

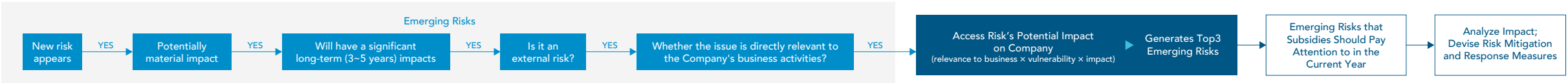
2.4 Risk Management

2.4.3 Emerging and Climate Risk Management and Biodiversity Assessment – LEAP Methodology

Emerging Risk Management

Fubon Financial Holdings refers to the World Economic Forum’s Global Risks Report during its annual overview of the Company’s and subsidiaries’ business development and future prospects and assessment of the major long-term emerging risks of concern. It screens the risks based on their relevance to and potential impact on the business, and how vulnerable the business is to them. In 2025, the Company identified the major long-term emerging risks at the financial holding company level as an "economic downturn" in the economic risk category and "geoeconomic confrontation" and "state-based armed conflict" in the geopolitical risk category. Appropriate responses to these risks were devised and they continued to be monitored.

Emerging Risk Identification Process



	Emerging Risk 1	Emerging Risk 2	Emerging Risk 3
Risk Category	Economic Risk	Geopolitical Risk	Geopolitical Risk
Risk	Economic Downturn (Decline, stagnation)	Geoeconomic Confrontation (Sanctions, tariffs, investment reviews)	State-based Armed Conflict (Proxies, civil wars, coups, terrorism)
Description of the Risk	Central banks adopted tight money policies to blunt high inflation caused by pre- and post-pandemic interest rate volatility, which are detrimental to economic growth. Overall economic growth remains sluggish, leading to a risk of long-term stagnation (three to five years).	Countries restrict the exchange of goods, knowledge, services or technology to gain geopolitical advantage and consolidate their spheres of influence; in the case of China and the United States, the confrontation between the two sides continues to escalate in the areas of trade, sanctions, and investment reviews, and the trend is likely to intensify over the next three to five years.	International armed conflicts are increasingly frequent, unsettling financial markets and hurting the normal operations of countries and companies, creating an unfavorable environment for economic development.
Impact	- Global economic contraction plunges the economy into recession, causing sharp fluctuations in the stock, bond, and foreign exchange markets and less willingness to invest, which puts pressure on long-term corporate revenues. - Overall economic growth moderates while the rising unemployment rate, higher cost of living, and weak GDP growth increases the risk of corporate and personal loans becoming overdue or non-performing, in turn affecting the auction prices of collateral.	- Will lead to supply chain restructuring and the implementation of tighter import and export restrictions, economic sanctions, and investment review systems, heightening foreign exchange and cash flow risks and raising operating costs for companies. That in turn could adversely impact the quality of the financial sector's credit assets and reduce the willingness to invest. - Financial sanctions and the freezing of international assets could trigger volatility in capital markets, negatively affecting global economic growth and financial conditions, leading to a decline in asset prices and economic deterioration.	- International economic and political risks rise, hurting supply chain stability and commodity and energy prices, further exacerbating economic slowdowns and limiting the ability to repay debts. These factors increase the credit risk of sovereign and corporate bonds, fueling greater risk aversion, causing volatility in government bond yields and hurting corporate profits. - Global financial market volatility intensifies, financial asset prices tumble, and the timing of market settlements, cross-border cash flow management, and foreign exchange deposit and remittance operations are adversely affected. As a result, customers face losses on transactions and a higher default rate, and the willingness to engage in transactions falls, leading to a decline in the Company's revenue.
Mitigation Measures	- Established various risk warning indicators and a credit limit monitoring system; regularly conducts stress tests and country risk assessments to inform adjustments in investment and financing positions based on risk conditions. - Established reporting and management rules for material risk events, including immediately assessing positions, and created related risk mechanisms to mitigate potential risk shocks. - Monitors profit and loss fluctuations of held positions on a daily basis and regularly reviews liquidity gap limits as well as external liabilities, current liabilities, and the current ratio. - Continues to track macroeconomic conditions and industry developments and adjust limits and adopt controls as necessary	- Manage country risk based on risk tiers, establish credit limits for different countries, put in place check and warning notification mechanisms, and conduct risk assessments on a regular basis, to provide early warnings of trouble and prompt effective controls that reduce credit risks and credit losses. - Monitor the ability of companies to pass on costs and the flexibility they have on production locations to assess the impact of geoeconomic issues and conflicts on their creditworthiness; adjust currency hedging positions to deal with escalating trade wars. - Monitor the direction of American tariff policies and subsequent changes and conduct stress tests on and reassess the projects of potentially affected clients; at the same time, support government policy by offering financing to SMEs based on reasonable risk controls to lower the impact of U.S. tariffs. - Conduct business continuity management procedures annually and work with the government if an incident occurs to mitigate the likelihood and impact of a business interruption.	

Note: For more details, see the ▶ 2025 Annual Report, pg. 244