United Taiwan Bank S.A.

Pillar III Disclosures for the year ending 31 December 2021

Contents

1. Background

The Pillar III disclosure of United Taiwan Bank S.A. (hereunder UTB) is set out below according to the NBB circular NBB_2017_25 regarding the Pillar III disclosure requirements under Part Eight of the EU regulation No. 575/2013 (CRR, Capital Requirement Regulation) and EU regulation No. 637/2021.

2. Risk Management Framework

a. Plan of Risk Management

The measures taken into account to monitor and control the risks are described in the Plan of Risk Management.

b. Organization

i. Board of Directors

The Board of Directors puts in place the decision-making procedures and internal controls mechanism and defines the acceptable risk tolerance for UTB.

ii. Audit and Risk Committee

The Audit and Risk Committee monitors the effectiveness of the internal controls mechanism and of the risk management systems. The Audit and Risk Committee advises the Board of Directors for aspects of the strategy, level of tolerance for risk, both current and future.

iii. Management Committee

- Manages the risks under the supervision of the Board of Directors and within the risk tolerance defined by the Board of Directors.
- Makes proposals and advises the Board to define risk policy/ strategy and provides sufficient data to allow the Board to take documented decisions.
- Organizes, implements and evaluates all the internal control mechanism and procedures in order to monitor and control the risks.

iv. Risk Manager

The Deputy Managing Director acts as the Risk Manager, bearing the responsibility for risk management within UTB. The Risk Manager controls each risk and verifies the adequacy of the risk assessment methods and the risk management. The Risk Manager should also improve or develop such methods if necessary.

v. Internal Audit

Due to the small size of UTB, the internal audit function is executed by an external audit company, which is Luc Callaert BV. The internal auditor audits every year the risk management function as well as the credit exposures. UTB is also inspected by the parent bank’s internal auditor.

For the risk management approach required by Table EU OVA and OVB, the contents are covered by “Plan of Risk Management”, which is attached as Annex I.

3. Scope of Application

UTB is a directly owned subsidiary of Taiwan Cooperative Bank, which holds 90.02% of UTB’s shares. UTB has no subsidiary or affiliated company.

4. Capital Requirement

According to the CRR/CRD IV capital adequacy rules, the Common Equity Tier 1 ratio has to be at least 4.5%, the Tier 1 ratio at least 6% and the total capital ratio at least 8% of all risk-weighted assets. As of 31/12/2021, the key metrics about capital requirement are as follows:

EU KM1 - Key metrics **Unit: EUR**

	2021	2020
Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital	68,876	65,505
Tier 1 capital	68,876	65,505
Total capital	71,316	68,473
Risk-weighted exposure amounts		
Total risk-weighted exposure amount	261,378	314,536
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 ratio (%)	26.33	20.83
Tier 1 ratio (%)	26.33	20.83
Total capital ratio (%)	27.26	21.77
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
Additional CET1 SREP requirements (%)	0.67	0.70
Additional AT1 SREP requirements (%)	0.00	0.00
Additional T2 SREP requirements (%)	0.00	0.00
Total SREP own funds requirements (%)	9.19	8.70
Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
Capital conservation buffer (%)	2.50	2.50
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00	0.00
Institution specific countercyclical capital buffer (%)	0.07	0.06
Systemic risk buffer (%)	0.00	0.00
Global Systemically Important Institution buffer (%)	0.00	0.00
Other Systemically Important Institution buffer	0.00	0.00
Combined buffer requirement (%)	2.57	2.56
Overall capital requirements (%)	11.76	11.26
CET1 available after meeting the total SREP own funds requirements (%)	48,109	

Leverage ratio		
Leverage ratio total exposure measure	322,126	397,789
Leverage ratio	21.38	16.47
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)		
Additional CET1 leverage ratio requirements (%)	0.00	0.00
Additional AT1 leverage ratio requirements (%)	0.00	0.00
Additional T2 leverage ratio requirements (%)	0.00	0.00
Total SREP leverage ratio requirements (%)	3.00	3.00
Applicable leverage buffer	-	-
Overall leverage ratio requirements (%)	3.00	3.00
Liquidity Coverage Ratio		
Total high-quality liquid assets (HQLA) (Weighted value -average)	66,197	81,343
Cash outflows - Total weighted value	35,908	84,861
Cash inflows - Total weighted value	322	7,926
Total net cash outflows (adjusted value)	35,586	76,935
Liquidity coverage ratio (%)	186.02	105.73
Net Stable Funding Ratio		
Total available stable funding	214,757	96,072
Total required stable funding	212,669	293,997
NSFR ratio (%)	100.98	32.68

5. Capital Adequacy

The rules for required Regulatory Capital or Capital adequacy are defined by the European Union Regulations and Directives.

The rules express the regulators' and legislators' opinion on how much capital a bank and other regulated institutions must retain in relation to the size and the type of risks it is taking, expressed in the form of Risk-Weighted Assets. The most significant component of the capital base is the shareholders' equity. The legal minimum requirement (excluding buffers) stipulates that the capital base must correspond to at least 8% of the Risk-Weighted Assets (RWA).

Measurement methodologies of capital requirements for each risk type are as follows:

- Credit Risk- Standardized Approach
- Market Risk- Standardized Approach
- Operational Risk- Basic Indicator Approach

The table below presents an overview of the minimum capital requirements and the RWA at year-end 2021 per risk type and method of calculation. The largest part of the RWA is related to Credit Risk (excluding counterparty credit risk).

