrial Development Corporation<br>2. Lawyer of | 0 |

| | | | | | |
|---|---|---|---|---|---|
| | | | Consumer's Foundation at Southern District<br>4. Honorary Lawyer of Small and Medium Enterprise Administration, MOEA | Gongxin United Law Firm | |

## Issue for Discussion and Election No. IV

Proposed by the Board of Directors

Subject: Motion of lifting the ban on newly elected Directors and their representatives regarding competition.

Descriptions:

I. According to Paragraph 1 in Article 209 of the Company Act " A director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval."

II. We ask the Shareholders Meeting to lift the ban on competition of the newly elected Directors and their representatives as their expertise and experience will be an input to the Company.

III. The motion of amendment is passed by the 13th Board in its 25th session on 2020.03.19.

Resolutions:

# Extemporary Motion

# Adjournment of the meeting

# Bank of Kaohsiung Co., Ltd.
# Directors' Shareholding

1. The company's paid-in capital is NT$10,809,164,860, and the number of issued shares is 1,080,916,486.
2. The minimum requirement of shareholding by all directors is 32,000,000 shares in accordance with Article 2 of the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies".
3. Shareholdings of individual and all directors as recorded in the shareholders list as of the transfer closing date for this shareholders' meeting are indicated in the table below:

| Job Title | Account Name | Number of Shares Held | Remarks |
|---|---|---|---|
| President | Kaohsiung City Government | **466,164,011** | Representative: Ray-Beam Dawn |
| Managing Director | Kaohsiung City Government | | Representative: Yung-Sheng Chen |
| Managing Director | Kaohsiung City Government | | Representative: Tai-Hsiang Liao |
| Director | Kaohsiung City Government | | Representative: Chin-Tsang Ho |
| Director | Kaohsiung City Government | | Representative: Hong-Cheng Liu |
| Director | Kaohsiung City Government | | Representative: Chun-Chieh Huang |
| Director | Jinn Her Enterprise Co., Ltd. | **145,851,766** | Representative: Chung-Hsin Liu |
| Director | Jinn Her Enterprise Co., Ltd. | | Representative: Sheng-Chen Lee |
| Director | Jinn Her Enterprise Co., Ltd. | | Representative: Wen-Zhe Zeng |

| | | | |
|---|---|---|---|
| Director | Corporate Union of the Bank of Kaohsiung Co., Ltd. | **1,926,561** | Representative: Rui-Fang Chen |
| Independent and Managing Director | Wen-Yuen Lin | -- | |
| Independent Director | Zheng-Ping Su | -- | |

Note: Date of Documentation: September 13, 2020

## Annex 2

Description on the Handling of Shareholders' Proposals:

1. The company's shareholders who hold more than one percent of the total issued shares may submit a motion to the regular meeting of shareholders in writing pursuant to Article 172-1 of the Company Act, but only one motion with a maximum of 300 words is allowed.
2. The company has made an announcement about shareholders' rights of submitting a proposal on the Market Observation Post System, and the period of submission spanned from September 4, 2020 to September 14, 2020. The company did not receive any shareholders' proposal during the period.

# Annex 3

## Bank of Kaohsiung Co., Ltd.
## Articles of Incorporation

Approved by a resolution adopted at Promoters Meeting on August 24, 1981
Amended and adopted at 1987 Regular Meeting of Shareholders on December 30, 1987
Amended and adopted at 1988 2nd Special Meeting of Shareholders on September 12, 1988
Amended and adopted at 1989 Regular Meeting of Shareholders on November 22, 1988
Amended and adopted at 1991 1st Special Meeting of Shareholders on January 10, 1991
Amended and adopted at 1991 2nd Special Meeting of Shareholders on April 24, 1991
Amended and adopted at 1993 Regular Meeting of Shareholders on October 29, 1993
Approved, amended, and adopted at 1994 Regular Meeting of Shareholders on October 26, 1994
Approved, amended, and adopted at 1995 Regular Meeting of Shareholders on October 12, 1995
Amended and adopted at 1997 Special Meeting of Shareholders on February 4, 1997
Amended and adopted at 1997 2nd Special Meeting of Shareholders on May 14, 1997
Amended and adopted at 1997 3rd Special Meeting of Shareholders on June 26, 1997
Amended and adopted at 1997 4th Special Meeting of Shareholders on August 11, 1997
Amended and adopted at 1998 Regular Meeting of Shareholders on November 27, 1998
Amended and adopted at 1999 Regular Meeting of Shareholders on December 7, 1999
Amended and adopted at 2001 Regular Meeting of Shareholders on May 22, 2001
Amended and adopted at 2002 Regular Meeting of Shareholders on June 20, 2002
Amended and adopted at 2004 Regular Meeting of Shareholders on June 10, 2004
Amended and adopted at 2005 Regular Meeting of Shareholders on June 23, 2005
Amended and adopted at 2006 Regular Meeting of Shareholders on June 22, 2006
Amended and adopted at 2007 Regular Meeting of Shareholders on June 14, 2007
Amended and adopted at 2008 Regular Meeting of Shareholders on June 19, 2008
Amended and adopted at 2011 Regular Meeting of Shareholders on June 16, 2011
Amended and adopted at 2012 Regular Meeting of Shareholders on June 21, 2012
Amended and adopted at 2013 Regular Meeting of Shareholders on June 20, 2013
Amended and adopted at 2014 Regular Meeting of Shareholders on June 19, 2014
Amended and adopted at 2016 Regular Meeting of Shareholders on June 23, 2016
Amended and adopted at 2017 Regular Meeting of Shareholders on June 22, 2017
Amended and adopted at 2018 Regular Meeting of Shareholders on June 20, 2018
Amended and adopted at 2019 Regular Meeting of Shareholders on June 20, 2019

### Chapter I General Provisions

Article 1 Bank of Kaohsiung Co., Ltd., known as “Bank of Kaohsiung” (hereinafter referred to as “the Bank”), is duly incorporated under the Banking Act of The Republic of China and the Company Act. The English name hereof is “BANK OF KAOHSIUNG CO., LTD.” (abbreviated as “BOK”).

