

United Taiwan Bank S.A.

Pillar III Disclosures for the year ending 31 December 2024

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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. Risk Management Charter and Risk Management Policy

In response to the recommendation from the 2024 NBB onsite inspection and in accordance with Article 4:164 of the Governance Manual for the Banking Sector dated October 11 2022, and the EBA Guidelines on internal governance (EBA/GL/2021/05), the Risk Management Charter and Risk Management Policy have been established on 04.11.2024. These documents:

- i. Define the scope and objectives of the Risk Management Function (RMF).
- ii. Clarify the roles and responsibilities of key actors: Board of Directors, Audit and Risk Committee (ARC), Management Committee, Risk Manager, and each business unit.
- iii. Establish a formal process for identifying, assessing, monitoring, and reporting risks.
- iv. Specify that all major risk management reports (e.g. Risk Appetite, ICAAP, ILAAP) must be submitted regularly to the Board of Directors.

b. Plan of Risk Management

In response to the 2024 NBB onsite inspection, and to reduce reliance on expert judgment in determining the risk levels of various risk types, the risk assessment methodology has been updated, including:

- i. Rating of inherent risk (based on likelihood and impact).
- ii. Evaluation of existing mitigation measures using quality indicators.
- iii. Calculation of residual risk.
- iv. Development of action plans with timelines, resources, and responsibilities.

c. 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.
- Make proposals and advises the Board to define risk policy/ strategy and provide sufficient data to allow the Board to take documented decisions.
- Organizes, implements and evaluates all the internal control mechanisms and procedures to monitor and control the risks.

iv. Risk Manager

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

In response to the recommendation from the 2024 NBB onsite inspection, and in accordance with Articles 4:184 to 4:186 of the Governance Manual for the Banking Sector dated October 11, 2022, the Risk Manager's Activity Report is updated annually. The report outlines the key tasks performed and resources allocated for the year under review.

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 UTB's "Plan of Risk Management" and "Corporate Governance Memorandum".

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 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 31/12/2024, the key metrics about capital requirement are as follows:

EU KM1 - Key metrics

	2024	2023
Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital	71,913	71,913
Tier 1 capital	71,913	71,913
Total capital	76,167	76,123
Risk-weighted exposure amounts		
Total risk-weighted exposure amount	453,485	457,527
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 ratio (%)	15.86	15.72
Tier 1 ratio (%)	15.86	15.72
Total capital ratio (%)	16.80	16.64
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
Additional CET1 SREP requirements (%)	0.67	0.67
Additional AT1 SREP requirements (%)	0.00	0.00
Additional T2 SREP requirements (%)	0.00	0.00
Total SREP own funds requirements (%)	9.19	9.19
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	0
Institution specific countercyclical capital buffer (%)	0.90	0.68
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 (%)	3.40	3.18
Overall capital requirements (%)	12.59	12.37
CET1 available after meeting the total SREP own funds requirements (%)	34,492	34,076
Leverage ratio		
Leverage ratio total exposure measure	531,523	509,977
Leverage ratio	13.53	14.10
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)	96,042	67,820

Cash outflows - Total weighted value	74,890	63,127
Cash inflows - Total weighted value	3,580	3,326
Total net cash outflows (adjusted value)	71,310	59,801
Liquidity coverage ratio (%)	134.68	113.41
Net Stable Funding Ratio		
Total available stable funding	375,643	376,374
Total required stable funding	362,267	360,715
NSFR ratio (%)	103.69	104.34

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 2024 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	
	2024	2023	2024	2023
Credit risk (excluding CCR)				
Of which the standardized approach	440,734	446,773	35,259	35,742
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 standardized 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	-	-	-	-
Securitization 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 standardized approach	284	346	23	28
Of which IMA	-	-	-	-
Large exposures	-	-	-	-
Operational risk				
Of which basic indicator approach	12,466	10,408	997	832
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-		-
Total	453,485	457,527	36,279	36,602

