

Pillar III Disclosures for the year ending 31 December 2020

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 controls and defines the acceptable risk tolerance for the Bank.

ii. Audit and Risk Committee

The Audit and Risk Committee monitors the effectiveness of the internal controls 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 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 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 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 | 65,505 |
| - PAID-IN CAPITAL | 56,254 |
| - STATUTORY RESERVE | 786 |
| - PROFIT/LOSS BROUGHT FWD | 8,465 |

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 | 24,523 |
| - Central governments or central banks | 0 |
| - Financial institutions | 98 |
| - Corporate | 24,425 |
| - Multilateral development banks | 0 |
| | |
| Market risk | 19 |
| Operational risk | 621 |
| Total capital requirement | 25,163 |

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 | 0 | 0 | 0 | 68,044 | 68,044 |
| Financial institutions | 0 | 5,711 | 0 | 401 | 6,112 |
| Corporate | 305,318 | 0 | 0 | 0 | 305,318 |
| Multilateral development banks | 0 | 16,314 | 0 | 0 | 16,314 |
| Total | 305,318 | 22,025 | 0 | 68,445 | 395,788 |

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 | 68,044 | 0 | 0 | 0 | 68,044 |
| Financial institutions | 0 | 0 | 0 | 6,112 | 6,112 |
| Corporate | 16,541 | 276,371 | 4,097 | 8,309 | 305,318 |
| Manufacturing | 1,510 | 124,143 | 0 | 0 | 125,653 |
| Services | 10,023 | 74,335 | 4,097 | 0 | 88,455 |
| Agriculture, Fishing & Mining | 0 | 25,072 | 0 | 0 | 25,072 |
| Construction & Real Estate | 5,008 | 5,030 | 0 | 8,309 | 18,347 |
| Others | 0 | 47,791 | 0 | 0 | 47,791 |
| Multilateral development banks | 0 | 0 | 0 | 16,314 | 16,314 |
| Total | 84,585 | 276,371 | 4,097 | 30,735 | 395,788 |

ii. Exposure by Residual Maturity

Unit: EUR thousands

| Exposure Class | < 3M | 3M to 1Y | 1Y to 5Y | >5Y | Total |
|--------------------------------------|--------|----------|----------|---------|---------|
| Central governments or central banks | - | - | - | 68,044 | 68,044 |
| Financial institutions | 5,711 | - | - | 401 | 6,112 |
| Corporate | 17,509 | 17,148 | 217,513 | 53,147 | 305,318 |
| Multilateral development banks | - | - | 16,314 | - | 16,314 |
| Total | 23,220 | 17,148 | 233,827 | 121,592 | 395,788 |

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 | -0.7839 | -0.1994 | -0.1953 | -0.7686 | -0.9090 | -0.1994 |
| % of Tier 1 | -0.8194 | -0.2084 | -0.2041 | -0.8034 | -0.9502 | -0.2084 |
| 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 | -0.3928 | -0.1994 | -0.7839 | -0.1994 | -1.1731 | -0.1994 |

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

| Scenario | Parallel up/down 100bps | Parallel up/down 200bps | Parallel up/down 300bps |
|-------------|-------------------------|-------------------------|-------------------------|
| Gain (loss) | +/- EUR 217,084.99 | +/- EUR 434,169.98 | +/- EUR 651,254.97 |

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-20 | June-20 | Sept-20 | Dec-20 |
|-------------------------|----------|---------|---------|--------|
| Liquidity Buffer | 82,639 | 83,896 | 76,556 | 81,343 |
| Total net cash outflows | 77,808 | 79,837 | 73,656 | 76,935 |
| LCR (%) | 106.21 | 105.08 | 103.94 | 105.73 |

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.