Article 2 The Bank aims at assisting the government in development and construction, promoting industrial and business development, supporting production, strengthening financing for small and medium enterprises, offering agricultural, labor and fishery loans,

encouraging savings, and providing convenient services to the people in line with the national financial policy.

Article 3 The Bank is headquartered in Kaohsiung City, with branches set up at appropriate locations on account of business needs. Additional establishment, relocation or abolition of branches shall be reported to the competent authority for approval, and registered with the Ministry of Economic Affairs after the resolution of the Board of Directors.

Article 4 The Bank's public announcements shall be made in accordance with the relevant provisions of laws and regulations.

**Chapter II Shares**

Article 5 The Bank has capital amounting to NT$20 billion, say, Twenty Billion New Taiwan Dollars, divided into 2 billion shares at NT$10 par value. The capital may be issued in installments. Special shares may be issued within the amount of capital set forth in the preceding paragraph.

Article 6 The stocks issued by the Bank, except for those printing of physical securities is not required pursuant to relevant regulations, shall be registered, signed or sealed by the Chairperson and two or more directors, and issued in accordance with the laws and regulations.

Article 6-1 The rights and obligations related to special shares of the Bank and other important terms of issue thereof are as follows:

1. If there are earnings in the final accounts of each year, the Bank shall, after all taxes and dues have been paid according to law, first cover its losses in previous years, set aside a portion of the earnings as a legal reserve, and appropriate or reverse a special reserve in accordance with Article XXXV of the Articles of Incorporation. Any remaining earnings may be first distributed as the special share dividends distributable for the year.
2. The Bank may distribute special share dividends at its own discretion. The annual dividend is calculated based on the issue price per share, and shall not exceed eight percent (8%).

3. Except for receipt of the dividends set forth in Subparagraph 2, special shareholders are not allowed to participate in the distribution of earnings and capital reserves as cash and equity capital to common shareholders.
4. Special shareholders have priority over common shareholders in the distribution of residual assets of the Bank. The order for them to receive indemnification is the same as that for holders of various special shares issued by the Bank, which is next to general creditors. However, such distribution shall not exceed the issuing amount.
5. Special shareholders do not have the rights to vote and elect. However, they have voting rights at meetings of special shareholders or shareholders' meetings in which issues related to the rights or obligations of special shareholders are raised.
6. Special shares shall not be converted into common shares. Special shareholders shall also not request the Bank to redeem the special shares held by them.
7. In case of no expiration date for special shares, the Bank may, at any time from the day following the fifth anniversary of the issue thereof, redeem the special shares in whole or in part at the original issue price. The special shares not redeemed yet shall still bear all the rights and obligations specified in the terms of issue, as stipulated in this article. If it is resolved at a shareholders' meeting to distribute dividends in the year when special shares are redeemed, the dividends distributable as of the date of redemption will be calculated according to the number of days before redemption in the year.

The Board of Directors is authorized to determine the name of special shares, date of issue, and specific terms of issue according to the capital market and investors' inclination to subscribe for special shares at the time of issue and in accordance with the Articles of Incorporation and applicable laws and regulations.

Article 7 Where a shareholder of the Bank is the same person or the same related party who individually, jointly or in aggregate holds more than 5% of the Bank's total issued voting shares, or the accumulated shareholding increase/decrease in excess of 5% exceeds 1%, such shareholder shall make a declaration to the competent authority within ten (10) days from the holding date. The same person or the same related party who intends to hold 10%, 25%, or 50% of the Bank's total issued voting shares individually, jointly or in aggregate shall apply to the competent authority for approval beforehand respectively.

The term "same person" as set forth in the two preceding paragraphs denotes the same natural person or the same juristic person; the scope of the "same related party" includes the principal himself or herself, his or her spouse, blood relatives within the second degree of kinship, and the enterprise where the principal or his or her spouse serves as a responsible person.

Where the same person, or the principal and his or her spouse, or minor child(ren) holds more than 1% of the Bank's total issued voting shares, such principal shall notify the Bank.

Article 8 The Bank shall handle its stock affairs in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies" promulgated by the competent authority.

**Chapter III Business Operation**

Article 9 The Bank's scope of business is shown as follows:

H101021 Commerce Banking

H301011 Securities Brokerage

H601011 Personal Insurance Agency

H601021 Property and Liability Insurance Agency

The Bank may also concurrently engage in other financing-related businesses approved by the competent authority.

Article 10 The Bank may accept commissioning from other financial institutions to engage in various businesses in agency.

**Chapter IV Shareholders' Meeting**

Article 11 The shareholders' meetings are classified into two categories, i.e., the regular shareholders' meeting and special shareholders' meeting. The regular shareholders' meeting shall be convened on an annual basis. The special shareholders' meeting may be convened whenever necessary.

The regular shareholders' meeting mentioned in the preceding Paragraph shall be duly convened by the board of directors within six (6) months from the closing of every fiscal year.

Unless otherwise prescribed in the Company Act, a special shareholders' meeting may be duly convened according to law whenever necessary.

When necessary, a meeting of special shareholders may be convened in accordance with applicable laws and regulations.

Article 12 Notices of regular shareholders' meetings shall be served to all shareholders 30 days prior to the scheduled meeting date and that of a special shareholders' meeting shall be served 15 days prior to the scheduled meeting date, specifying the date, place, and reason(s) for convening the meeting.

For shareholders who hold less than one thousand shares, notices of regular and special shareholders' meetings may be served by means of public announcements 30 days and 15 days prior to the scheduled meetings, respectively.

Article 13 For each shareholders' meeting convened by the Bank, a shareholder may issue a power of attorney printed by the Bank, expressly stating therein the scope of authorization and send it to the Bank five days prior to a shareholders' meeting. In case of repeated powers of attorney, the first-served one shall prevail unless an earlier power of attorney is rescinded.

For shareholders authorizing a proxy to attend a meeting, the provisions of the Company Act and the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" issued by the competent authority shall be abided by.