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	14,536	
Accumulated other comprehensive income (and other reserves)	1,122	
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	71,913	
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 125%, 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 (<i>including IFRS 9 transitional adjustments when relevant</i>)		
Total regulatory adjustments to Common Equity Tier 1 (CET1)		
Common Equity Tier 1 (CET1) capital	71,913	
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)	71,913	
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	4,254	
Tier 2 (T2) capital before regulatory adjustments	4,254	
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	4,254	
Total capital (TC = T1 + T2)	76,167	
Total Risk exposure amount	453,485	
Capital ratios and buffers		
Common Equity Tier 1 (as a percentage of total risk exposure amount)	15.86	
Tier 1 (as a percentage of total risk exposure amount)	15.86	
Total capital (as a percentage of total risk exposure amount)	16.80	
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)	8.57	
of which: capital conservation buffer requirement	2.50	
of which: countercyclical buffer requirement	0.90	
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)	7.61	
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
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		As at period end 2024	
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements			
1	Cash in hand, balances with central banks	96,461	
2	Loans and advances to credit institutions	3,025	
3	Loans and advances to customers	422,675	
4	Debt securities	0	
5	Financial fixed assets	2	
6	Tangible fixed assets	15	
7	Other assets	553	
8	Deferred charges and accrued income	4,116	
	Total assets	527,856	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements			
1	Amounts owed to credit institutions	451,230	
2	Amounts owed to customers	3,153	
3	Other liabilities	137	
4	Accrued charges and deferred income	1,154	
	Total liabilities	455,673	
Shareholders' Equity			
1	Capital	56,254	
2	Legal reserves	1,136	
3	Accumulated profit	14,793	
	Total Shareholders' Equity	72,183	

7. General Information about Credit Risk

7.1 Credit Risk Management Objectives and Policies

The main business of UTB is focused on participation 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 is commercial loans. The targeted clients include profit-oriented enterprises/ legal entities and government agencies. To broaden the product lines and to suit the financial needs of potential customers, UTB has decided to include direct lending into the loan business.

UTB will develop the direct lending business gradually by only selecting credit-worthy customers and by processing carefully all the matters that would otherwise be taken care of

by the agent banks in the case of syndicated loans. In 2025, UTB visited several clients located in Belgium -, which are all well-known companies in Belgium. Considering that we have already built business relationships with them either via the syndicated loans or deposit business, we reckon that it is a good start point to initiate our direct lending business. This is also consistent with our strategy for direct lending, which is set to target familiar markets, credit-worthy customers, and simple loan products.

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 have to acknowledge all the loans being approved.

Prior to 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 have the ability to meet debt obligations without adverse situation.
4	Watch	No default but credit carries potential adverse situations.
5	Doubtful	Default. Debt Collection is highly questionable.
6	Loss	Default. Loan is considered uncollectible.

As of 31/12/2024, UTB's loan portfolio is composed of the following grades:

Grade	Counts	Amount in EUR
1	1	10,000,000.00
2	9	72,000,000.00
3	45	343,442,600.02
4	0	-
5	1	5,000,000.00
6	0	-
Total	56	430,442,600.02

7.3 Credit Risk Profile

The risk appetite reflects 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 indicators are directly linked to the corporate strategy and provide a qualitative description of the playing field of UTB. The risk appetite objectives for 2025 were approved by the Board of Directors.

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

Principles	Rationale/Measures
Performance Targets	<ul style="list-style-type: none"> Loan Net Interest Margin: 1.76%
Growth Targets	<ul style="list-style-type: none"> Loan portfolio: 1%~5%
Credit Risk Management	<ul style="list-style-type: none"> 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, 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

Principles	Rationale/Measures
	<p>lower limits will be applied.</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> - 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 <ul style="list-style-type: none"> - Government - Government owned enterprise - Business of infrastructure - Banks with the rank within World Top 1000 <ul style="list-style-type: none"> • ESG loans should account for at least 10% of total loan portfolio. • <u>To be in line with the Recovery Plan, the thresholds about non-performing loan are as follows:</u> <ul style="list-style-type: none"> - <u>Non-Performing Loan Ratio < 5%</u> - <u>Coverage Ratio of Non- Performing Loan > 45%</u> • <u>In accordance with the Valuation Rules, Coverage Ratio of Loan \geq 1.00%</u>
Internal Security Fund and Impairment	<ul style="list-style-type: none"> • The minimum loan loss provision and guarantee reserve shall be at least 1% of the outstanding balance of performing loan. • <u>The Bank may recognize impairment on securities investment if the market price is lower than 70%.</u>

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 tier one capital 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 action.
- In addition to Loan Review, the Loan Officer shall also complete the first Credit Review Report within 6 months after initial disbursement, and conduct a Credit Review Report for every credit facility at least once a year after the first Credit Review. If any credit facility requires the borrower to provide compliance certificate, the Loan Officer shall complete the Credit Review Report within 2 months after receiving corresponding

compliance certificate. Comments from these reviews will be presented to the Managing Director and the Risk Manager.

