

# CTBC Remuneration Policy for Senior Executives and Managers

## I. Remuneration Policy

Senior executives are accountable for the business sustainability of the Company and are committed to serving the best interests of the Company's shareholders and employees as well as society in general. Thus, the remuneration of senior executives is tightly linked to the performance and profitability of the Company. The relevant remuneration mechanism is administered and supervised by the Remuneration Committee under the Board.

### A. Remuneration Policy for Managers

The managerial talent, strategic planning, and execution skills of management are fundamental to the Company's operating performance. To integrate the personal goals of managers with the short- and long-term business objectives of the Company and the interests of shareholders, the Company's managerial remuneration policy is based on the principle of offering a competitive fixed, market-based salary in addition to variable pay determined according to the operating performance of the Company and the personal performance of individual managers. Variable pay generally accounts for a higher percentage of total remuneration than does the fixed-salary amount and notably comprises long-term incentives. The emoluments payable to the Company's managers include long-term incentives in the form of stocks or stock appreciation rights, which are not paid out in full at the end of the current fiscal year and are tied to the Company's current and future share price, thereby ensuring that the executives share a common interest in the Company's continued performance success.

The remuneration of managers is closely linked to performance targets, which are established based on the consideration of financial indicators as well as sound compliance and risk management in addition to non-financial indicators related to succession planning and leadership development. At the level of Company president, particular emphasis is placed on mid- to long-term responsibilities including improving corporate social responsibility and maintaining the favorable reputation of the Company. This approach encourages executives and managers to give due attention to the long-term business goals of the Company and to cultivate outstanding talent in order to create a win-win-win situation for the Company, its employees, and its shareholders and to fulfill the Company's corporate social responsibility.

### B. Remuneration Establishment Procedure

CTBC Financial Holding and its subsidiaries adhere to the Manager Remuneration Policy. The structure of manager remuneration is designed in consideration of market salary survey data; in addition, an annual market competitiveness analysis is performed to verify that salary levels correspond with the Company's market position and to ensure that they are appropriately competitive. In accordance with the law and practical requirements, the remuneration of individual managers is based on their experience, professional abilities, management functions, positions, and other variables.

Remuneration packages are aligned with the salary range set in the Manager Remuneration Policy and

approved by the Remuneration Committee and the Board of Directors. The Remuneration Committee also assists the Board of Directors in reviewing and supervising the overall remuneration policy of the Company on an annual basis, thereby facilitating the establishment and implementation of various remuneration principles and regulations in order to protect the rights of all shareholders.

### C. Remuneration Summary for the President of CTBC Holding

The structure of the Company president's remuneration comprises a fixed wage and variable pay; the fixed wage itself comprises a base salary and a fixed bonus. In 2017, the fixed wage and variable pay constituted approximately 35% and 65%, respectively, of total remuneration.

Item	Summary	Details
<b>Base salary</b>	Part of the fixed wage and paid once per month, the base salary is based on market rates and is a key means of attracting and retaining talent.	<ul style="list-style-type: none"> <li>✓ Monthly cash payment</li> <li>✓ Annual salary adjustments based on high-level executive remuneration in the market and with the specific salary adjustment rates approved based on the operating performance of the Company in addition to individual salary levels and performance results</li> </ul>
<b>Fixed bonus</b>	Part of the fixed wage and paid once per year, the fixed bonus is based on market rates and is a key means of attracting and retaining talent.	<ul style="list-style-type: none"> <li>✓ Annual cash payment</li> <li>✓ Issued based on attendance status</li> </ul>
<b>Variable pay</b>	Variable pay generally accounts for a higher percentage of total remuneration than does the fixed wage, and it notably comprises long-term incentives. The emoluments payable to the Company's managers include long-term incentives in the form of stocks or stock appreciation rights, which are not paid out in full at the end of the current fiscal year and are tied to the Company's current and future share price, thereby ensuring that the executives share a common interest in the Company's continued performance success.	<ul style="list-style-type: none"> <li>✓ Annual variable pay comprises: 1. a year-end performance bonus paid in cash and 2. a long-term incentive bonus in the form of stock appreciation rights deferred to the next three years. In 2017, the cash to long-term incentive ration is 60% and 40%, respectively.</li> <li>✓ Annual variable pay based on the operating performance of the Company and individual performance evaluations, including financial indicators (e.g., the Company's overall revenue, profitability, and share price performance) and non-financial indicators and risk management (e.g., audit management, achievements in legal compliance and internal control, results in CSR, and other accomplishments); in 2017, financial and non-financial indicators accounted for approximately 30% and 70%, respectively.</li> </ul>

## II. Shareholding Guidelines for Designated Managers

The following shareholding guidelines were established to encourage designated managers to work toward sustainable Company operations, shaping management practices that are aligned with the interests of shareholders and that facilitate the sound business performance of the Company.

### A. Shareholding Guidelines

1. Subjects: The CTBC Holding president and chief administrative officer and the presidents of any subsidiary with assets of NT\$1 trillion or more.
2. Shareholding ratio: The value of shares held shall vary based on managerial level, ranging from 150% to 300% of the base salary.

### B. Shareholding Profile

1. The shares held by the CTBC Holding president remained around the same level in 2017, with a value of over 300% of the base salary.
2. For the other high-level executives who met the target, the total value of the shares they held was, on average, 150% of their base salary.

## III. Clawback Provision

To prevent damage to the Company's long-term profitability from managers' seeking high-risk, short-term profits, the Employee Reward and Disciplinary Policy stipulates that deferred long-term incentives may be clawed back if the Company suffers losses resulting from managers violating external laws or Company regulations or their dereliction of duty.