

## State of Corporate Governance by Hua Nan Commercial Bank

Item	State of Operation	Discrepancy with Banking Corporate Governance Enforcement Rules and reasons for such
<p>1. Ownship structure and shareholders' equity of the Bank</p> <p>(1) The manner in which the Bank handles shareholders' proposals or disputes</p> <p>(2) The ability of the Bank to identify its controlling shareholders and the ultimate person or persons behind such shareholders</p> <p>(3) State of the Bank establishing firewalls and risk management mechanisms with respect to its affiliates</p>	<p>(1) The Bank is the subsidiary of HNFHC, which is the Bank's sole shareholder. The way of communication goes smoothly between each other.</p> <p>(2) HNFHC is the Bank's sole shareholder whose controlling shareholder is Bank of Taiwan.</p> <p>(3) State of the Bank establishing firewalls and risk management mechanisms with respect to its affiliates :</p> <p>i. Complying with HNFHC Risk Management Guideline, the Bank handles risks involved in business within balance sheet and off-balance sheet and in business with its affiliates.</p> <p>ii. The Bank abides by Company Law, FHC Law, Securities and</p>	<p>Compliance</p> <p>Compliance</p> <p>Compliance</p>

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	Exchange Law, Banking Law and Hua Nan FHC Firewall Policies to protect the interests of customers.	
<p>2.Composition and Duties of Board of Directors</p> <p>(1)State of the Bank designating independent directors</p> <p>(2)State of regularly evaluating the independence of CPAs</p>	<p>(1)Independent directors have been appointed by HNFHC since the 22<sup>nd</sup> annual meeting of Board of Directors.</p> <p>(2)The Bank carries out a review to assess the expertise and independence of CPAs each year.</p>	<p>Compliance</p> <p>Compliance</p>
3.State of establishing avenues of communication with interested parties	The Bank’s employees access website disclosing regulations in regard to limitation on interested parties set out by Banking Law and the authorities. Seminars are held irregularly for clerks to apprehend regulations and to comply with. Meanwhile, as interested parties being transferred, they are required to fill out interested parties report forms. The way of communication goes smoothly between the Bank and the interested parties.	Compliance

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<p>4. Disclosure of information</p> <p>(1) The Bank has built a website for the disclosure of financial information and its corporate governance practices</p> <p>(2) Any other methods adopted by the Bank for the disclosure of information (such as establishing an English-language website, appointing persons responsible for gathering and disclosing the Bank information, implementing a spokesperson system, and placing a record of meetings with institutional investors on its website)</p>	<p>(1) The Bank's IT Operation &amp; Service Dept. has integrated and updated the detailed information of business and financial data, therefore the customers can look up any relative information through the bank's Chinese and English-language website. (www.hncb.com.tw)</p> <p>(2) Any other methods adopted by the Bank for the disclosure of information :</p> <p>i. Abiding by stipulations set out by Securities and Exchange Law and regulations issued by Monetary Affairs Bureau and Securities Bureau, the Bank assigns designated person to post regularly or irregularly related information to the authorities.</p> <p>ii. A spokesperson system follows the Bank's Main Points for Public Relationship Affairs Management. The Bank sets up one spokesperson and one acting spokesperson, each is EVP assigned by the President. A spokesperson makes statements on behalf of the Bank and takes charge of supervising designated units to handle news release, connection with the media, and other PR affairs. The acting spokesperson replaces the position of</p>	<p>Compliance</p> <p>Compliance</p>

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	spokesperson who fails to fulfill his duty.	
5.The status of establishment and operation of special function committees, such as Nomination Committee or Remuneration Committee	The Bank presently has not established Remuneration Committee or other special function committees yet.	Compliance
<p>6.Please describe the state of the Bank’s corporate governance and any differences and reasons therein with “Banking Corporate Governance Enforcement Rules”.</p> <p>The state of the Bank’s corporate governance coincides with regulations stipulated in Banking Corporate Governance Enforcement Rules.</p>		