Article 14 The shareholders' meeting shall make resolutions and execute matters as follows:

1. Enact and amend the Bank's Articles of Incorporation.
2. Make resolutions on capital increase and reduction.
3. Elect, appoint, or dismiss directors.
4. Examine statements and books prepared by the Board of Directors and reports of the Audit Committee, as well as select inspectors to examine the above.
5. Make resolutions on the distribution of surpluses, and allocation of dividends and bonuses.
6. Make resolutions on other important matters.

Article 15 Resolutions at a shareholders' meeting shall, unless otherwise provided by relevant laws and regulations, be adopted with the consent of over half of the votes represented by the shareholders attending a meeting in person or by proxy, and the attending shareholders shall represent more than half of the total issued voting shares.

When the number of attending shareholders falls short of the quorum specified in the preceding paragraph, but there are shareholders who represent one-third or more of the total issued shares attending a meeting, a tentative resolution may be passed with the consent of over half of the votes represented by the attending shareholders. A notice of the tentative resolution shall be given to each shareholder, and another shareholders' meeting shall be convened within one month.

In the aforesaid shareholders' meeting, if shareholders representing one-third or more of the total issued shares have attended and over half of the votes represented by the attending shareholders have approved the tentative resolution, the resolution is deemed the same as resolutions adopted under the first paragraph.

The tentative resolution mentioned in the preceding two paragraphs does not apply to matters for which a special resolution shall be adopted in accordance with the Company Act.

Article 16 The Bank's shareholders are entitled to one vote per share, except for shares without the rights to vote as prescribed by the Company Act.

Article 17 Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be signed or sealed by the chairperson of the meeting and distributed to all shareholders of the Bank within twenty (20) days after the meeting.

The minutes may be prepared in electronic form and distributed by means of a public announcement.

The minutes shall faithfully record the date and place of the meeting, the name of the chairperson, the method of adopting resolutions, a summary of the essential points of the proceedings, and the results of the meeting. The minutes shall be kept permanently for the duration of the Bank's existence.

The attendance list bearing the signatures of the attending shareholders and the powers of attorney of the proxies shall be kept for at least one year. However, if a lawsuit has been instituted by any shareholder in accordance with Article 189 of the Company Act, the attendance list or power of attorney involved shall be kept until the legal proceedings of the foregoing lawsuit are concluded.

**Chapter V Board of Directors**

Article 18 The Bank shall have 11 to 15 directors for the organization of the Board of Directors.

Directors serve for a term of three years and are eligible for re-election. However, the government and corporate shareholders or their representatives who are elected as directors may be replaced at any time in accordance with their duties.

For the election of directors, candidates shall be nominated, and shareholders shall elect the directors from the list of director candidates.

When one third of the directorship becomes vacant, the Board of Directors shall call a special shareholders' meeting within 60 days for a by-election. Replacing or by-elected directors shall serve the unexpired term of their predecessors.

The aggregate shareholding of all directors shall not be less than the percentage specified by the competent authority.

Article 18-1 The Board has the following two offices:

1. Audit Office: An Auditor-General is in charge of all auditing work of the Bank, and other staff include a Deputy Auditor-General, division chiefs, lead auditors, auditors, and officers. Divisions may be set up depending on actual needs. The Audit Office should make a business report to the Board of Directors and the Audit Committee at least once every six months.
2. Secretariat: One chief secretary, and a number of managers, division chiefs and officers are to handle matters related to the Board meetings.

Article 19 The Bank shall have at least three independent directors and their number shall not fall short of one-fifth of the total number of directors.

Regarding the professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination and election, and other matters of compliance with respect to independent directors, the relevant regulations prescribed by the competent authority shall apply.

Article 19-1 The Bank has established an Audit Committee since the 12th Board of Directors, which is composed entirely of independent directors. The committee shall have no less than three persons, and one of them shall be the convener. At least one of them shall have accounting or financial expertise.

The exercise of the Audit Committee's duties and other matters of compliance shall be in compliance with the relevant laws and regulations as well as the Bank's "Audit Committee Charter".

Article 19-2 The Board of Directors shall establish a remuneration committee and other functional committees. Regulations governing the exercise of their powers of office shall be separately prescribed by the Board of Directors.

Article 20 A Board of Directors' meeting shall be attended by at least two thirds of the directors, and three to five managing directors shall be mutually elected among the directors with the consent of over half of the attending directors. Moreover, a Chairperson of the Board of Directors shall be mutually elected among the managing directors with the consent of over half of the attending managing directors at a meeting attended by over two-thirds of the managing directors. At least one of the managing directors shall be independent director and the number of independent directors shall not be less than one fifth of the number of managing directors. The Chairperson of the Board of Directors shall preside the shareholders' meetings, the Board of Directors' meetings, and the meetings of managing directors, and represent the Bank before external parties.

In case the Chairperson is on leave or absent or fails to exercise his/her power and authority for a reason, he/she shall designate one of the managing directors to act on his/her behalf; where the Chairperson has failed to designate a managing director to act on his/her behalf, the managing directors shall mutually elect an Acting Chairperson of the Board of Directors.

The Board of Directors is authorized to examine and specify the remuneration for directors by referencing the customary standards of the same industry.

The remuneration for the Chairperson of the Board of Directors is calculated at 1.25 times the incomes paid to the General Manager.

When the Chairperson retires or resigns, his/her pension shall be calculated on the basis of two points per year for the duration of his/her employment pursuant to the provisions pertaining to the pension fund system in the Labor Standards Act, without being subject to age or seniority.

Article 21 The board of directors shall have the following powers, duties and responsibilities:

1. Proposal for increase/ decrease of the Bank's capital.

2. Review and decision on establishment, change or dissolution of a unit of the bank.
3. Review and decision on the Bank's budget, annual financial statements and semiannual financial statements.
4. Enactment of and amendment to the internal control system and evaluation of the validity of the internal control system.
5. Proposal for enactment of or amendment to the Procedures for the Acquisition or Disposal of Assets.
6. Enactment of and amendment to the Procedures to Engage in Transactions and Disposal of Derivatives.
7. Proposals for allocation of earnings.
8. Appointment, discharge and payment of the auditing Certified Public Accountant(s).
9. Appointment and discharge of the Auditor-General, law compliance directors, consultants, chief secretary, assistant managers, corporate governance heads, heads of various divisions, departments, and units of the Head Bank, directors of finance, accounting, and risk management, and branch managers.
10. Review and decision on the standards for performance evaluation of managerial officers and business staff.
11. Review and decision on the standards for remuneration and fringe benefits.
12. Appointment of the directors (supervisors) and representatives for investees and subsidiaries.
13. Donations to related parties or significant donations to non-related parties. In case of donation to public interests in case of significant acts of God or disaster by nature, nevertheless, it may be posed to next board of directors meeting for retroactive acknowledgement.
14. Review and decision on the Bank's business plans.
15. Surveillance over the mechanism of risk control.
16. Review and decision on the Bank-wide loaning policies, major credit facility loans and investment cases.

