2020 Disclosure on Risk Based Capital Requirement under Pillar 3 of Basel II (Unaudited)

Supplemental information to the 2020 Annual Report of CTBC Bank Corp. (Canada)

Notice to Readers

The information contained in this Supplement is to enhance or to add to the information disclosed in the 2020 Annual Report for the purpose of Pillar 3 of Basel II Disclosure requirements. Readers are requested to use the 2020 Annual Report as the primary source of information and refer to this Supplement for additional information. This Supplement has not been audited or independently verified**.** Accordingly readers are cautioned that this Supplement may not be appropriate for their purposes.

1. Approaches for calculating Risk Weighted Asset (RWA) under Basel II

- Credit Risk – Standardized Approach
- Operational Risk – Basic Indicator Approach
- Market Risk – Not applicable

CTBC Bank Corp. (Canada) (CTBC) is not required to calculate Market Risk capital charge. It applies only to banks where the greater of the value of trading book assets or the value of trading book liabilities is at least 10% of total assets and exceeds 1 billion dollar. CTBC does not meet the criteria therefore there will be no capital requirement for Market Risk.

2. Capital Structure

Core Capital (Tier 1) of CTBC is comprised of paid up capital and retained earnings. The Bank does not have Tier 2 or Tier 3 capital.

3. Capital of the Bank

CTBC's Capital Adequacy ratio for the year ended 2020 is 22.77%.

Risk-weighted assets for credit risk	$302,189,000
Risk-weighted assets for operational risk	26,950,000
Risk-weighted assets for market risk	-
Total risk-weighted assets	$329,139,000
Total Capital	$ 74,944,000
RWA Ratio	22.77%

4. Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans to customers and other banks and securities. Detailed information is available in the Bank's 2020 Annual Report.

5. Interest Rate Risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. This risk and potential variability in earnings arises primarily when cash flows associated with interest sensitive assets and liabilities have different repricing dates. The differentials, or interest rate gaps, arise as a result of the financial intermediation process and reflect differences in term preferences on the part of borrowers and depositors. Detailed information is available in the Bank's 2020 Annual Report.

6. Foreign Exchange Risk

The Bank is exposed to foreign exchange risks when part of its US dollar customer deposits are converted to Canadian dollar for lending purposes. Foreign exchange forward contracts are utilized to hedge against currency fluctuation. Detailed information is available in the Bank's 2020 Annual Report.

7. Operational Risk

Operational risk is the risk of loss arising from fraud, unauthorized activities, error, omission, inefficiency, system failure or external events. It is inherent in every business organization and covers a wide spectrum of issues. The Bank manages this risk through a control based environment in which process are documented, authorization is independent and transactions are reconciled and monitored. This is supported by an independent program of periodic reviews undertaken by internal audit to ensure that the Bank stays in line with industry best practices.