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6.5 Legal Compliance

The Bank has established Compliance Department to establish and execute mechanisms for disseminating legal updates, providing training, maintaining contact with legal compliance operations domestically and internationally, and promptly notifying the Board of Directors of any changes, ensuring that all operations comply with legal regulations. The Chief Compliance Officer regularly reports to the President on the implementation of the Bank's legal compliance system and reviews the content. Additionally, at least every half year, reports on the execution of legal compliance operations and the implementation of the Treating Customers Fairly Principle are submitted to the Board of Directors and the Audit Committee. In the event of significant violations of laws or a downgrade by financial regulators, the Directors should be promptly notified, and matters of legal compliance should be reported to the Board and the Audit Committee to effectively supervise and promote the implementation of legal compliance operations throughout the Bank. To comply with regulatory supervision and the recommendations of financial inspections, the Compliance Department continues to plan optimization measures and responses for various legal compliance operations. The Compliance Department also provides opinions on new products, services, or business lines that whether it complies with regulatory requirements of regulatory authorities and internal policies. Through existing channels such as business contact meetings, training, supervisory management, and improvement review, the Bank will continue to supervise the implementation effectiveness of legal compliance affairs in domestic units and overseas branches. The Department will also thoroughly review and improve based on the opinions of regulatory authorities, Cathay FHC, and the Bank's Internal Audit Department, aiming to achieve the goal of full compliance with laws and regulations. The Bank will introduce financial technology to optimize operational processes and establish a compliance system to centrally manage the execution of various legal compliance operations. Additionally, utilizing artificial intelligence (AI) technology to develop tools for analyzing the correlation between internal and external regulations.

2025 Major Regulatory Penalties and Improvement Measures by the Financial Supervisory Commission (FSC)

Reason	Penalty Amount	Improvement Measures
From March to October 2024, a customer service specialist took advantage of their position to apply for reissuance of customers' credit cards without authorization. Before the reissued cards were delivered, the specialist changed the customers' contact information to their own, then used the customers' credit cards on overseas websites to top up the specialist's own and relatives' accounts, and ultimately transferred the funds back to the specialist's own account. A total of 18 customers were affected, and the total amount misappropriated was approximately NT$6.88 million.	NT$12 million fine	The Bank has completed improvement measures for the matters involved in this case, including credit card customer data changes, applications for lost-card replacement and reissuance, adjustments to credit card payment amounts, and inquiries into credit card images. Measures include voice confirmation of customer data changes, strengthened review mechanisms, and tightened system access-right management.

Note: Major penalty cases refer to cases handled in accordance with Article 2 of the Regulations Governing the Public Disclosure of Major Penalties Imposed by the Financial Supervisory Commission for Violations of Financial Laws and Regulations.

Summary Table of Recent Legal Proceedings and Fines

	2024	2025
Number of major penalty cases	1	1
Penalty amount (NTD)	NT$8 million	NT$12 million

Note: Refers to the total monetary loss resulting from legal proceedings related to fraud, insider trading, antitrust, anti-competitive behavior, market manipulation, misconduct, or other related laws or regulations applicable to the financial industry.