Contents

About this Report

01 Sustainability Strategy Blueprint

02 Climate

03 Health

04 Empowerment Strategy

05 Sustainable Finance

06 Sustainable Governance and Risk Management

6.1 Corporate Governance
6.2 Ethical Corporate Management
6.3 Risk Management
6.4 Information Security
6.5 Legal Compliance
6.6 Anti-Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing
6.7 Service Quality and Customer Rights

07 Appendix

6.3 Risk Management

6.3.1 Risk Management Policy

As the business environment becomes increasingly complex, the types of risks and their impact have also become more diversified. The Bank has formulated the "Risk Management Policy" to establish a comprehensive risk management framework. Through steps such as identification, assessment, response, and monitoring, the Bank continuously improves and implements risk management in the operational activities, reducing potential risks, and striving for sustainable business operations.

The Bank's risk management covers multiple dimensions, including market, credit, operational, liquidity, and reputational risks. To ensure a sound capital structure and support steady business growth, the Bank has established corresponding strategies and processes for various risks and has formulated the "Capital Management Policy," "Capital Adequacy Management Guidelines," and "Stress Testing Management Guidelines." Considering factors such as market interest rates, housing price fluctuations, borrower credit ratings, industry changes, and concentration, the Bank regularly conducts regulatory and self-designed stress tests to evaluate financial impacts and to serve as a basis for setting management targets. This ensures that the Bank meets the competent authority's requirements for the "capital adequacy under stress" applicable to Domestic Systemically Important Banks (D-SIBs) and allows response mechanisms to be activated when necessary. For more information on capital adequacy management, please refer to the dedicated section on the Bank's official website.

Considering ESG development trends, the Bank has formulated relevant rules for ESG and climate risks in line with global and industry trends. The "ESG and Climate Risk Management Guidelines" currently serve as the Bank's core framework, under which relevant internal regulations have been established and climate risk appetite statements and limit management mechanisms have been added to strengthen ESG risk management capabilities. The Bank also prudently evaluates the correlations and interactions between ESG and climate risks and other types of risks. Starting in 2025, sustainability risk management and sustainability information management have been incorporated into the "Internal Control Policy" to enhance the effectiveness and resilience of the risk management mechanism.

In addition to implementing the risk management system, Cathay United Bank promotes a sound and comprehensive risk management culture and environment through public disclosure, regular risk management meetings, and education and training. Risk management unit regularly prepare risk management and stress testing reports and submit them to senior management and the Board of Directors so that they can fully understand the Bank's risk profile and formulate relevant business decisions to achieve sustainable development goals.

Board of Directors

Function

As the highest approving authority for the Bank's risk strategy and major risk policies, the Board of Directors approves risk management strategies, policies, and frameworks. The Board of Directors oversees the management outcomes of credit risk, operational risk, capital adequacy management, reputation risk, and emerging risks, and they ensure the appropriate allocation of relevant resources.

Risk Management Committee

Function

The Committee manages tasks related to credit, market, and operating risks. It conducts discussions on key risk management reports, including credit ratings (scoring), market valuations, risk indicators, and capital adequacy ratios, among other relevant topics. Meetings are held monthly and chaired by the Chief Risk Officer.

Risk Management Unit

Function

The Unit operates independently from business units to handle risk management activities (e.g., credit risk, market risk, and operational risk), it identifies, measures, monitors, and responds to risks. The unit convenes regular risk management meetings, reports risk management information to senior management, and issues early warnings to prevent minor issues from escalating.

Audit Department

Function

The Department formulates audit plans, audits, and evaluates internal control-related systems. Tracks and controls the execution status of various units and assists responsible units in improvement efforts.

Contents

About this Report

01 Sustainability Strategy Blueprint

02 Climate

03 Health

04 Empowerment Strategy

05 Sustainable Finance

06 Sustainable Governance and Risk Management

6.1 Corporate Governance
6.2 Ethical Corporate Management
6.3 Risk Management
6.4 Information Security
6.5 Legal Compliance
6.6 Anti-Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing
6.7 Service Quality and Customer Rights

07 Appendix

Building on its risk management functions and reporting mechanisms, the Bank continuously optimizes its risk control system under the core concept of "Automated Efficiency and Intelligent Risk Control" to promote a risk management culture across the organization. On this basis, Cathay United Bank combines the three lines of defense so that business units, risk management units, and audit units can jointly guard against risks, each performing its own duties. Through the establishment of Three-Line Defense, the Bank seeks to ensure the stability of business activities while effectively managing and reducing potential risks and safeguarding the long-term interests of the Bank and its stakeholders.

Three-Line Defense Structure for Risk Management

STEP 1 **First Line of Defense**

The first line of defense comprises the business management units, product units, IT departments, and accounting departments that directly face customers and markets. They are responsible for managing and controlling risks inherent in daily business activities.

STEP 2 **Second Line of Defense**

The second line of defense is responsible for formulating the Bank's overall risk management policies and procedures, monitoring the risk profile of business units, and ensuring alignment with the Bank's risk appetite. This line includes the Risk Management Unit, Compliance Department, and information security departments. Their responsibilities involve overseeing and assessing the effectiveness of risk management practices within business units and reporting risk management outcomes to senior management.

STEP 3 **Third Line of Defense**

The third line of defense is the internal audit unit, which is responsible for auditing and assessing the effectiveness of the internal controls and risk management systems designed and implemented by the first and second lines of defense. It also provides timely recommendations for improvement. Additionally, sustainability-related matters, including ESG risk management and compliance with corporate governance standards, have been incorporated into the audit scope.

6.3.2 Risk Identification and Response Measures

Risk Identification	Risk Management Response Measures	Coverage of Risk Management Reports and Reporting Frequency
Market Risk	Market risk refers to the risk of losses resulting from fluctuations in the prices or volatility of financial market instruments, which in turn affect the value of the Bank's financial assets. This risk is managed through various risk management measures, including setting and managing limits, regular reporting processes, independent monitoring management units, and oversight by senior committees. The adequacy of these management mechanisms is regularly reviewed.	The market risk reporting and measurement system covers portfolio valuation, various limits, profit and loss monitoring, management and calculation, stress testing and scenario analysis, pricing models, and qualitative/quantitative risk reporting or VaR (Value at Risk) analysis. These are regularly reported to the Board of Directors, senior management, and the Risk Management Committee.
Credit Risk	Credit risk refers to the risk that counterparties, including businesses, individuals, and financial institutions, with whom the Bank engages, may fail to fulfill their obligations as agreed, leading to potential financial losses. Engagement includes credit transactions such as lending activities, investment activities, and transactions involving financial products or contracts. Credit risk measurement includes the operation of various mechanisms, including credit approval processes, limit management, credit rating and scoring systems, collateral information, periodic credit reviews, and non-performing asset management. The Bank continuously refines its risk quantification techniques and strengthens its risk measurement models while improving assessment mechanisms such as stress testing to adequately monitor asset quality and proactively adopt necessary precautionary measures when needed.	The regular risk management reports are submitted to the Board of Directors, senior management, and the Risk Management Committee. Please refer to the Traditional Chinese edition of 2025 Annual Report for detailed information.

Contents

About this Report

01 Sustainability Strategy Blueprint

02 Climate

03 Health

04 Empowerment Strategy

05 Sustainable Finance

06 Sustainable Governance and Risk Management

6.1 Corporate Governance
6.2 Ethical Corporate Management
6.3 Risk Management
6.4 Information Security
6.5 Legal Compliance
6.6 Anti-Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing
6.7 Service Quality and Customer Rights

07 Appendix

Risk Identification	Risk Management Response Measures	Coverage of Risk Management Reports and Reporting Frequency
Operational Risk	Operational risk refers to the risk of loss resulting from misconduct or failed internal processes, personnel, systems, or external events, including legal risks but excluding strategic and reputational risks. The Bank employs mechanisms such as operational risk self-assessment, reporting of operational risk events, and regular monitoring of key risk indicators to achieve the objectives of identifying, assessing, and monitoring operational risks, ensuring the effectiveness of risk avoidance and mitigation tools. For business processes executed or managed, risks, causes, impact levels, and relevant control points are identified in order to produce self-assessment results and formulate key risk indicators. Response measures are established according to different levels to effectively monitor and improve operational risk exposure. Operational risk events are also regularly tracked and analyzed to serve as references for improvement plans such as process or system optimization.	Database establishment for operational risk events, and operational risk self-assessment and key risk indicator mechanisms will be executed. The identification and assessment results, as well as the corresponding improvement measures, will be reported to the Risk Management Committee regularly. Relevant risk information will also be included in the semi-annual risk management report presented to the Board of Directors.
Liquidity Risk	Liquidity risk refers to the risk that a financial institution may not be able to obtain funds at a reasonable price within a reasonable time frame to support asset growth or meet maturing liabilities, which may result in losses. The Bank adheres to the principle of maintaining stable liquidity, with conservative estimates of fund requirements. Diversification and stability are valued in fund sourcing, while fund utilization balances safety and profitability, with attention given to diversifying liquidity risk. When significant changes or anticipated changes in liquidity positions occur, relevant business units promptly inform the Finance & Accounting Department and the Market Risk Management Department. If necessary, an Asset and Liability Management Committee meeting may be convened to discuss response measures, with subsequent reporting to the Board for approval.	To manage liquidity risk, the Bank regularly prepares reports to ensure that all liquidity indicators meet liquidity requirements. Additionally, liquidity stress tests are conducted quarterly to assess the Bank's ability to meet repayment obligations in the event of a liquidity crisis. The results of these tests are reported to the Board every six months.
ESG and Climate Risk	Based on the "ESG and Climate Risk Management Guidelines" as the benchmark, and integrating various core functions, corresponding ESG management regulations are formulated to reduce environmental, social, and governance risks, as well as to seize opportunities in these areas. Efforts are also made to optimize internal credit, investment management mechanisms, and enhance external services and products. The Bank adheres to the Group's climate risk appetite statement: "For industries or enterprises sensitive to climate change risks, and regions with high physical risks, if it is assessed that related risks are difficult to manage or control, involvement or undertaking should be reduced or avoided." Accordingly, the "Highly Sensitive Industry Quota Business Management Rules" are established, introducing quota management mechanisms to regularly monitor the use of financing in high-sensitive industry quotas, thereby strengthening climate and natural risk management.	The Bank has established both a "Sustainable Development Committee" and a "Risk Management Committee" to oversee their respective areas. Specialized units regularly report sustainability, ESG, and climate risk-related issues to the Board of Directors.
Reputational Risk	Potential risks to brand value and shareholder equity arising from misconduct by the company or employees, or negative media coverage are identified. The severity, speed of dissemination, and scope of impact of such events are assessed. By promptly notifying events, relevant response measures can be taken, and the negative impact of event development or media coverage can be continuously monitored.	Regularly organize reputation event data for presentation to the Risk Management Committee and reporting to the Board of Directors for verification.
Emerging Risks	Identifying emerging risks that may not yet be apparent but could arise due to changes in the environment or society to assess the significant impact these risks may have on the company's sustainable operations and to promote the Bank's sustainability objectives. This involves identifying and assessing emerging risks, compiling an annual risk map, and planning response and control measures.	Draw an annual risk map, report to the Risk Management Committee, and submit it to the Board of Directors for approval.

Contents

About this Report

01 Sustainability Strategy Blueprint

02 Climate

03 Health

04 Empowerment Strategy

05 Sustainable Finance

06 Sustainable Governance and Risk Management

6.1 Corporate Governance
6.2 Ethical Corporate Management
6.3 Risk Management
6.4 Information Security
6.5 Legal Compliance
6.6 Anti-Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing
6.7 Service Quality and Customer Rights

07 Appendix

6.3.3 Crisis Management and Business Continuity Management

The Bank has established the "Guidelines Governing Contingency Plans for Business Crises" which clearly regulate emergency response measures in the event of liquidity crises, insufficient capital adequacy ratios, or other crises, including disruptions in market clearing operations, significant fines imposed by domestic and foreign regulatory authorities, natural disasters, man-made disasters, outbreaks of infectious diseases, political unrest, and employee strikes.

When a business crisis occurs, in addition to the units responsible for daily management, a crisis management team is established as the highest command unit. This team rapidly and effectively assesses the severity of the crisis, formulates and activates response measures to prevent the crisis from escalating further until it is resolved. The Bank conducts crisis response exercises annually to evaluate the effectiveness, which serves as the basis for review and revision.

To address the risk of significant operational disruptions resulting from major emergencies, the Bank has established a Business Continuity Management (BCM) mechanism. This involves assessing the frequency, impact, and predictability of risk sources to identify high-risk scenarios such as natural disasters, pandemics, or other events. Corresponding strategies and contingency recovery plans are developed to ensure the continuity and resilience of operations. In the event of a major emergency, these plans aim to swiftly restore critical business functions, minimizing losses and safeguarding customer interests. To ensure the continuous operation of information systems, in the event of a significant unexpected disaster in the information system environment, measures are in place to restore normal operations as quickly as possible. The Bank conducts two information system recovery backup exercises annually. In 2025, a total of two off-site backup drills were conducted, all of which were completed successfully and met the objectives of the exercises. In addition, CUB obtained the British Standards Institution (BSI) ISO 22301:2019 certification for Business Continuity Management System in May 2022 and successfully passed the re-certification in 2025. Further details regarding the Business Continuity Management are publicly disclosed on the Bank's Traditional Chinese edition official website.

6.3.4 Risk Management Training

To establish a robust and comprehensive risk management culture and environment, and to implement risk management functions effectively, the results of the risk management and internal control training conducted this year are as follows:

Risk Management and Internal Control Training Results

Risk management and internal control training in 2025	General Risk Management Course
Total Number of Trainees	11,670
Total Training Hours	1,983.90
Completion Rate	99.97 %