17. Review and decision on the external contracts and commissioned cases.
18. Review and decision on the real estate transaction and leasehold cases.
19. Review and decision on major rules and regulations.
20. Other responsibilities and powers bestowed by laws or a shareholders' meeting.

Article 21-1 The Bank may enter into a liability insurance contract with an insurance company for the directors' and key staff's liability for compensation within the scope of their duties.

Article 22 Meetings of the Board of Directors shall be convened by the Chairperson of the Board.

Unless otherwise provided, resolutions of the Board of Directors shall be adopted by over half of the attending directors at a meeting attended by over half of the directors. The meeting minutes shall be signed or sealed by the Chairperson and kept together with the attendance record signed by the attending directors.

Article 23 The Board of Directors' meetings are divided into two categories which are:

1. Regular meeting: The Board of Directors meets once every two months; the managing directors meet once every two weeks. Both shall be convened by the Chairperson.
2 Special meeting: In case of important matters or at the request of more than one-third of the directors, the Chairperson may convene a special meeting at any time. A managing directors' meeting may be convened depending on actual needs.

Notices of Board of Directors may be served in writing, by fax or e-mail.

Article 24 In case a director is unable to attend a meeting for any reason, he/she shall notify the Board of Directors in advance and designate another director to act on his/her behalf, but a power of attorney, stating the scope of authorization thereof shall be presented in each incident.

A proxy mentioned above shall accept one person's authorization only.

Article 25 During the recess of the Board of Directors, the managing directors shall meet regularly to exercise the power and perform the duties of the Board of Directors in accordance with the provisions of laws and regulations, the Articles of Incorporation herein, and the resolutions adopted by the shareholders' meetings, except for matters described in Paragraphs 1-13 of Article 21 and the following matters:

1. Examination and approval of important contracts concerning merger, division, transfer of business or assets and acceptance of business or assets transfer.
2. Examination and approval of real estate transactions worth of more than NT$300 million.
3. Review and approval of directors' remunerations.
4. Other matters that shall be deliberated by the Board of Directors as required by law.

Resolutions made at a managing directors' meeting shall be reported to the Board of Directors for future reference.

Article 26 Resolutions of the managing directors' meeting shall, unless otherwise prescribed by the Company Act, be adopted by over half of the attending managing directors in a meeting attended by over half of the managing directors.

Article 27 When a Board of Directors' meeting or a managing directors' meeting is convened, the General Manager, Deputy General Manager, and relevant competent supervisors may be required to present themselves in the meeting to answer inquiries.

**Chapter VI (Deleted)**

Article 28 (Deleted)

Article 29 (Deleted)

Article 30 (Deleted)

**Chapter VII Managers**

Article 31 The Bank shall have one General Manager and several Deputy General Managers, to be nominated by the Chairperson of the

Board of Directors, and whose appointment and dismissal shall be approved by more than half of the Board members.

Article 32 The General Manager shall oversee the Bank's affairs by upholding the Chairperson's orders and the resolutions of the Board of Directors, and the Deputy General Manager shall assist the General Manager in handling the Bank's affairs. When the General Manager is unable to perform his/her duties for any reason, the Chairperson shall designate one of the Deputy General Managers as acting by proposing to the Board of Directors.

**Chapter VIII Accounting**

Article 33 The Bank's accounting year runs from January 1 to December 31 each year, and is designated according to the Republic of China calendar. Accounts are concluded twice a year, with June 30 as the closing date for the first half and December 31 the closing date for the second half. At the end of the year, the annual financial statements should be prepared based on the closing figures of the two halves.

Article 34 At the close of each fiscal year, the Bank's Board of Directors shall prepare the following statements and shall submit them to the regular shareholders' meeting for ratification according to the statutory procedures:

1. the business report;
2. the financial statements; and
3. the surplus distribution or loss make-up proposals.

The foregoing statements shall be forwarded to the competent authority and the Central Bank for reference within 15 days after the Board of Directors has submitted them to the regular shareholders' meeting for ratification.

Article 34-1 If a profit is made in a year, 5% of the profit shall be set aside as employees' compensation and no more than 1.25% as directors' remunerations. However, if the Bank has an accumulated loss, the loss shall be made up first, and then employees' compensation and directors' remunerations may be allocated from the remaining surplus.

The allocation manner of employees' compensation referred to in the preceding paragraph shall be approved by over half of the attending directors in a meeting attended by at least two thirds of the directors in the Board, and shall be reported to the shareholders' meeting. However, directors' remunerations shall only be distributed in cash.

Distribution of directors' remunerations shall be proposed by the Remuneration Committee and submitted to the Board of Directors. Decision shall be made with approval by over half of the attending directors in a meeting attended by two thirds of the directors in the Board.

Article 35 If the Bank has a surplus as shown in the year-end final statements, the surplus shall be used to make up for the accumulated losses over the years first after paying all taxes and dues, and then thirty percent of the remaining surplus shall be allocated as legal reserve, and a special reserve may be provided or reversed in accordance with the law and depending on business needs. The remaining balance plus the accumulated undistributed surplus carried down from the previous years becomes the distributable surplus. The Board of Directors shall prepare a surplus allocation proposal and submit it to the shareholders' meeting for resolution on dividend distribution.

In the abovementioned surplus allocation proposal, the shareholders' meeting may decide to retain all or part of the surplus depending on business needs or profitability.