- The loan officer has to pay more attention on the loan business because the EU economy continues to face multiple challenges, including geopolitical tensions and energy security concerns, particularly regarding NATO's role and Ukraine's future, raising concerns among countries in the region. UTB will avoid increasing exposure to industries that are highly impacted by trade conflicts or those that rely on Europe as a production base for exports. Furthermore, UTB will carefully select credit clients with strong market positions and sound financial performance.

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 Bank makes General Reserve and Specific Provisions based on the "Valuation Rules" drawn up and approved by UTB's Board of directors. For each problem loan, including Non-Performing loan, UTB will consult and discuss with the Statutory Auditor to set aside an appropriate Specific Provision.

7.6 Current Status:

- In 2022, one Swedish company to which UTB has a 10 million EUR loan exposure, accused by certain lenders that it has breached the financial covenant, got fined by Sweden FSA (Financial Supervisory Authority) and downgraded by S&P and Fitch. UTB has consequently raised the provision rate from 1% to 4% of the principal amount following discussions with our statutory auditor. However, based on its improvement of operating performance for the first 9 months of 2024, we reclassified it to Grade 3 "Average" from "Watch in November 2024 after obtaining Auditors consent and UTB's MC minutes and consequently reduced the provision back to 1 %.
- At the end of 2024, UTB has one NPL as we increased an Austrian client's loan provision to 70% and reclassified it from "Average" to "Doubtful". The balance and percentage of NPL to the total loan balance is EUR 5.03 million (namely EUR 5 million principal and interest receivable EUR 0.03 million) and 1.17% respectively. This loan customer encountered a financial crisis and filed for restructuring proceedings on 29 November 2024. The restructuring plan offers a 30% cash quota of creditors' claims, payable in June 2025. For the restructuring plan to be accepted, it is necessary to achieve a double majority (at least 50% by both headcount of creditors and value of debt claims) of its creditors. To maximize the recovery of UTB's claims, UTB voted in favour of the restructuring plan, and the restructuring plan has been approved by the majority of its creditors on 25 February 2025. Once the 30% quota is received, UTB will immediately initiate the write-off process for the remaining 70% of UTB's claim, which is EUR 3,5

million. Once the write-off is completed, the NPL will become zero.

- Credit Exposure by Business

Unit: EUR thousands

Exposure Class	Loans	Securities	Derivatives	Others	Total
Central governments or central banks	0	0	0	97,088	97,088
Financial institutions	0	0	0	2,409	2,409
Corporate	432,026	0	0	0	432,026
Multilateral development banks	0	0	0	0	0
Total	432,026	0	0	99,497	531,523

- Exposure by Geographic Distribution

Unit: EUR thousands

Exposure Class	Belgium	Other EEC countries	Others	Total
Central governments or central banks	97,088	0	0	97,088
Financial institutions	24	4	2,381	2,409
Corporate	35,225	379,212	20,098	434,535
Multilateral development banks	0	0	0	0
Equity exposures	0	2,498		2,498
Total	132,337	389,337	22,479	536,530

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 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	<ul style="list-style-type: none"> • According to TCB's regulation, the position of derivatives held should be less than 10% of total assets as of the previous year. Additionally, UTB

Principles	Rationale/Measures
	<p>shall only trade derivatives for hedging purposes.</p> <ul style="list-style-type: none"> • 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. • According to NBB’s regulation on IRRBB, the thresholds are as follows: <ul style="list-style-type: none"> - The impact of 200bps parallel increase or decrease on Economic Value \leq 20% of Own funds. - The impact of six shock scenario in EBA’s guideline on Economic Value \leq 15% of Tier 1 capital.

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 2024.

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

Principles	Rationale/Measures
Operation Risk	<ul style="list-style-type: none"> • For the severe major operational risk incident, the tolerance level is “0” cases. • According to the Procedure for Handling Customer Complaints, 3 reported cases are considered a precautionary level, while 5 reported cases are considered a critical level.

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 as all transactions are valued (settled) on a different date than the trading date.
	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. Further explanation can be found in IRRBB.
	Credit Spread Risk in Banking Book	Not Material	Due to UTB's limited size and activities, after the identification of credit spread sensitive items and calculation, UTB believe its credit spread risk is not material. Further explanation can be found in CSRBB.
	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	With the full support of shareholder banks and other financial institutions, the liquidity of UTB is ready to meet its obligations as they fall due. Also, as of 31.12.2024, the LCR is at 134.68%, which is higher than 100% stipulated by the authority. Further explanation can be found in ILAAP report.