EU OV1 – Overview of risk weighted exposure amounts

	RWA amounts		Total own funds requirements	
	2021	2020	2021	2020
Credit risk (excluding CCR)				
Of which the standardised approach	252,531	306,540	20,202	24,523
Of which the foundation IRB (FIRB) approach	-	-	-	-
Of which slotting approach	-	-	-	-
Of which equities under the simple risk weighted approach	-	-	-	-
Of which the advanced IRB (AIRB) approach	-	-	-	-
Counterparty credit risk - CCR	-	-	-	-
Of which the standardised approach	-	-	-	-
Of which internal model method (IMM)	-	-	-	-
Of which exposures to a CCP	-	-	-	-
Of which credit valuation adjustment - CVA	-	-	-	-
Of which other CCR	-	-	-	-
Settlement risk	-	-	-	-
Securitisation exposures in the non-trading book (after the cap)				
Of which SEC-IRBA approach	-	-	-	-
Of which SEC-ERBA (including IAA)	-	-	-	-
Of which SEC-SA approach	-	-	-	-
Of which 1250%/ deduction	-	-	-	-
Position, foreign exchange and commodities risks (Market risk)				
Of which the standardised approach	281	237	22	19
Of which IMA	-	-	-	-
Large exposures	-	-	-	-
Operational risk				
Of which basic indicator approach	8,801	7,758	704	621
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-	-
Total	**261,613**	**314,536**	**20,928**	**25,163**

6. Own Funds

EU CC1 - Composition of regulatory own funds

	Amounts	Source based on reference numbers of the balance sheet
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and the related share premium accounts	56,254	
of which: Ordinary Shares	56,254	
Retained earnings	11,667	
Accumulated other comprehensive income (and other reserves)	955	
Funds for general banking risk		
Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1		
Minority interests (amount allowed in consolidated CET1)		
Independently reviewed interim profits net of any foreseeable charge or dividend		
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**68,876**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments (negative amount)		
Intangible assets (net of related tax liability) (negative amount)		
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)		
Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value		
Negative amounts resulting from the calculation of expected loss amounts		
Any increase in equity that results from securitised assets (negative amount)		
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		
Defined-benefit pension fund assets (negative amount)		
Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)		

Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		
of which: qualifying holdings outside the financial sector (negative amount)		
of which: securitisation positions (negative amount)		
of which: free deliveries (negative amount)		
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)		
Amount exceeding the 17,65% threshold (negative amount)		
of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		
of which: deferred tax assets arising from temporary differences		
Losses for the current financial year (negative amount)		
Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)		
Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)		
Other regulatory adjustments to CET1 capital *(including IFRS 9 transitional adjustments when relevant)*		
Total regulatory adjustments to Common Equity Tier 1 (CET1)		
Common Equity Tier 1 (CET1) capital	**68,876**	
Additional Tier 1 (AT1) capital: instruments		

Capital instruments and the related share premium accounts		
of which: classified as equity under applicable accounting standards		
of which: classified as liabilities under applicable accounting standards		
Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR		
Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1		
Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1		
Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		
of which: instruments issued by subsidiaries subject to phase out		
Additional Tier 1 (AT1) capital before regulatory adjustments		
Additional Tier 1 (AT1) capital: regulatory adjustments		
Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)		
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)		
Other regulatory adjustments to AT1 capital		
Total regulatory adjustments to Additional Tier 1 (AT1) capital		
Additional Tier 1 (AT1) capital		
Tier 1 capital (T1 = CET1 + AT1)	**68,876**	
Tier 2 (T2) capital: instruments		
Capital instruments and the related share premium accounts		

Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR		
Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2		
Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2		
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		
of which: instruments issued by subsidiaries subject to phase out		
Credit risk adjustments	2,440	
Tier 2 (T2) capital before regulatory adjustments	**2,440**	
Tier 2 (T2) capital: regulatory adjustments		
Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)		
Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
Other regulatory adjustments to T2 capital		
Total regulatory adjustments to Tier 2 (T2) capital		
Tier 2 (T2) capital	**2,440**	
Total capital (TC = T1 + T2)	**71,316**	
Total Risk exposure amount	**261,613**	
Capital ratios and buffers		
Common Equity Tier 1 (as a percentage of total risk exposure amount)	26.33	
Tier 1 (as a percentage of total risk exposure amount)	26.33	

Total capital (as a percentage of total risk exposure amount)	27.26	
Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	7.74	
of which: capital conservation buffer requirement	2.50	
of which: countercyclical buffer requirement	0.07	
of which: systemic risk buffer requirement	0.00	
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.00	
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	48,109	
Amounts below the thresholds for deduction (before risk weighting)		
Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)		
Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)		
Applicable caps on the inclusion of provisions in Tier 2		
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		
Cap on inclusion of credit risk adjustments in T2 under standardised approach		
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
Current cap on CET1 instruments subject to phase out arrangements		
Amount excluded from CET1 due to cap (excess over cap after		

redemptions and maturities)		
Current cap on AT1 instruments subject to phase out arrangements		
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
Current cap on T2 instruments subject to phase out arrangements		
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements

		Balance sheet as in published financial statements	Reference
		As at period end 2021	
Assets - *Breakdown by asset classes according to the balance sheet in the published financial statements*			
1	Cash in hand, balances with central banks	49,623	
2	Loans and advances to credit institutions	412	
3	Loans and advances to customers	249,414	
4	Debt securities	17,661	
5	Financial fixed assets	2	
6	Tangible fixed assets	19	
7	Other assets	98	
8	Deferred charges and accrued income	606	
	Total assets	**317,835**	
Liabilities - *Breakdown by liability classes according to the balance sheet in the published financial statements*			
1	Amounts owed to credit institutions	211,915	
2	Amounts owed to customers	33,812	
3	Other liabilities	243	
4	Accrued charges and deferred income	114	
	Total liabilities	**246,084**	
Shareholders' Equity			
1	Capital	56,254	
2	Legal reserves	1,098	
3	Accumulated profit	14,399	
	Total liabilities	**71,751**	

7. General Information about Credit Risk

7.1 Credit Risk Management Objectives and Policies

The main business of UTB is focused on participations in syndicated loans and in securities investment. The credit risk of the borrower or the issuer of the securities is therefore an important issue in the risk management of UTB, as it could cause an unexpected loss in case the credit risk is not well assessed or monitored.

UTB's core lending business are commercial loans. The targeted clients include profit-oriented enterprises/ legal entities and government agencies. Given the limited targeted market, the size of UTB and the complexity of other financial products, UTB does not plan to engage in retail lending currently.