For distribution of dividends, the Board of Directors may propose to the shareholders' meeting to adjust the ratio of cash to stock dividends depending on the year's surplus condition and business development needs; however, the cash dividend shall not be less than 5% of the stock dividends issued in the current year.

Before the legal reserve runs up to the amount equivalent to the total capital, or when the regulatory capital to risk assets ratio has not met the requirements of the Banking Act, the maximum

cash surplus allocation shall be handled in accordance with the Banking Act and the competent authority's regulations.

**Chapter IX Supplementary Provisions**

Article 36 The Bank's Organizational Charter shall be separately enacted.

Article 37 Matters not covered herein shall be handled in accordance with the Company Act, Banking Act, and relevant laws and regulations.

Article 38 These Articles of Incorporation shall be implemented after the approval of the shareholders' meeting; the same applies for amendment.

Amendments, additions and deletions of these Articles of Incorporation on June 20, 2013, except for the amendments to Articles 11, 14, 19, 19-1, 21-1, Paragraph 16 of Article 25, Articles 34 and 35, and deletion of Articles 28 through 30 of Chapter VI, shall be implemented after the election of the 12th Board of Directors. Other amendments shall be implemented after being approved in the shareholders' meeting.

Amendments to these Articles of Incorporation on June 19, 2014 shall be implemented after being approved in the shareholders' meeting, except for the amendment to Paragraph 2 of Article 18 concerning nomination of candidates for election of non-independent directors, which shall be implemented starting from the election of the 13th Board of Directors.

# Annex 4

## Bank of Kaohsiung Co., Ltd.

### Rules of Procedures Governing Shareholders' Meeting

Amended and resolved in the shareholders' meeting convened on October 24, 1997
Duly resolved in the Bank's Shareholders' Meeting 2002 convened on June 20, 2002
Duly resolved in the Bank's Shareholders' Meeting 2006 convened on June 22, 2006
Duly resolved in the Bank's Shareholders' Meeting 2011 convened on June 16, 2011
Duly resolved in the Bank's Shareholders' Meeting 2012 convened on June 21, 2012
Duly resolved in the Bank's Shareholders' Meeting 2014 convened on June 19, 2014
Duly resolved in the Bank's Shareholders' Meeting 2019 convened on June 20, 2019

Article 1 In order to establish a good shareholder governance system, improve supervision functions and strengthen management functions of Bank of Kaohsiung Co., Ltd. (hereinafter referred to as the "Bank"); thus pursuant to the provisions in Article 5 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Article 11 of the Banking Corporate Governance Code of Practice, the Rules herein is set up.

Article 2 The Rules of procedure of the shareholders' meeting of the Bank shall be carried out in accordance with the provisions of these Rules, unless otherwise provided in the laws and regulations or the Articles of Association of the Bank.

Article 3 The shareholders' meeting of the Bank shall be convened by the board of directors, unless otherwise provided in the law.
The Bank shall, 30 days before the shareholders' regular meeting, or fifteen days before the shareholders' special meeting, prepare the Notice of shareholders' meeting, the power of attorney, cause and explanation of the agenda of the shareholders' meeting such as the relevant recognition case, the discussion case, the election or the dismissal of the directors, which are produced into an electronic file and transmitted to the Market Observation Post System. 21 days before the shareholders' regular meeting, or 15 days before the shareholders' meeting, the shareholders' special meeting, prepare handbook and the supplementary information of

the meeting in electronic file, and send them to the Market Observation Post System. Fifteen days before the shareholders' meeting, the handbook of the shareholders' meeting and the supplementary information of the meeting shall be prepared for the shareholders to read and shall be displayed at the company and its share agency, and shall be distributed at the shareholders' meeting.

The notice shall indicate the cause of the convening; its notice may be obtained electronically after being agreed by the counterparty.

Election or dismissal of directors, change of articles of association, dissolution of the company, merger, demerger or the first paragraph of Article 185 of the Company Act, Article 26-1 of the Securities and Exchange Act, and Article 43-6 of the Securities and Exchange Act Should be listed in the cause of the call with the major content explained, and may not be submitted in a extemporary motion; its main content may be placed on the website designated by the competent authority in charge of the securities or the company, and its website address shall be stated in the notice.

Shareholders holding more than one percent of the total number of issued shares may submit a proposal for regular meeting of shareholders of the Bank. However, proposals exceeding one should not be included in the agenda.

The Bank shall announce the acceptance of the shareholders' proposal in writing or electronic way, the place and period for acceptance before the suspension of the stock transfer and before the shareholders' meeting. The acceptance period shall not be less than ten days.

The proposal proposed by the shareholders is limited to 300 words; the proponents of the proposal should attend the shareholders' meeting in person or by entrusting others to the discussion of the proposal.

Except for one of the circumstances of the fourth paragraph of Article 172-1 of the Company Act, the board of directors shall list

the proposals in the agenda. The fifth item of which shareholder proposal is a proposal to urge the Bank to promote public interest or to fulfill its social responsibilities, the board may still include it in the agenda. The Bank shall notify the proponent shareholders of the results of the processing before the date of the notice of the shareholders' meeting, and shall include the agenda which are in compliance with this provision in the notice of the meeting. For the shareholders' proposals not included in the agenda, the board of directors shall explain the reasons for not being included in at the shareholders' meeting.

Article 4 Shareholders may, at each shareholder meeting, produce a power of attorney issued by the Bank stating the scope of authorization, entrusting an agent to attend the shareholders' meeting.

A shareholder may issue only one power of attorney and may authorize only one person, such power of attorney shall be served on the Bank five days before the shareholders' meeting. In the event the power of attorney is repeated, the first service shall prevail, except for the declaration of withdrawal.

After the power of attorney is delivered to the Bank, the shareholders who intends to attend the shareholders' meeting in person shall notify the cancellation of the authorization two days before the shareholders' meeting. In case of an overdue, the voting right exercised by the entrusted attending the meeting shall prevail.

Article 5 The place where the shareholders' meeting is convened shall be at the place where the head office of the Bank located or convenient for shareholders to attend, and suitable for holding the meeting, The meeting start time shall not be earlier than 9:00 a.m. or later than 3:00 p.m. For the place and time of the meeting, the opinions of independent directors should be fully taken into account.