	Climate	Material	<p>UTB has conducted an assessment exercise on climate-related and environmental risk. It is concluded that credit risk is the most relevant risk, being directly affected by borrower default and financial stability during climate events, while market, liquidity, operational, and strategic risks are relatively less affected.</p> <p>UTB has developed a plan for stress testing on climate-related and environmental risks. Under all scenarios, the capital ratios are all above the minimum regulatory requirements, indicating that the climate risk embedded in the credit portfolio is well under control.</p>
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 operations, the strategic, capital, and model risks in UTB are minimal.
	Capital	Not Material	
	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:

- UTB has no retail business loans, but only corporate loans that consist of only two types of loans, syndicated and Schuldscheindarlehen loans.
- Loans are primarily senior unsecured term loans with tenors ranging from three to seven years.
- Most of UTB's loan customers are EU-based with no external ratings but with a satisfactory credit profile.

At the end of 2024, UTB has one non-performing loan and has followed "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 focuses on medium-term bonds issued by financial institutions with external ratings surpassing A- for liquidity purposes. As of 31.12.2024, UTB does not hold any bond securities. However, on 04.12.2023, one of UTB's loan assets was converted into shares as part of the borrower's restructuring plan. Consequently, the shares are now recorded on UTB's balance sheet as of 31.12.2024.
- **Due from banks and NBB accounts:**
UTB's due from banks and NBB accounts are also at a low level. UTB currently has two currencies with five counterparties, all of which are of above A- external ratings.

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	35,258,755	35,258,755	0
	Operational	997,288	997,288	0
	Market	22,735	22,735	0
Total Required Capital in Pillar I		36,278,778		
Pillar II	Concentration		2,593,251	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
	Credit Spread Risk in Banking Book		0	0
	Settlement		0	0
	Pensions		0	0
	Insurance		0	0
	Liquidity		0	0
	Climate-related		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			38,872,029	
Total Own Funds at the end of the year	76,167,166		76,167,116	
Available capital (following internal definition)			76,167,116	
Remainder	39,888,338		37,295,087	

As of the end of 2024, UTB's Own Funds were EUR 76.2million, an excess of EUR 39.9 million of the required capital in Pillar I, and also an excess of EUR 37.3million 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 2024, all of the indicators are above the determined value.

Risk Management Index	Evaluation Index	Value	Status*	Memo
Liquidity Risk				
Liquidity Coverage Ratio (LCR)	$\geq 100\%$	134.68%	○	NBB Regulation
Net Stable Funding Ratio (NSFR)	$\geq 100\%$	103.69%	○	EU Capital requirements regulation

11.2.2 Recovery Plan

As of Dec. 31 2024, The LCR is above the determined value in the recovery plan.

Indicators	Minimum Requirement by regulations	Recovery Plan Threshold	Early Warning Threshold	As of 31.12.2024	Compliance
LCR	100%	<102%	<104%	134.68%	All Complied
NSFR Surplus	0	2 million	4 million	13.4 million	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	Balance (31/12/24)	Tenor	Memo
Taiwan Cooperative Bank ¹	All ¹	USD 480 million	EQ USD 81.0 million	Within 6 months	Parent Bank owning 90.02% of UTB
Land Bank of Taiwan	EUR USD	USD 15 million	USD 0 million	Within 6 months	Shareholder Bank owing 4.99% of UTB
Bank of Taiwan	EUR USD	EQ USD 380 million ²	EQ USD 20.8 million	Within 6 months	Shareholder Bank owing 4.99% of UTB
Central Bank of Taiwan ³	USD	(see note 3)	USD 0 million	Within 6 months	-

Mega International Commercial Bank ⁴	EUR USD	EQ USD 70 million	EQ USD 49.9 million	Within 6 months	New counterparty established in 2021
First Commercial Bank	EUR	EUR 7 million	EUR 0 million	Within 6 months	New counterparty established in 2023

Note:

1. TCB will make call loans with different currencies to UTB to cover the UTB needs.
2. Bank of Taiwan includes Taipei (EQ USD 320 million shared with TCB) and Hong Kong Branch(EQ USD 60 million).
3. UTB shares the same Line of Credit of TCB in Central Bank of Taiwan.
4. Mega International Commercial Bank includes the location in London.

- Long-term Funding

Since the implementation of NSFR in June 2021, UTB has consistently secured long-term funding from various financial institutions to support its NSFR position. As of 31.12.2024, the total credit lines reached an equivalent of EUR 557 million. These credit lines are sufficient to support UTB's long-term funding needs and comply with the NSFR ratio given its current asset size. In the meantime, UTB keeps looking for more long-term funding from other financial institutions to diversify its funding source and minimize the funding risk.

High funding Cost: The higher funding cost will have negative impact on net interest income. Rounding differences may exist in the table below.