All credit proposals are required to be discussed in a loan meeting and be approved by the Managing Director, the Management Committee or the Chairman.

If the credit line exceeds the authorization level of the Managing Director, UTB should obtain approval from the parent bank, Taiwan Cooperative Bank (hereunder "TCB"), prior to the Chairman's approval. When the Chairman is absent, the Board of Directors authorizes the management committee to approve the loan after obtaining TCB's approval. The Board of Directors has to acknowledge all the loans being approved.

Prior to a loan approval, loan officers should obtain all relevant documents and information from the borrowers. It is prudent to analyze the risk factors by considering borrower's credit profile, financial condition, management capability, industry, as well as the economic environment. To minimize UTB's credit risk, "People", "Purpose", "Payment", "Protection" and Perspective ("5P") are the five fundamental principles of commercial lending.

7.2 Internal Credit Risk Grading Systems

To control and monitor the quality of the loan portfolio, UTB sets up a credit risk grading system consisting of six grades to properly rate the borrowers. The final risk grades result from the overall risk perceived of the borrower and of the credit facility. In case the conditions of the credit facility and the borrowers change, it may be necessary to adjust the credit risk grading once the supporting information has been collected.

UTB's internal credit grading is described below. UTB may take three external credit rating agencies, Standard & Poor's, Moody's, and Fitch for reference in determining the credit risk grading.

Grade		Description
1	Highest	Largely Risk Free. Generally, obligor or facility's grade is A/A2/A or above.
2	Good	Minimal Risk. Generally, obligor or facility's grade is BBB-/Baa3/BBB- or above, but lower than A/A2/A.
3	Average	Borrowers has the ability to meet debt obligation without adverse situation.
4	Watch	No default but credit carries potential adverse situation.
5	Doubtful	Default. Debt Collection is highly questionable.
6	Loss	Default. Loan is considered uncollectible.

As of 31/12/2021, UTB's loan portfolio is composed of the following grades:

Grade	Counts	Amount in EUR
1	0	-
2	0	-
3	39	244,008,803.94
4	1	9,876,965.71
5	0	-
6	0	-
Total	40	253,885,769.65

Note: the figures here does not take into account the accrued interests and deferred income.

7.3 Credit Risk Profile

The risk appetite principles reflect the view of the Board and the top management on risk taking in general and on the acceptable level and composition of risks in coherence with the desired return. The risk appetite principles are directly linked to the corporate strategy and provide a qualitative description of the playing field of UTB. The risk appetite objectives for 2021 were approved by the Board of Directors.

The risk appetite objectives related to credit risk are as follows:

Principles	Rationale/Measures
Performance Targets	• Loan Net Interest Margin: 0.2%
Growth Targets	• Loan portfolio: 5%~20%
Credit Risk Management	• The sum of exposure values to an entity or to a group of connected entities must not exceed 25% of the Bank's own funds,

Principles	Rationale/Measures
	except for the purpose of High Quality Liquid Asset and meet the requirement under Basel Accord. • The Bank's business activities are subject to country limits set by the Bank and Parent Bank (i.e. Taiwan Cooperative Bank). If the country limits set by the Bank and Parent Bank are different, the lower limits will be applied. • Manage major concentration risks through prudential limits held for all major industries at a Group level, including the Bank and Parent Bank. The Bank will be informed of concentration levels on various industries by means of a monthly statement from Parent Bank. Parent Bank will also indicate whether the Bank stops increasing its exposures on a specific industry. • In general, total exposure to a security issued or guaranteed by bank at a Group level may not exceed USD 30 million. • Except for the special loan approved by the Parent Bank, the Bank can only purchase secondary loans meeting the following criteria: - The rating of borrower should be at least Ba1, BB+ or BB+, issued by Moody's, S&P or Fitch; or - The facility agreement was signed within one year. • Ongoing portfolio risk management to ensure credit quality outcomes. • The loan or security investment to the middle east region is limited to - Government - Government owned enterprise - Business of infrastructure - Banks with the rank within World Top 1000
Internal Security Fund and Impairment	• The minimum loan loss provision and guarantee reserve shall be at least 1% of the outstanding balance of performing loan.

7.4 Credit Risk Limit

7.4.1 Single Counterparty Exposure Limit

The Belgian Banking Law of 24 April 2014 stipulates that the overall credit risk on one debtor may not exceed 25% of the own funds of the Bank. UTB always obeys this rule.

7.4.2 Industry Risk Limit

For risk exposures to one industry sector, UTB shall report monthly statements to TCB. The limits to individual industry sectors are set by the TCB guidelines. Currently, the exposure to one single industry should not exceed 30% of UTB's total loan balance.

7.4.3 Country Risk Limit

UTB's business activities are subject to country limits set by itself and TCB. In case the country limits set by UTB and TCB are different, the lower limit will be applied.

7.5 Credit risk approach/ Mitigation/ Impairment

7.5.1 Credit risk approach

UTB uses the Standardized Approach to measure credit risk. The Standardized Approach applies a fixed risk weight to each asset as dictated by the CRR and is based on the exposure class to which the exposure is assigned.

The External Credit Assessment Institutions (ECAI) used by UTB are Moody's, S&P and Fitch. Where more than one ECAI rating exists and the ratings differ, UTB uses the most conservative rating. The ratings are used to assess the credit quality of all exposure classes. For those exposures without rating, they are assigned a rating of BB with asset risk weight of 100%. This method complies with the BASEL regulation.

7.5.2 Credit Risk Mitigation

UTB does not have any exposure covered by eligible financial collateral and guarantees such that there is no credit risk mitigation for the total credit exposure.

Nonetheless, the following measures are taken to reduce the credit risk:

- The risk manager participates in the loan meetings to make sure the credit risk of the borrower is acceptable.
- Monitoring of the credit risk of the borrower after the loan is drawdown.
- The Loan Review Officer will conduct an annual credit review for every credit facility. Comments from these reviews will be presented to the Managing Director. If any discrepancies are found, the Managing Director will need to instruct the loan department to take further actions.
- To stop increasing new exposure to the industries which are mostly impacted by COVID-19 (travel, airline and oil related etc.).
- A risk-based monitoring system has been set up in response to COVID-19.