Article 6 The Bank shall have a signature book for the attendance of the agent entrusted by the shareholder or the shareholder (hereinafter referred to as the “shareholder”), or by the attending shareholder to hand in the sign-in card in lieu of a signature.

The Bank shall deliver the handbook, annual reports, attendance certificates, speech notes, votes and other meeting materials to the shareholders who attend the shareholders' meeting; shareholders to be elected as directors shall be given a ballot.

Shareholders shall attend the shareholders' meeting with the attendance certificate, check-in card or other attendance certificates; the solicitor who is requesting the power of attorney shall carry the identity document for verification.

When government or a juridical person is a shareholder, the representative attending the shareholders' meeting is not limited to one person. When a juridical person is entrusted to the attendance of a shareholders' meeting, only one representative may be appointed.

Article 7 If the shareholders' meeting is convened by the board of directors, the chairperson of the meeting shall be the chairman of the board of directors. If the chairman of the board of directors is on leave or fails to exercise his or her powers for any reason, he or she shall appoint one of the standing directors to act on his behalf.

If the chairman of the board of directors does not appoint a proxy, the standing directors or directors shall elect one agent among each other.

The shareholders' meeting convened by the board of directors shall have more than half of the directors of the board of directors present.

If the shareholders' meeting is convened by other convener other than the board of directors, the convener shall be the chairperson, and if there are more than two conveners, one person shall be elected among each other.

The Bank may assign lawyers, accountants or relevant personnel appointed to attend the shareholders' meeting.

Article 8 The Bank shall record or videotape the entire shareholders' meeting and keep it for at least one year. However, if a shareholder files a lawsuit in accordance with Article 189 of the Company Act, it shall be kept until the end of the lawsuit.

Article 9 The attendance of a shareholders' meeting shall be based on shares. The number of shares attending is based on the signature book or the sign-in card handed in, and the number of shares in the voting right calculated in writing or electronically.

Upon the meeting, the chairperson shall start the meeting. However, if the shareholders attending do not represent more than half of the total number of shares, the chairman may announce the postponement of the meeting. The number of delays shall be limited to two times, and the total time of the delay shall not exceed one hour. If the second time after the delay, the attending shareholders are still insufficient to represent more than one-third of the total number of issued shares, the chairperson may declare the meeting adjourned.

If the second time of the preceding paragraph is still insufficient and the shareholders representing not more than one-third of the total number of issued shares are present, the chairperson may make a tentative resolution in accordance with the first paragraph of Article 175 of the Company Act, and notify each of the Shareholders of the tantative resolution and another shareholders meeting within one month.

Before the end of the meeting, if the number of shares represented by the shareholders reaches more than half of the total number of issued shares, the chairperson may submit the tentative resolution to the shareholders' meeting for voting according to the provisions of Article 174 of the Company Act.

Article 10 If the shareholders' meeting is convened by the board of directors, its agenda shall be determined by the board of directors. The meeting shall be conducted according to the scheduled agenda and may not be changed without the resolution of the shareholders' meeting.

If the shareholders' meeting is convened by the convener other than the board of directors, the provisions of the preceding paragraph shall apply *mutatis mutandis.*

Before the end of the agenda of the first two paragraphs (including the extemporary motion), the chairperson may not

declare the meeting over without a resolution; the chairperson violates the rules of procedure and declares the meeting over, other members of the board of directors shall promptly assist the attending shareholders in accordance with the law, and a majority of the shareholders who vote to elect one person to serve as the chairperson and continue the meeting.

The chairperson shall give full explanation and discussion to the proposal and the amendments or extemporary motions proposed by the shareholders. If it is considered to have reached the level of voting, it may be declared to stop the discussion and put a vote.

Article 11 Before an attending shareholder presents his or her speech, it is necessary to first fill in a statement stating the keynote of the speech, the shareholder number (or attendance certificate number) and the name of the account. The chairperson shall determine the order of his speech.

The attending shareholders who have submitted a statement but do not speak are deemed to have not spoken. If the content of the speech is inconsistent with the statement, the content of the speech shall prevail.

Each shareholder of the same proposal shall not speak more than twice without the consent of the chairperson, and may not exceed five minutes at a time. However, if the shareholder speaks in violation of the regulations or exceeds the scope of the issue, the chairperson may stop his speech.

When an attending shareholder presents his or her speech, other shareholders shall not interfere with the speech except with the consent of the chairperson and the speaking shareholder. The chairperson shall stop any such violation. When a jurisdical person as a shareholder appoints two or more representatives to attend the shareholders' meeting, the same motion may only be addressed by one person. After an attending shareholder presents his or her speech, the chairperson may personally or designate the relevant personnel to reply.

Article 12 Voting of the shareholders' meeting shall be based on the shares. For the resolution of the shareholders' meeting, the number of

non-voting shares is not included in the total number of issued shares.

Shareholder shall not vote in the event of a meeting that concerns his or her own interests and is harmful to the interests of the company, and may not act on behalf of other shareholders to exercise their voting rights.

The number of shares in which the voting rights are not exercised in the preceding paragraph shall not be counted in the voting rights of the shareholders present.

Except for the trust business or the stock agency approved by the authority in charge of securities, when one person is entrusted by two or more shareholders at the same time, the voting right of the agent shall not exceed 3 percent of the total voting rights of the issued shares, and the exceeded voting rights shall not be included in.

Article 13 A shareholders has one vote per share; except those who are restricted or have no voting rights listed in paragraph 2, Article 179 of the Company Act.

When the Bank convenes a shareholders' meeting, it shall adopt the electronic method and in writing to exercise its voting rights. When it exercises its voting rights in writing or electronically, its method of exercise shall be stated in the notice of shareholders' meeting. Shareholders who exercise their voting rights in writing or electronically are deemed present in person at the shareholders' meeting. However, rights are deemed waived for the extemporary motion of the shareholders meeting and the amendment of the original motion.