Currency	Money Market	Loan Facility	Difference (B) - (A)
	All-in-rate (A) (Average)	All-in-rate (B) (Average)	
EUR	3.5604%	3.7479%	+0.1875%

Note :1. Adopt the average rate of December 2024.

2. Due to the fact that UTB's business currently mainly operates in EUR, only EUR is listed on the table above.

The Facility as of the reference date as below.

Counterparty	CCY	Line of Credit	Balance (31/12/24)	Tenor	Memo
Taiwan Cooperative Bank (TCB)	All ¹	EUR 300 million	EUR 66 million	5 years	Parent Bank owning 90.02% of UTB
	EUR	EUR 70 million	EUR 70 million	3 years	
CTBC bank	EUR	EUR 70 million	EUR 70 million	3 years	Counterparty established in 2022
First Commercial Bank(FCB)	EUR	EUR 20 million	EUR 20 million	3 years	New counterparty established in 2023
Chang Hwa Commercial Bank(CHB)	EUR	EUR 30 million	EUR 13 million	3 years	New counterparty established in 2023
Yuanta Commercial Bank	EUR USD	EQ USD 70 million	EUR 50 million	3 years	New counterparty established in 2023

* TCB provides long-term loans with different currencies to UTB to cover the UTB needs

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 Land Bank of Taiwan, Bank of Taiwan, and Mega International Commercial Bank. In 2023, UTB has sought for more counterparties, such as First Commercial Bank.
- To enhance NSFR, UTB has taken corporate customers into consideration. As of December 31, 2024, we have two corporate depository customers. One of UTB's strategies is to absorb more corporate customers of time deposits for longer periods.
- UTB has strived for other sources of long-term funding through various channels. In 2023, UTB acquired four additional 3-year long-term credit facility from financial institutions including First Commercial Bank ("FCB"), Chang Hwa Commercial Bank ("CHB"), Yuanta Commercial Bank and TCB. As of December 31, 2024, the total credit lines reached an equivalent of EUR 557 million. In the meantime, UTB keeps looking for more long-term funding from other financial institutions to diversify its funding source and minimize the funding risk.

11.3.3 Funding strategies and the crisis team in extreme scenarios

With financing sources detailed in section 3.3.1 and steadfast support from TCB, UTB faces minimal funding risk. However, should a funding crisis arise, UTB's strategies can be outlined as follows:

- Dispose assets.
- Modify the liability structure or increasing liabilities.
- Borrow emergency funds from the shareholder banks.
- Request the parent bank tap into emergency funds reserves available from the Central Bank of the Republic of China (Taiwan).
- Redeem outstanding loans before maturity if it is in the strategic interest of the Bank and permit by the loan agreement.
- Utilize the subordinated advances from shareholders: USD10,000,000.

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

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 in this report due to 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 S&P credit rating report dated 10 January 2025, S&P grants TCB issuer credit rating as A+/Stable/A-1. The main consideration of S&P is TCB's implicit support from the Taiwan government, given to TCB's high systemic importance to Taiwan 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.
4	Undrawn committed credit facilities	100%	99%	98%	Unused committed credit facilities is assumed to be put into liquidity T+2 period.

Unit: %

No.	Outflow Items	Base	Medium	Severe	Memo
5	Retail - Current Account EUR	5%	10.00%	25%	% of current account which will be drawn immediately. The rest will be placed on the 6- month period.
6	Retail - Time Deposit EUR	5%	10.00%	25%	% of time deposit due in next 30 days which is considered as outflow. The rest will be placed on the 6-month period.
7	Retail - Current Account USD	10%	12.50%	25%	% of current account which will be drawn immediately. The rest will be placed on the 6- month period.
8	Retail – Time Deposit USD	10%	12.50%	25%	% of time deposit due in next 30 days which is considered as outflow. The rest will be placed on the 6-month period.
9	Wholesale – Current Account EUR	25%	30.00%	35%	% of current account of other financial institution which will be drawn immediately. The rest will be placed on the 6-month period.
10	Wholesale Non-operational – Current Account EUR	40%	80.0%	100%	% of current account of other financial institution which will be drawn immediately. The rest will be placed on the 6-month period.
11	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
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12	Minimum Reserve required by NBB	1.04	This amount cannot be used while considering reserve at NBB as HQLA in 30 days.
13	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

Under general assessment of the results above, UTB can survive at least 30 calendar days in different scenario. Management committee believes the current liquidity management process is sufficient. There is no further recommendation in this report.

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		164		
	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		31		
	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)			195		

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 3, 83° of the Banking Law. 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 22 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 Article 3, 83° of the Banking Law, 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.