

# Pillar III Disclosures for the year ending 31 December 2019

## 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).

## 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 control and defines the acceptable risk tolerance for the Bank.

#### ii. Audit and Risk Committee

The Audit and Risk Committee monitors the effectiveness of internal control and of 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 risk 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 mechanisms 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 risk assessment methods and risk management. The Risk Manager should also improve or develop such methods if necessary.

#### v. Internal Audit

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

has inspections by the parent bank's internal auditor.

### 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. Tier 1 Capital

Unit: EUR thousands

Tier 1 Capital	62,821
- PAID-IN CAPITAL	56,254
- STATUTORY RESERVE	652
- PROFIT/LOSS BROUGHT FWD	5,915

### 5. Capital Adequacy

#### a. Measurement Methodologies of Capital Requirements

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

#### b. Capital Requirement under Pillar I

Unit: EUR thousands

Credit risk exposure class	24,954
- Central governments or central banks	0
- Financial institutions	623
- Corporate	24,331
- Multilateral development banks	0
Market risk	34
Operational risk	621
Total capital requirement	25,609

### 6. Credit Risk

#### a. Impairment of Credit Risk

- An exposure is classified as past due where repayment remains unpaid for more than 3 months after due date.
- An exposure is classified as impairment where management considers the full repayment is not expected.

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.

## b. Credit Exposure

Unit: EUR thousands

Exposure Class	Loans	Securities	Derivatives	Others	Total
Central governments or central banks	46,912	0	0	0	46,912
Financial institutions	8,902	6,252	0	1,039	16,193
Corporate	304,134	0	0	0	304,134
Multilateral development banks	0	37,882	0	0	37,882
Total	359,948	44,134	0	1,039	405,121

### i. Exposure by Economic Sector and Geographic Distribution

Unit: EUR thousands

Exposure Class	Belgium	Other EEC countries	America	Others	Total
Central governments or central banks	46,912	0	0	0	46,912
Financial institutions	0	0	0	16,193	16,193
Corporate	5,008	286,769	8,954	3,403	304,134
Manufacturing	0	102,668	4,460	0	107,128
Services	0	101,301	4,494	0	105,795
Agriculture, Fishing&Mining	0	25,076	0	0	25,076
Construction & Real Estate	5,008	23,125	0	0	28,133
Others	0	34,599	0	3,403	38,002
Multilateral development banks	0	0	0	37,882	37,882
Total	51,920	286,769	8,954	57,478	405,121

### ii. Exposure by Residual Maturity

Unit: EUR thousands

Exposure Class	< 3M	3M to 1Y	1Y to 5Y	>5Y	Total
Central governments or central banks	0	0	0	46,912	46,912
Financial institutions	0	8,902	6,252	1,039	16,193
Corporate	5,364	20,892	190,172	87,706	304,134
Multilateral development banks	20,001	0	17,881	0	37,882
Total	25,365	29,794	214,305	135,657	405,121

## 7. The Standardized Approach to Credit Risk

### a. The External Credit Assessment Institutions (ECAI)

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.

### b. 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 exposures.

## 8. Interest Rate Risk in the Banking Book (IRRBB)

The Bank measures IRRBB quarterly.

- a. The impacts of different interest rate scenario on UTB's economic value are as follows:

Unit: %

Scenario	Parallel up	Parallel down	Steepener	Flattener	Short up	Short down
% of Own fund	-0.3591	0.4740	0.1717	-0.3886	-0.3211	0.4542
% of Tier 1	-0.3768	0.4973	0.1802	-0.4077	-0.3369	0.4765
Scenario	Parallel up (100 bps)	Parallel down (100 bps)	Parallel up (200 bps)	Parallel down (200 bps)	Parallel up (300 bps)	Parallel down (300 bps)
% of Own fund	-0.1886	0.2700	-0.3725	0.4740	-0.5517	0.4711

- b. The impacts of different interest rate scenario on financial margin is as follows:

Scenario	Parallel up/down 100bps	Parallel up/down 200bps	Parallel up/down 300bps
Gain (loss)	+/- EUR 346,039.05	+/- EUR 692,078.11	+/- EUR 1,038,117.16

## 9. Securitization

UTB has not securitized assets that we have originated.

UTB has no exposure to securitization products as well.

## 10. Liquidity Coverage Ratio (LCR)

The liquidity ratio is always above the minimum requirement of 100%.

Unit: EUR thousands

	March-19	June-19	Sept-19	Dec-19
Liquidity Buffer	91,693	80,320	81,461	81,283
Total net cash outflows	84,636	75,765	77,333	74,627
LCR (%)	108.34	106.01	105.34	108.92

## 11. Remuneration policy

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.