7.5.3 Impairment of Credit Risk

- An exposure is classified as past due when repayment remains unpaid for more than 3 months after the due date.
- An exposure is classified as impairment when management does not expect full repayment of the exposure.
- The decision to make provision is made by the management committee and approved by the Board of Directors. UTB has no past due exposures but has made a specific provision

for one loan. This loan however is at this moment fully performing.

7.6 Current Status:

- No non-performing loans or impairment of securities. Industry risk and country risk are well diversified.
- The fundamental transformations of the global economic environment caused by the COVID-19 has a severe impact on a number of industries. Nonetheless, all of our loan clients can withstand this impact.
- During FY2020, one company to which UTB has a 10 million EUR loan exposure, requested a financial restructuring. UTB has consequently raised the provision rate from 1% to 20% of the principal amount in order to reflect the uncertainty of the repayment. The restructuring process was completed in January 2021. As of December 31, 2021, we have EUR 9,876,965.71 exposure to this company. The latest interest payment received from this company on December 30, 2021 was in accordance with the restructuring agreement.

- Credit Exposure by Business

Unit: EUR thousands

Exposure Class	Loans	Securities	Derivatives	Others	Total
Central governments or central banks	0	0	0	49,623	49,623
Financial institutions	0	0	0	412	412
Corporate	252,449	0	0	0	252,449
Multilateral development banks	0	17,667	0	0	17,667
Total	252,449	17,667	0	50,035	320,151

- Exposure by Geographic Distribution

Unit: EUR thousands

Exposure Class	Belgium	Other EEC countries	Others	Total
Central governments or central banks	49,623	0	0	49,623
Financial institutions	210	0	202	412
Corporate	5,008	243,003	4,438	252,449
Multilateral development banks	0	8,831	8,836	17,667
Total	54,841	251,834	13,476	320,151

Note: the figures here are consistent with those in COREP, taking into account of the accrued interests and deferred income.

8. General Information about market risk

The security investment strategy of UTB is to find the right security investment and to hold it to maturity. The main reason for the security investment is to receive the interest from the issuer instead of the capital gain. UTB does not have any trading position in order to avoid the impact on the Profit/ Loss from the price movements of the underlying assets.

As UTB did not conclude any derivative transactions with any counterparty. All the securities are held to maturity and most of them are HQLA, resulting in a minimal market risk.

The only market risk UTB is exposed to is the foreign exchange risk. However, we set up a maximum foreign exchange position of EUR 400 thousand for each currency, which is monitored on a daily basis. This way, the fluctuations of the foreign exchange rates will not have much impact on the foreign exchange positions.

The risk appetite objectives related to market risk are as follows:

Principles	Rationale/Measures
Market Risk	• UTB will not trade any derivatives instruments except for hedging purpose. • UTB will make most of its securities investment in the banking book. • The securities portfolio maintained will be principally composed of floating-rate notes to mitigate the interest rate risk.

9. General Information on Operational Risk

Due to the nature of the operations and the limited transactions executed daily, UTB did not set up an integrated IT system to assist the monitoring of the operational risk. Every transaction and every voucher prepared is checked by at least 3 staff members, namely the Manager, the accountant, and another staff.

Due to our limited business scope and the cross-checking of all processes, the operational risk is limited. There was no major operational risk incident during 2021.

The risk appetite objective related to operation risk is as follows:

Principles	Rationale/Measures
Operation Risk	• For the severe major operational risk incident, the tolerance level is “0” cases.

10. Internal Capital Adequacy Assessment Process (ICAAP) Information

10.1 Legal Basis

The objective of ICAAP is to address the capital requirements and the methodology on the calculation of exposures of different risk types and own funds. Also, UTB performs stress tests to evaluate capital buffers in relation to UTB’s business and is reporting the result to the management in order for them to take the necessary measures if needed.

For the capital adequacy assessment, UTB follows the Basel Regulation to perform risk assessment and capital adequacy, implementing the "Guidelines on ICAAP and ILAAP information collected for SREP purposes" on February 10, 2017 and the "NBB_2017_05 circular letter", which describes NBB's expectations regarding the regulatory requirements for equity and liquidity for less-important credit institutions.

UTB performs an Internal Capital Adequacy Assessment Process (ICAAP) based on its small size, limited activities, low risk profile, and straight forward business model.

10.2 Approach to assessing the adequacy of the internal capital

10.2.1 Internal Capital Adequacy Assessment Process

UTB assesses the capital needs by taking the following steps:

Step 1. Identify all risk types in relation to UTB's business.

Step 2. Calculate regulated capital requirements (Pillar I) by adopting the Basel regulation. Further calculation process is described in a later section.

Step 3. Identify other risk types in relation to UTB's business activities and calculate additional required capital (Pillar II) to cover such risks by using internal assessment.

Step 4. Perform stress testing and scenario analysis to ensure meeting the capital requirements. If the result indicates insufficient capital to meet the requirements, a further assessment is required to determine whether additional capital has to be made.

Step 5. Take environment risk factor into account. If any material environmental event has adversely impacted the business, UTB will further analyze if additional capital is required.

Step 6. Derive capital adequacy by obtaining Tier 1 ratio and BIS ratio based on the previous steps.

10.2.2 Risk Types and the Methodology

UTB initially identifies risk types to calculate capital requirements by following EU Capital Requirements Regulations announced on Jun 26, 2013. UTB classifies risk types into three categories: "Pillar 1", "Pillar 2", and "Environment".

- Pillar 1 refers to the capital requirement regulated by EU.
- Pillar 2 is the umbrella term for the rules governing UTB's ICAAP, which refers to UTB's internal requirement.
- Environment includes UTB's business, strategic, capital and model risk.

The below chart illustrates all risk types and scope of each risk type in relation to UTB's business.