Where right to vote is exercised in writing or electronically in accordance with the preceding paragraph, such expression shall be sent to the company two days before the meeting, in case of a repetition, the first served shall prevail. However, this provision does not apply if the statement is to revoke the previous expression.

After the shareholders exercise their voting rights in writing or electronically, if they wish to attend the shareholders' meeting in

person, they shall revoke the expression of the exercise of voting rights in the preceding paragraph in the same manner as the exercise of voting rights two days before the shareholders' meeting; the overdue revocation shall be exercised in writing or electronically. The voting rights shall prevail. If the voting rights are exercised in writing or electronically and the agent is entrusted to attend the shareholders' meeting by proxy, the voting rights of the entrusted agent to attend the meeting shall prevail.

The voting on the resolution, unless otherwise provided in the Company Act and the Articles hereof, shall be approved by a majority of the voting rights of the attending shareholders.

The motion is considered passed if the chairperson enquired and all attending shareholders present no objection. The validity is the same as that of voting. In case of objection, such motion shall be voted in accordance with the provisions of the preceding paragraph.

When there is an amendment or an alternative to the same motion, the chairperson shall decide the order of voting together with the original motion. If one of the motions has been passed, the other motions are deemed to be vetoed and no further votes are required.

The scrutineer and the counting person of the voting of the proposal shall be appointed by the chairperson, but the scrutineer shall have the status of a shareholder.

The counting of votes of the shareholders' meeting or the election proposal shall be made public at the shareholders' meeting, and shall be announced on the spot after the completion of the counting of votes, including the number of votes calculated, and shall be recorded.

Article 14 When a shareholders’ meeting elects a director, it shall be handled according to the relevant selection criteria set by the Bank, and shall announce the results of the election on the spot, including the list of elected members and their number of votes.

The election votes for the election referred to in the preceding

paragraph shall be sealed and signed by the scrutineer and kept in good condition for at least one year. However, if a shareholder files a lawsuit in accordance with Article 189 of the Company Act, it shall be kept until the end of the lawsuit.

Article 15 The resolutions at the shareholders' meeting shall be made into minutes, signed or sealed by the chairperson, and the minutes shall be distributed to the shareholders within 20 days after the meeting.

The production of the proceedings can be made electronically; its distribution may be announced publicly.

The minutes shall be recorded in accordance with the year, month, day, place, chairperson’s name, resolution method, method of the proceedings and the results of the meeting, and shall be kept forever during the duration of the Bank.

Article 16 The number of shares acquired by the solicitor and the number of shares represented by the entrusted agent shall be clearly disclosed in the shareholders' meeting venue on the day of the shareholders' meeting by using the calculation form in regulated format.

In the event of resolutions of the shareholders' meeting, if there is any material information required by the laws and regulations of Taiwan Stock Exchange., the Company shall transmit the contents to the Market Observation Post System within the specified time.

Article 17 The conference personnel handling the shareholders' meeting shall wear identification badges or armbands.

The chairperson must direct the picket or security personnel to help maintain the order of the venue. When the picket or security guard is present to help maintain order, the “picket” badge or identification card should be worn.

If the venue shall have the equipment for sound reinforcement, and if the shareholders do not speak on the equipment configured by the Bank, the chairman shall stop it.

If the shareholder violates the rules of procedure and does not obey the chairperson's rectification, and the obstruction of the

meeting is not stopped, the chairperson may direct the picket or security personnel to request the person to leave the venue.

Article 18 When the meeting is held, the chairperson may decide to rest at a discretion. When an irresistible situation occurs, the chairperson may decide to suspend the meeting temporarily and announce the time for the resumption of the meeting as appropriate.

The agenda set by the shareholders' meeting will be held before the end of the proceedings (including the extemporary motion). In the event that the venue for the meeting cannot be used at that time. It is up to the shareholders' meeting to decide to continue the meeting at another venue.

The shareholders' meeting may, in accordance with the provisions of Article 182 of the Company Act, defer or extend the assembly within five days.

Article 19 These Rules shall be implemented after the approval of the shareholders' meeting; the same for modification.

# Annex 5

## Bank of Kaohsiung Co., Ltd.

## Regulations Governing the Election of Directors

Amended and resolved in the shareholders' meeting convened on October 24, 1997
Duly resolved in the Bank's Shareholders' Meeting 2002 convened on June 20, 2002
Duly resolved in the Bank's Shareholders' Meeting 2006 convened on June 22, 2006
Duly resolved in the Bank's Shareholders' Meeting 2007 convened on June 14, 2007
Duly resolved in the Bank's Shareholders' Meeting 2011 convened on June 16, 2011
Duly resolved in the Bank's Shareholders' Meeting 2014 convened on June 19, 2014

Article 1: This set of Regulations is amended pursuant to Article 30 of the "Ethical Corporate Best Practice Principles for Banking Industry" for the fair, just and transparent election of Directors.

Article 2: The election of Directors at Bank of Kaohsiung shall be governed by this set of Regulations unless the law or the Articles of Incorporation provides otherwise,

Article 3: The overall establishment of the Board shall be taken into consideration in the election of Directors. Members of the Board shall be disciplined in the knowledge, skill and accomplishment in their assigned duties. They shall be capable of the following:

1. Capacity in making judgment in operation.
2. Capacity in accounting and financial analysis.
3. Capacity in corporate management.
4. Capacity in crisis management.
5. Industry knowledge.
6. International view of market.
7. Leadership.
8. Decision-making capacity.

Of all the seats of Directors, spouse or kindred within the 2nd Tier of the Directors shall not occupy more than half of the total seats of Directors.

The qualification requirements of the Directors for the Bank shall be complying with the requirements in Article 9 of the "Regulations Governing the Qualification Requirements and Restriction of Part-Time Engagement and Particulars of

Compliance for Representatives of Banks."

Article 4: Deleted.

Article 5: The Bank adopt the candidate nomination system for the election of Directors. Shareholders shall elect the candidates on the list. The election of Independent Director shall be held simultaneously with the election of Directors. Votes will be counted for the candidates to different seats.

The qualification requirements and appointment of Independent Directors of the Bank shall be in compliance with the "Securities and Exchange Act", and "Regulations Governing Appointment of Independent Directors and Matters of Compliance for Public Companies."

