

Implementation of Basel III

1. The Basel III issued by the Basel Committee on Banking Supervision (BCBS) on December 16, 2010 aims to promote financial market stability and ensure that banks are better able to withstand economic and financial stress, therefore to support economic growth.
2. Capital Adequacy: In order to assist domestic banks to comply with the Basel III accord, the FSC promulgated the amendments to "Regulations Governing the Capital Adequacy and Capital Category of Banks" on January 9, 2014 and "Methods for Calculating Bank's Regulatory Capital and Risk-Weighted Assets" on November 16, 2017. The regulatory capital requirement was gradually raised annually starting from 2013. Since 2019, the minimum common equity tier 1 ratio, tier 1 capital ratio and total capital adequacy ratio will be up to 7%, 8.5% and 10.5%, respectively.
3. Leverage Ratio: A simple, transparent, and non-risk based leverage ratio is adopted to supplement the risk based capital requirements, and will be effective on January 1, 2018. (BCBS amended the calculation of leverage ratio in 2014. The FSC amended "Illustrations and Forms of Computing Capital and Risk-Weighted Assets" on December 16, 2014.)
4. Third Pillar: For domestic banks to meet the Basel III Pillar 3 requirements, the FSC promulgated the amendments to "Regulations Governing the Disclosure of the Relevant Information Concerning the Capital Adequacy and Risk Management" on May 21, 2013, April 10, 2015 and December 15, 2016. The amendments mandate the disclosure of capital composition, leverage ratio and liquidity coverage ratio. Also, to follow the new document published by the BCBS for Pillar 3 requirements, the FSC amended the regulation on January 9, 2018 to add new form for disclosure of key metrics, net stable funding ratio and remuneration. In addition, to comply with the implementation of IFRS 9, the FSC amended the regulation on August 20, 2018 to adjust the accounting items and instruction for the templates and

tables. Moreover, to comply with the implementation of the treatment of Total Loss-Absorbing Capacity (TLAC) holdings and the counterparty credit risk of derivative financial instrument , as well as central counterparty and fund equity investment , the FSC amended the regulation on July 6, 2020 to adjust the instruction for the templates and tables.

5. Liquidity Standards: The BCBS issued the full text of the Liquidity Coverage Ratio in January 2013. Following the global regulatory standards on bank short-term liquidity, the FSC promulgated "Standards Implementing the Liquidity Coverage Ratio of Banks" and "Methods for Calculating the Liquidity Coverage Ratio" on December 29, 2014, which was effective on January 1, 2015. Furthermore, to be in line with the Net Stable Funding Ratio published by the BCBS to measures the bank's long-term liquidity, in October 2014, the FSC promulgated "Standards Implementing the Net Stable Funding Ratio of Banks" and "Methods for Calculating the Net Stable Funding Ratio" on December 26, 2016, and will take effect on January 1, 2018. The Net Stable Funding Ratio is aim to promote and improve the sound liquidity risk management of the bank to strengthen the stability of financial market under the complementation with Liquidity Coverage Ratio.