Categories	Risk Types	Materiality	Explanations
Pillar I	Credit	Material	UTB measures three risk types by adopting the Standardized Approach or the Basic Indicator Approach for calculating the capital requirements.
	Operational	Material	
	Market	Material	
Pillar II	Concentration	Material	UTB follows the recommendation from the European Banking Authority and chooses the model used by Swedish Financial Supervisory Authority to evaluate the concentration risk, including three dimensions: counterparty, industry, and country (or region).
	Remaining Risk after application of Risk lowering techniques	Not Material	UTB does not use any risk lowering technique to mitigate its exposure.
	Intra day	Not Material	There is no intra-day risk of UTB. All transactions are with same day value.
	Securitization	Not Material	There is no securitization in UTB.
Other Pillar II	Reputation	Not Material	UTB has no event of default, negative news or legal issues since it was established.
	Interest Risk in Banking Book	Not Material	Most of UTB's assets and liabilities on the banking book are floating rate linked to benchmark. Therefore, UTB believes its Interest rate risk is not material.
	Settlement	Not Material	There is no settlement risk for securities investment for UTB. All of them are settled through a Clearing house such as Clearstream. For the loan transactions, there could be a limited settlement risk. To lower such risk, UTB only participates in syndicated loans arranged by large international financial institutions.
	Pensions	Not Material	UTB subcontracts HRM matters to Partena ASBL, so there is no pension risk. Also, UTB has a small number of employees, so the impact of pensions is considered minimal. Furthermore, UTB does not have a private pension fund for its employees.
	Insurance	Not Material	There is no insurance risk for UTB.
	Liquidity	Material	Due to the full support of the shareholder banks, the liquidity of UTB is sufficient to meet its obligations as they fall due. Also, as of December 31, 2021, the LCR is at 186.02%, which is higher than 100% stipulated by the authority.
Environment	Business	Not Material	Compared with other commercial banks, the business risk of UTB is low. This is because its daily activities are less complicated and are only concentrated on deposit, syndicated loans and securities investments.
	Strategic	Not Material	Given UTB's small size, few business lines, and simple

	Capital	Not Material	operations, the strategic, capital, and model risks in UTB are minimal.
	Model	Not Material	UTB does not use complicated or in-house models to perform ICAAP and ILAAP.

Because of UTB's small banking size and low volume of activities, UTB assumes there is no diversification impact among all of the risks.

For Pillar I, UTB measures three risk types by adopting the Standardized Approach or the Basic Indicator Approach for calculating the capital requirements. Furthermore, for Pillar II and other risks, UTB considers concentration risk in relation to credit risk to be more material compared to other risks, so it will be further assessed when conducting ICAAP.

Credit Risk

Credit risk is measured in a Standardized Approach, supported by external credit assessments. UTB's scope of credit risk consists of exposures to three categories: loan business, securities investment, and due from bank and NBB accounts.

- Loan business:
  This is the main credit risk since UTB's core business comes from loan activities. UTB's loan business has the following features:
    i. UTB has no retail business loans, but only corporate loans that consist of only two types of loans, syndicated and Schuldscheindarlehen loans.
    ii. Loans are primarily senior unsecured term loans with tenors ranging from three to seven years.
    iii. Most of UTB's loan customers are EU-based with no external ratings but with a satisfactory credit profile.

  At the end of 2021, UTB has no problem or non-performing loans. Nevertheless, in case there is defaulted loan exposure, UTB will follow "the Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013" stipulated by EBA on 28/09/2016, to evaluate the credit risk.

- Securities investment:
  UTB's securities investment remain at a low level. UTB focuses on medium-term bonds issued by financial institutions with external ratings above A-.

- Due from banks and NBB accounts:
  UTB's due from banks and NBB accounts are also at a low level. UTB currently has exposures in four currencies with six counterparties, all of which have an above A- external rating.

Operational Risk

For operational risk, UTB has no inadequate or failed internal processes, including system failures, employee errors, bank losses due to external events. Furthermore, UTB has not been involved in any legal issue ever since it was established.

UTB’s major business activities, compared with other commercial banks, are relatively simple and straightforward. For loan activities, UTB acts as participating bank in syndicated and Schuldscheindarlehen loans. Post-closing management is primarily conducted by the agent bank, substantially reducing UTB’s administrative costs and errors. For deposit activities, most of the customers are staff of UTB and of the Taipei Representative Office (“TRO”) in Brussels, vostro correspondent bank accounts from the parent company TCB and its overseas branches and from one corporate customer.

All administrative and operational personnel are well-trained and have banking experience for more than 10 years. Since UTB has fairly stable operating activities, a small number of employees, simple transactions as well as reliable counterparties, UTB measures operating risk by adopting the Basic Indicator Approach.

Market Risk

UTB’s has no complicated activities or businesses related to future contracts, options, or any other derivative or commodity products. Besides, the securities investments are classified as held to maturity, without being valued at fair value through profit or loss. Thus, for market risk, UTB only takes foreign exchange risk into consideration.

Concentration Risk

The capital requirement for credit risk in Pillar I has been designed based on an assumption that the bank’s credit portfolio is fully diversified in all dimensions. However, credit-related concentration risk arises when individual exposures, whose risk of default demonstrates a significant level of co-variation, are so great that the risk weights do not fully capture the risk of these exposures.

UTB follows the recommendation of the European Banking Authority and chooses the model used by Swedish Financial Supervisory Authority (FI hereunder) recommended by the European Banking Authority (Report on the peer review of the EBA guidelines on the management of concentration risk under the supervisory review process), to evaluate the concentration risk embedded in our assets portfolio. The concentration risk includes three dimensions: counterparty, industry, and country (or region).

UTB uses FI’s model by adopting Standardized Approach to calculate the capital requirement for these three dimensions of concentration risk. The additional capital requirement for concentration risk, also regarded as Pillar II, is the aggregation of capital requirements in each dimension.

10.3 The Result of ICAAP

Categories	Type of Risks	Own Funds required by Pillar I	Own Funds required by ICAAP	Diversification Impact
Pillar I	Credit	20,202,463	20,202,463	0
	Operational	685,330	685,330	
	Market	22,460	22,460	0
Total Required Capital in Pillar I		20,910,253		
Pillar II	Concentration		1,275,214	0
	Remaining Risk after application of Risk lowering techniques		0	0
	Intra day		0	0
	Securitization		0	0
	Total		0	0
Other Pillar II	Reputation		0	0
	Interest Risk in Banking Book		0	0
	Settlement		0	0
	Pensions		0	0
	Insurance		0	0
	Liquidity		0	0
	Total		0	0
Environment	Business		0	0
	Strategic		0	0
	Capital		0	0
	Model		0	0
	Total		0	0
			0	0
Adaptation should the bank try to diversify the risks mutually			0	
Supplementary Capital for stress covering			0	
Total ICAAP capital			22,185,467	
Total Own Funds at the end of the year		71,316,366	71,316,366	
Available capital (following internal definition)			71,316,366	
Remainder		50,406,113	49,130,899	

As of the end of 2021, UTB's Own Funds were EUR 71.3 million, an excess of EUR 50.4 million of the required capital in Pillar I, and also an excess of EUR 49.1 million of the required capital in ICAAP.

As a result, UTB's capital is substantially adequate to cover all types of risks.

11. Liquidity Risk Management

11.1 Introduction

Reference is made to NBB_2018_11 circular letter. Based on its small size, limited activities, low risk profile, and straight forward business model, UTB has performed an Internal Liquidity Adequacy Assessment Process (ILAAP) to meet the needs in the next 30 days in different scenarios.

UTB's ILAAP is performed on a quarterly basis. The result is submitted to the management committee for approval.

The ILAAP report contains UTB's business model, liquidity management, financing plan, and stress test.

11.2 Risk Appetite Framework

Reference is made to point 10 under NBB_2018_11 circular letter. The Risk Appetite Framework (RAF) dashboard contains the risk appetite, the risk indicators, the associated limits, and the level of the indicators on the reference date.

UTB's risk appetite framework regarding the liquidity contains the following:

11.2.1 Major Risk Management Indices

As of Dec. 31 2021, all of the indicators are above the determined value.

Risk Management Index	Evaluation Index	Value	Status*	Memo
Liquidity Risk				
Liquidity Coverage Ratio (LCR)	≧100%	186.02%	○	NBB Regulation
(1) Net cash flow within 30 days to total assets: more than -50%	＞-50%	0.4%	○	
(2) <u>Net Stable Funding Ratio (NSFR)</u>	<u>≧100%</u>	<u>100.98%</u>	○	EU Capital requirements regulation

11.2.2 Recovery Plan

As of Dec. 31 2021, The LCR is above the determined value in the recovery plan.

Indicators	Minimum Requirement by regulations	Recovery Plan Threshold	Early Warning Threshold	As of 31.12.2021	Compliance
LCR	100%	<101%	<103%	186.02%	All Complied

11.3 Financing Plan

11.3.1 Funding Source

UTB mainly relies on the following financing sources to support its business.

- Call loan from money market as of the reference date.

Counterparty	CCY	Line of Credit	Tenor	Memo
Taiwan Cooperative Bank (TCB)	All[1]	USD 480 million	Within 6 months	Parent Bank owning 90.02% of UTB
Land Bank of Taiwan	EUR USD	USD 50 million	Within 6 months	Shareholder Bank owing 4.99% of UTB
Bank of Taiwan[1]	EUR USD	EQ USD 73.4 million	Within 6 months	Shareholder Bank owing 4.99% of UTB
Central Bank of Taiwan	USD	(see note 2)	Within 6 months	-
Mega International Commercial Bank	EUR USD	USD 70 million	Within 6 months	New counterparty established in 2021
Shizuoka Bank (Europe) S.A.	EUR	EQ USD 17 million	Within 6 months	New counterparty established in 2021

1. Bank of Taiwan includes Taipei HO, London Branch, and Hong Kong Branch.

2. UTB shares the same line ne of credit as TCB with the Central Bank of Taiwan.

- Long-term Funding

In order to comply with NSFR, on 24 November 2020, UTB has renewed and entered into a 5-year revolving credit facility with its parent company, TCB, for a total amount of EUR 300 million equivalents. According to the credit agreement, during the period of the facility, UTB is only required to make interest payment. The principal shall only be paid on the final maturity date (5 year from the signing).

Besides, UTB applied for a 3-year EUR 70 million long-term credit facility with CTBC Bank in 2021. The facility contract was signed on 26 Jan. 2022 and has been fully drawn during the first quarter of 2022.

11.3.2 Funding Strategy

- Starting from the end of Jan 2021 prior to the implementation of NSFR, UTB has drawdown the long-term facility and gradually, month by month, repaid call loans to achieve NSFR >100%.

- It is expected that there is still room for UTB to borrow money from the call loan market. By doing so, UTB can reduce the interest burden as a result of the NSFR Facility.
- To keep diversification as to the sources of funding, UTB intends to maintain the call loans from the Central Bank of Taiwan, Land Bank of Taiwan and Bank of Taiwan. In 2021, UTB has sought for more counterparties, such Mega International Commercial Bank, and Shizuoka Bank.
- To enhance NSFR, UTB has taken corporate customers into consideration. In Nov 2020, one new corporate has opened current/time deposit accounts with us. One of UTB's strategies is to attract more corporate customers with time deposits for longer periods (at least 2 years).
- UTB will also seek the possibility to get short-term funding locally. In addition, to reduce the funding cost, UTB will strive for other sources of long-term funding through various channels.

11.4 Stress Test Methodology

11.4.1 Scope and Considerations

- All-important cash related items on the financial statement must be included.
- Non-cash items, such as Internal Security Fund, is excluded.
- Clients are divided into two types: individual and wholesale.
- All currencies used in the balance sheet will be present.
- Accrual interest receivable is only included until the reference date. For the purposes of simplicity and being conservative, cash inflow of accrual interest receivable is placed at 6 months period regardless of whether it will be received in next 3 month (mostly for USD dominated assets) or 6 months (mostly for EUR dominated assets).
- Accrual interest payable (call loan and time deposit) is calculated until the maturity date to maximize the possible outflow payment.
- Account Payable VAT is placed at 1 month period, since it is UTB's practice to pay VAT collected from customers the next month.
- Equity is set in the period of over 5 years, because since the establishment of UTB in 1992, UTB never distributes any dividend to shareholders. Instead, the main shareholder keeps increasing UTB's capital in response to market condition and business development.

11.4.2 The Process and Steps

To identify whether current liquidity management is sufficient, the following steps are used:

- Identifying of all the risk factors for liquidity.
- Building up a maturity profile based on contractual facts. The template UTB uses is from the National Bank of the Netherlands.

- Setting up behavioral scenarios. Three scenarios: Base, Medium, Severe, are set to simulate possible market conditions. The assumptions used in the Base scenario are the same as those when calculating the LCR.
- Checking cumulative differences between inflow and outflow. UTB must pass for first 30 days regardless of the different scenarios.

11.4.3 Risk Factors for Liquidity

It is clear that without TCB's support, UTB could not have developed its business in a sustainable path since 1993. UTB considers the funding source from TCB to be stable and secure. The possibility that UTB may not get support from TCB shall be ruled out for the following reasons:

- TCB has given strong and consistent support to UTB's development since its establishment.
- The key risk lies on whether TCB can still support UTB's liquidity under severe condition. According to the S&P credit rating report dated 17 January 2019, S&P grants the TCB issuer credit rating as A/Stable/A-1. The main concern from S&P is TCB's implicit support from the Taiwan government, in view of TCB's high systemic importance to the Taiwanese banking system.
- Taiwan Cooperative Bank has a strong linkage to the Taiwan government, and the government has a dominating influence on the appointment of the bank's senior management. Taiwan Cooperative Bank also fulfills central banking functions for Taiwan's community level financial institutions and credit cooperatives.

Therefore, we believe UTB can still receive liquidity from TCB during severe market condition. The scenarios rule out the possibility that UTB is unable to receive funding from TCB.

11.4.4 Risk Factors Summarized Table

The following table shows the percentage assigned to specific items to determine cash inflow/ outflow in the first 30 days from reference date. Three different scenarios are presented.

Unit: %

No.	Inflow Items	Base	Medium	Severe	Memo
1	Cash	100%	100%	100%	Cash in other banks is assumed to be accessed immediately.
2	Reserve in NBB (minus minimum reserve)	100%	100%	100%	Cash in NBB is assumed to be accessed immediately.
3	Security (qualified for HQLA)	100%	99%	98%	HQLA security is assumed to be put into liquidity in T+2 period.

Unit: %

No.	Outflow Items	Base	Medium	Severe	Memo
4	Retail - Current Account EUR	5%	10.00%	15%	% of current account which will be drawn immediately. The rest will be placed on the 6-month period.
5	Retail - Time Deposit EUR	5%	10.00%	15%	% of time deposit due in next 30 days which is considered as outflow. The rest will be placed on the 6-month period.
6	Retail - Current Account USD	10%	12.50%	15%	% of current account which will be drawn immediately. The rest will be placed on the 6-month period.
7	Retail – Time Deposit USD	10%	12.50%	15%	% of time deposit due in next 30 days which is considered as outflow. The rest will be placed on the 6-month period.
8	Wholesale – Current Account EUR	25%	27.50%	30%	% of current account of other financial institution which will be drawn immediately. The rest will be placed on the 6-month period.
9	Wholesale Non-operational – Current Account EUR	40%	42.50%	45%	% of current account of other financial institution which will be drawn immediately. The rest will be placed on the 6-month period.
10	Undrawn committed credit facilities	10%	15.00%	20%	% of committed credit facilities which will be drawdown in next 30 days, assume it will be drawn in 2nd business day (T+2). We assume it will be repaid in 12-month period.

Unit: Euro Million

No.	Other Items	Amount	Memo
11	Minimum Reserve required by NBB	3.00	This amount cannot be used while considering reserve at NBB as HQLA in 30 days.
12	Off B/L: committed credit line	0	So far, UTB does not have any client with a revolving credit line.

11.5 Result of Stress Test

Taking into consideration only the contractual facts and considering that UTB has converted a large portion short-term funding to long-term funding to support its long-term assets, UTB can survive up to 30 calendar days.

The stress test results under the base, medium and severe scenarios show that UTB has sufficient liquidity on hand to survive for up to 2 months. The Management Committee believes the current liquidity management process is sufficient.

12 Remuneration Policy

UTB’s remuneration policy is approved by the Board of Directors. As a general rule, no variable remuneration such as premiums or bonuses are granted in function of performance criteria. The remuneration policy does not stimulate to take excessive risks as it is not based on given turnover figures, nor on a risk-taking policy. The non-executive directors do not receive remuneration. The executive directors are paid a salary.

Further, concerning the directors, the Corporate Governance Memorandum emphasizes that "the office of all Directors will be performed gratuitously, except for the mandate of the executive directors ". The executive directors are paid under their management functions instead of being the directors.

In accordance with the Article 1 of Annex II of the Belgian Banking Law of 24 April 2014, the variable remuneration has to be limited to the highest of the 2 following amounts:

1. 50 % of the fixed remuneration
2. Euro 50,000. under the condition that this amount cannot be higher than the fixed salary.

There is a possible exemption with regard to deferred payments and financial instruments as long as the Euro 50,000 does not represent more than 1/3 of their annual remuneration.

As the office of all Directors is performed gratuitously, below is the disclosure of the remuneration to the management function.

EU REM1 - Remuneration awarded for the financial year unit: EUR Thousands

		MB Supervisory function	MB Management function	Other senior management	Other identified staff
Fixed remuneration	Number of identified staff		2		
	Total fixed remuneration		167		
	Of which: cash-based				
	Of which: shares or equivalent ownership interests				
	Of which: share-linked instruments or equivalent non-cash instruments				
	Of which: other instruments				
	Of which: other forms				
Variable remuneration	Number of identified staff		2		
	Total variable remuneration		40		
	Of which: cash-based				
	Of which: deferred				
	Of which: shares or				

	equivalent ownership interests				
	Of which: deferred				
	Of which: share-linked instruments or equivalent non-cash instruments				
	Of which: deferred				
	Of which: other instruments				
	Of which: deferred				
	Of which: other forms				
	Of which: deferred				
Total remuneration (2 + 10)			207		

Since there is no “Special payments to staff whose professional activities have a material impact on institutions’ risk profile”, “deferred remuneration” and “remuneration of 1 million EUR or more per year”, we do not provide table REM2, REM3 and REM4.

13 Corporate Governance

13.1 Policy related to the structure and the working of the management entities

It is a longstanding and continuing policy of the 3 shareholders to appoint at UTB's management entities (Board of Directors and Management Committee) officers with a long track record and experience in the international sphere. They are appointed every 3 years by the General Shareholders’ Meeting.

The Chairman of the Board will be proposed by the Taiwan Cooperative Bank given their major involvement in UTB. His selection will always be based on his general and international experience and be in line with his responsibilities at TCB. This latter (TCB) will decide on this point taking into account the need for the Board to preserve the continuity and the efficiency that is necessary to exercise their monitoring function efficiently.

The other non-executive Directors will be selected by each shareholder, taking into account their international experience and their actual responsibilities that will be in line with their directorship. Every shareholder will decide with the same objectives as for the Chairman of the Board.

Independent Directors: The 2 non-executive Directors appointed by the 2 minority shareholders can be considered as independent, pursuant to Article 5, 11 and 526ter of the Belgian Company Code. This was confirmed by our external lawyer and was communicated to the NBB.

The two executive Directors in the Management Committee having a proven successful business track record are given a mandate that will normally be of at least 3 years. Their selection is under the responsibility of the Taiwan Cooperative Bank., who monitors and evaluates their past performance in the domestic and on the international front. The appointment of the chosen officers will then be proposed to and discussed with the 2 other minority shareholders. Their appointment will be done taking into account the same objectives as for the Chairman of the Board.

13.2 Management Structure and Organization

Board of Directors: The Board of Directors is a collegial body and has the power to perform all actions that are necessary or useful for the achievement of the bank's corporate purpose with the exception of those actions that are by law or by UTB's articles of association explicitly reserved for the General Shareholders' Meeting.

Directors are appointed for renewal periods of 3 years by the General Shareholders' Meeting whereby every shareholder is represented in the following way:
- Taiwan Cooperative Bank: 2 non-executive and 2 executive Directors
- Bank of Taiwan: 1 non-executive Director
- Land Bank of Taiwan: 1 non-executive Director

The Board of Directors shall be composed of members from complementary horizons and having the required knowledge and experience considering the activity of UTB.

Working of the Board:
- The Board meets at least twice a year under the chairmanship of its Chairman, being a non-executive Director, representative of the Taiwan Cooperative Bank, who decides after consultation of the Management Committee and the other Directors what items will be submitted to the Board. He conducts the deliberations of the Board.
- Decisions can only be taken by simple majority if at least half of the members of the Board are present or represented. When votes are equally divided, the vote of the Chairman will be decisive.
- Each member of the Board will be provided at least 1 business day before the scheduled meeting with the meeting's agenda and useful documentation to effectively prepare for the meeting.
- No Director may vote or take part on a deliberation if he is directly concerned by a decision or has a conflict of interest.

The Board will conform itself to what is said in articles 8 to 18 of the Articles of Association of UTB. Besides, in order to comply with the Banking Law of 25.04.2014 (art. 33 § 1) and the Company Law (art. 526 ter), the Audit and Risk Committee was established by the Board of

Directors held on 11.11.2015. The Committee is dedicated to evaluate all the matters of audit and risk management.

The Belgium Banking Law of 25.04.2014 has been amended on 07.12.2016 and now stipulates that the majority of the Audit and Risk Committee members should be independent. Article 3 of our Audit and Risk Committee Charter has been amended accordingly.

The non-executive members of the Board will evaluate once a year the interaction with the executive members and the efficiency of the management structure inclusive the qualification of management.

In accordance with Communication NBB_2018_05 dated 08.02.2018, the Board of Directors is obliged to submit an annual report to the supervisory authority on the assessment of the proper functioning of the compliance function. In addition to determining and verifying the integrity policy, the Board of Directors has to ensure that the compliance risks are adequately recognized and controlled.

Management Committee: two Executive Directors (the Managing Director and the Deputy Managing Director) acting together form the Management Committee. They are appointed by the Board of Directors and dispose of all the powers mentioned in Art. 522 of the Companies Code, except the general policy of the bank and the other matters specifically reserved by that code to the Board of Directors and to the General Shareholders' Meeting.

The Management Committee meets as much as necessary to permit an effective and efficient management of the bank.

The responsibilities of the Management Committee are defined as follows:
- Management of activities/establishment of the management structure.
- Monitoring of line management, of observation of responsibilities and of reporting.
- Make proposals/advise Board to define policy/strategy and provide sufficient data to allow Board to take documented decisions.
- Organize, implement and evaluate all the internal control mechanisms and procedures.
- Organize a system of internal control providing sufficient certainty on reliability of internal reporting and financial reporting, so that accounts correspond/comply to the actual accountancy regulations.
- Report the financial situation to the Board in all necessary aspects with a balanced and comprehensive assessment of the banks' financial situation.
- Report to the NBB and the FSMA/ external auditor on financials, organization, internal control, management structure, independent control functions etc.

The Managing Director is in charge of all the operations functions.

The Deputy Managing Director is acting as the Risk Manager, AML Supervisor and is also in charge of the compliance function, the physical safety, guarding, security, and HR.