Article 6: If specific Directors were relieved from office for whatever reasons and more than 1/3 of the seats of Directors were left vacant, the Bank shall call for a special session of the Shareholders Meeting within 60 days thereafter to hold an election for filling the vacancies.

If the number of seats for Independent Directors falls below the requirement as stated in Paragraph 1 in Article 14-2 in the exception of the Securities and Exchange Act and other rules and regulations including the Criteria for Review for Listing at TWSE, an election should be held to fill the vacancies in the nearest session of the Shareholders Meeting. If a specific Independent Director was relieved from office, a special session of the Shareholders' Meeting shall be held to elect new Independent Directors to fill the vacancy within 60 days thereafter.

Article 7: The accumulative single voting system is adopted for the election of Directors for the Bank. The holder of each share is entitled to the number of votes equivalent to the seats of Directors to be elected. Shareholders may cast all votes for a particular candidate or split up the votes for various candidates.

Article 8: The Board shall prepare ballots equivalent to the number of seats of Directors to be elected with the inscription on the number of votes allocated for release to the shareholders. The name of the

voter may be expressed by the attendance pass number printed on the ballots instead.

Article 9: The number of seats for the Directors and Independent Directors of the Bank as stated in the Articles of Incorporation will be the basis of allocation of votes for the election of Directors and Independent Directors. Candidates who won the majority of the votes will be elected to the seats, followed by the candidates winning the second majority of the votes, and so on. If there are more than 2 candidates wining the same number of votes, they shall participate in a lot drawing. The candidate who pick the lot will be elected to the seats. The presiding officer shall act on behalf of the candidates in the lot drawing.

Article 10: The presiding officer shall appoint several scrutineers and tally clerks, who must also be shareholders, before the commencement of election. They shall perform their assigned duties. The Board shall prepare the ballot box and open the box in public for the inspection of the scrutineers.

Article 11: If the candidates in the election are also shareholders, voters shall put down the account title and account number in the field of "Candidate" of the ballot. If the candidates are not shareholders, put down the names and identity certification number of the candidates. Where the governments or institutional shareholders may be the candidates to the seats of Directors, put down the name of the government agency or the institutions in the field of Candidate of the ballot. The names of the representatives should also be marked down. If there are several representatives, put down their names one-by-one.

Article 12: A ballot shall be invalid if any of the following applies:

1. The ballot used is not prepared by the Board.
2. Blank ballot in the ballot box .
3. The handwriting is blurred that cannot be identified or being marked for correction.
4. If the candidate is a shareholder, the account title and account number marked on the ballot are not relevant with the record of the shareholders' roster. If the candidate is not a

shareholder, the name and identity certification document number were proved irrelevant.

5. Other wording was marked on the ballot in addition to the account title (name) and account number (identity certification number) of the candidate.
6. The name of the candidate marked on the ballot is identical with another shareholder but no account title or identity certification number was marked down for identification.

Article 13: The ballots shall be counted on the scene immediately after balloting. The presiding officer shall announce the result of the vote count on the scene.

Article 14: The Director Elects and Independent Director Elects will be notified by the Bank in writing.

Article 15: This set of Regulations shall come into force after passing by the Shareholders' Meeting. The same procedure is applicable to any amendments thereto.

The amendment to this set of Regulations on 2014.06.19 shall come into force as passed by the Shareholders Meeting except Article 5 on the candidate nomination system for the election of Independent Directors, which will come into force after the election held by the 13th Board for new Directors.

# Annex 6

## The Impact of the Present Bonus Share Grant upon the Company's Business Performance and Earnings Per Share (EPS)

| Description \ Year | | | 2020 (Anticipated) |
|---|---|---|---|
| Paid-in Capital at the beginning of term (Expressed in Thousand NTD) | | | 10,809,165 |
| Fact of dividend, stock distribution this year (Note 1, Note 2) | Cash Dividend per share (NTD) | | 0.15 |
| | Number of share distributed with earnings converted into capital increase (Share) | | 0.036 |
| | Number of share per share distributed with capital reserve converted into capital increase (Share) | | 0.009 |
| Changes in Business Performance | Operating profit | | Not Applicable (Note 3) |
| | Increase (decrease) ratio of business profit compared with the preceding year | | |
| | Net profit after tax | | |
| | Increase (decrease) ratio of net profit after-tax compared with the preceding year | | |
| | Earnings per share (with Retrospective Adjustment) | | |
| | Increase (decrease) ratio of earnings per share compared with the preceding year | | |
| | Average annual investment return rate (reciprocal of annual average price-earnings (P/E) ratio) | | |
| *Pro forma* Earnings Per Share (EPS) and price-earnings (P/E) Ratio | In the event that earning converted into capital increase is taken in full for cash dividend in earnings per share (EPS) | *Pro forma* earnings per share | |
| | | *Pro forma* annual average investment return rate | |
| | Supposing the capital reserve was not converted for capital increase | *Pro forma* earnings per share | |
| | | *Pro forma* annual average investment return rate | |
| | Supposing the capital reserve and earning were not converted for capital increase with the total taken for distribution of cash dividend | *Pro forma* earnings per share | |
| | | *Pro forma* annual average investment return rate | |

Note 1: Subject to final resolution in the shareholders' regular meeting 2020.

Note 2: In the present distribution, the dividend to shareholders comes to NT$551,267,402, at NT$0.51 to be distributed per share, of which NT$162,137,472 to be distributed in cash (NT$0.15 cash dividend

per share), and the NT$389,129,930 balance is to be distributed in stocks (with 36 shares as bonus share grant per every 1,000 shares from retained earnings converted into capital increase), added with the capital reserve converted into capital increase at NT$97,282,480 (with 9 shares as bonus share grant per every 1,000 shares from such capital increase). The shareholders are in the present distribution granted NT$ 0.60 per share, including cash dividends of NT$ 0.15 and stock dividends of NT$ 0.45.

Note 3: Pursuant to “Regulations Governing the Publication of Financial Forecasts of Public Companies”, the Company is not required to make public the financial forecast for 2020.

Chairman： President: Chief Accountant: