



CTBC BANK
中國信託銀行

CTBC Bank Corp. (Canada)
2025 Climate-related Financial Disclosure Report
June 2026



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Notice to Readers

Segmentation and Scope of Application

Small and Medium-Sized Deposit-Taking Institutions (SMSBs) are segmented into three categories in accordance with Office of the Superintendent of Financial Institutions (OSFI)'s Guideline. CTBC Bank Corp. (Canada) ("The Bank") is categorized as Category II SMSB.

Additional Financial Disclosure

Additional financial information for the Bank (including balance sheet details, the statement of comprehensive income, Basel Capital Adequacy Reporting (BCAR) capital components, and allowances for expected credit losses) is available on the OSFI website: [OSFI's Financial Data Websites](#)

Basis of Preparation¹

This report comprises the annual climate-related financial disclosure for the Bank for the fiscal year ended December 31, 2025. This disclosure is prepared in accordance with the mandatory minimum reporting expectations outlined in Annex 2-2 of the OSFI Guideline B-15: Climate Risk Management.

The disclosure is organized across the four core pillars established by OSFI:

1. **Governance:** The Board of Directors (the "Board") oversight and management's responsibility for monitoring, managing, and overseeing climate-related risks and opportunities.
2. **Strategy:** The identified climate-related risks and opportunities that could impact the Bank's business model, operations, and strategy over the short, medium, and long term.
3. **Risk Management:** The Bank's policies, processes, and mechanisms to identify, assess, prioritize, and monitor climate-related risks, and how these processes are integrated into and inform the Bank's risk management framework.
4. **Metrics and Targets:** The quantitative data metrics, including the Bank's Scope 1 and Scope 2 Greenhouse Gas ("GHG") emissions, and the targets used to evaluate performance and monitor progress towards achieving its strategic goals.

¹ The report contains only the minimum climate-related financial disclosure expectations for Category II SMSB for fiscal year-end 2025.



1. Governance

- a) Describe the governance body(ies) (e.g., board of directors, committee, other) or individual(s) responsible for oversight of climate-related risks and opportunities, including their identity, responsibilities, skills, and competencies, process around staying informed, oversight of strategy, major transactions, risk management processes, target setting, and monitoring progress towards those targets, and a description of whether and how climate-related considerations are factored into their remuneration.
- b) Describe management’s role in monitoring, managing, and overseeing climate-related risks and opportunities, including the identity of the management-level position or committee as applicable, its governance processes, controls, and procedures, and how oversight is exercised over that position or committee.

1.1 Board of Directors Oversight

The Board of the Bank consists of seven directors, including at least four unaffiliated directors to ensure a majority. Both affiliated and unaffiliated directors are appointed based on their expertise, skills, experience, and competencies, aligning with the Bank’s strategy, risk profile, and overall operations. Qualifications of affiliated and unaffiliated directors are reviewed by CTBC Bank Co., Ltd. (“Parent Bank”) and the Bank’s Board prior to appointment.

The Board serves as the supreme supervisory body for risk management, including climate-related risk. The Board is responsible for approving, reviewing, and overseeing the Bank’s climate-related business strategies, targets, policies, and major decisions. It supervises the progress and implementation of initiatives concerning climate-related risks and opportunities and ensures the effective operation of the risk management framework and internal controls.

The Bank has not yet incorporated climate-related considerations into performance evaluation or remuneration. The Bank will continue to explore opportunities to integrate climate-related metrics into executive remuneration frameworks moving forward.

1.2 Management Accountability

To comply with OSFI B-15 Guideline (Climate Risk Management) and execute initiatives concerning climate-related risks and opportunities, the Bank has established a Climate Risk Task Force under the Risk Management Committee (“RMC”).



Governance Structure	Climate Risk Task Force	Risk Management Committee
Chairperson/ Supervising Executive	President & Chief Executive Officer, and Chief Risk Officer	Chief Risk Officer
Members	Heads and nominated members of Business and Functional Departments.	President & Chief Executive Officer, and Heads of Business and Functional Departments.
Meeting Frequency	Convenes on an as-needed basis.	Monthly
Primary Responsibilities	<ul style="list-style-type: none"> ▪ Discuss and review climate-related risks and opportunities, report progress and conclusions to RMC. ▪ Coordinate climate risk management execution. ▪ Execute climate-risk matters assigned by RMC. 	<ul style="list-style-type: none"> ▪ Provide guidance on the climate risk management framework and mechanisms. ▪ Review climate risk management policies/guidelines, risk appetite, and risk limits. ▪ Review climate scenario analysis results, management and climate-related disclosure reports.

2. Strategy

Describe the climate-related risks and opportunities the FRFI has identified that could reasonably be expected to affect its cash flows, access to finance or cost of capital, including:

- The classification of each climate-related risk as either physical or transition risk;
- The expected timeframe for the occurrence of effects associated with each risk and opportunity (short, medium, or long term);
- The FRFI's definitions of 'short term,' 'medium term,' and 'long term' in relation to strategic decision-making planning horizons.

Business model and value chain

Describe:

- the current and anticipated effects of climate-related risks and opportunities on the FRFI's business model and value chain;
- where in the FRFI's business model and value chain the climate-related risks and opportunities are concentrated.

Strategy and Decision making

Disclose information about current and anticipated:

- changes to the FRFI's business model, including its resource allocation, to address climate-related risks and opportunities;
- direct mitigation and adaptation efforts;



- indirect mitigation and adaptation efforts.

Financial position, financial performance, and cash flows

Describe:

- how climate-related risks and opportunities have affected the FRFI’s financial position, financial performance, and cash flows for the reporting period;
- how the FRFI expects its financial position, financial performance, and cash flows to change over the short, medium, and long term, given its strategy to manage climate-related risks and opportunities.

2.1 Climate-related Risks

Risk Factor	Description of Impacts	Corresponding Traditional Financial Risks	Impact Timeframe ²
Transition Risk			
Policy and Legal	<p>1. Regulatory authorities are implementing sustainability and climate-related regulations to promote climate adaptation.</p> <p>Key initiatives include:</p> <ul style="list-style-type: none"> ▪ The Federal Government's Greenhouse Gas Pollution Pricing Act (such as the output-based pricing system for large industrial emitters). ▪ Canada’s commitment to achieve net-zero emissions by 2050. <p>These mechanisms increase carbon emission costs for borrowers in carbon-intensive sectors and increase costs of services or products from carbon-intensive suppliers, thereby compressing profit margins and reducing cash flows of the Bank’s corporate borrowers.</p>	Credit Risk	Short, medium, and long term

² Short term (within 1 year); medium term (1-5 years); long term (more than 5 years).



Risk Factor	Description of Impacts	Corresponding Traditional Financial Risks	Impact Timeframe ²
	<p>2. Phased implementation of mandatory corporate disclosure standards increases legal, compliance, and operational costs and heightens non-compliance risks for both the Bank and its corporate borrowers.</p> <p>Examples:</p> <ul style="list-style-type: none"> ▪ OSFI’s B-15 Guideline for the Bank; ▪ Canadian Sustainability Disclosure Standard 1 (CSDS 1) (General Requirements for Disclosure of Sustainability-related Financial Information) and Canadian Sustainability Disclosure Standard 2 (CSDS 2) (Climate-related Disclosures) for large, federally incorporated entities. 	Credit Risk; Business and Strategic Risk; Legal and Compliance Risk	Short, medium, and long term
Technological Transformation	Corporate borrowers deploy resources to transition to low-carbon or energy-efficient operations. These investments may increase capital expenditures, raise development costs, and heighten operational uncertainty.	Credit Risk	Medium and long term
Market Preference	As global consensus on energy conservation and emissions reduction gradually matures, long-term structural changes are altering market supply, demand, and consumer preferences. This results in declining market interest in investing or financing carbon-intensive sectors and reduced consumer demand for high-emission, energy-consuming products, thereby reducing the revenues, profitability, and viability of certain corporate borrowers.	Credit Risk	Medium and long term



Risk Factor	Description of Impacts	Corresponding Traditional Financial Risks	Impact Timeframe ²
Reputation	Increased industry stigmatization and negative stakeholder sentiment on carbon-intensive sectors may damage the brand equity of these sectors. This may restrict their capital access, making it more difficult for these companies to fund their operations.	Credit Risk	Medium and long term
Physical Risk			
Acute	An increase in the frequency and severity of extreme weather events, such as severe flooding or wildfires in British Columbia may affect corporate borrowers' business operations. Furthermore, these events cause damage to commercial and residential real estate collateral, damages to the Bank's office and branch locations, and disruptions to the Bank's operations.	Credit Risk; Operational Risk	Short, medium, and long term
Chronic	Shifts in long-term climate patterns, such as rising mean global temperatures, lead to increased electricity consumption for air conditioning and lower labour productivity. This results in higher operating costs and lower revenues for both the Bank's own operations and its corporate borrowers.	Credit Risk; Operational Risk	Medium and long term

2.2 Climate-related Opportunities

Opportunity Type	Description of Impacts	Impact Timeframe ²
Resource Efficiency	<ul style="list-style-type: none"> Continue supporting digital banking services, electronic statements, and paperless processes internally and externally (e.g., paperless approval mechanisms, email communications, and virtual meetings internally across departments and externally with clients) to improve operational efficiency and reduce paper consumption. 	Short, medium, and long term
Products and Services	<ul style="list-style-type: none"> For Commercial Banking, enhance existing and develop new low-carbon emission services or climate adaptation lending solutions (via capitalizing on CTBC Financial Holding Co., Ltd.'s global network) that are tailored to 	Medium and long term



Opportunity Type	Description of Impacts	Impact Timeframe ²
	<p>customers' preferences, thereby strengthening the Bank's market competitiveness.</p> <ul style="list-style-type: none"> ▪ For Retail Banking, monitor customer demand for financing related to home improvements and residential property upgrades through existing mortgage and personal lending products. 	
Low-carbon Markets	<ul style="list-style-type: none"> ▪ In accordance with the implemented sustainable finance guidance and framework, proactively reach out to clients in low-to-mid carbon emission businesses and avoid carbon-intensive sectors. ▪ In alignment with business plans for Commercial Banking, explore opportunities in structured finance collaboration with other financial institutions and Parent Bank in ESG or green industries for loan diversification. 	Short, medium, and long term
Resilience	<ul style="list-style-type: none"> ▪ Continue maintaining diversified residential mortgage and commercial lending portfolios in accordance with the Bank's ESG initiatives and internal policies, and applying prudent underwriting standards, property valuation reviews, and insurance requirements. ▪ For Commercial Banking, seek opportunities in ESG-related lending collaboration with other financial institutions and Parent Bank. 	Short, medium, and long term



2.3 Climate-related Strategy Objectives

Short-term goals (within 1 year)	Mid-term goals (1-5 years)	Long-term goals (more than 5 years)
<ul style="list-style-type: none"> ▪ Continue to monitor regulatory developments and industry practices relating to climate-related risks. ▪ Continue to manage and execute the Bank’s ESG initiatives in accordance with internal policies. ▪ Continue to conduct regular stress tests on clients in accordance with internal policies and guidelines. ▪ Continue to apply existing mortgage underwriting, property valuation, and insurance requirements. ▪ Continue to support digital banking initiatives and paperless customer service processes. ▪ Provide staff with ESG-related knowledge regularly. 	<ul style="list-style-type: none"> ▪ Regularly review the Bank’s low-carbon transformation strategy across its banking operations. ▪ Assess the Bank’s exposure to high-carbon emission clients and continue reviewing portfolio concentrations and mortgage and lending portfolio performance. ▪ Monitor emerging customer demand and market developments relating to commercial lending, residential real estate, and home improvement financing. ▪ Cultivate professionals in climate risk and strengthen bank-wide governance related to climate risk. 	<ul style="list-style-type: none"> ▪ Continue supporting responsible residential and commercial lending practices. ▪ Continue monitoring developments that may affect commercial and residential property markets and customer borrowing needs. ▪ Continuously improve the depth and breadth of climate risk scenario analysis and stress testing of the lending portfolio. ▪ Continuously establish adequate climate risk financing policies, progressively transforming toward sustainable business development. ▪ Gradually optimize the Bank’s climate risk control mechanisms. ▪ Gradually increase the Bank’s contributions to local low-carbon financial services and economy.

3. Risk Management

a) Disclose information about the FRFI’s processes and related policies for identifying, assessing, prioritizing, and monitoring climate-related risks. In meeting this disclosure expectation, the FRFI should explain how it has applied Principle 3³, and its supporting paragraphs, in Chapter 1 of OSFI B-15 Guideline.

b) Disclose information about the FRFI’s processes for identifying, assessing, prioritizing, and monitoring climate-related opportunities including information about whether and how the FRFI uses climate-related scenario analysis to inform its identification of climate-related opportunities.

³ Principle 3: The FRFI should manage and mitigate climate-related risks in accordance with the FRFI’s Risk Appetite Framework.



c) Disclose information about the extent to which, and how the FRFI's processes for identifying, assessing, prioritizing, and monitoring climate-related risks and opportunities are integrated into and inform the FRFI's overall risk management process.

3.1 Enterprise Risk Management Framework (ERMF)

3.1.1 Risk Appetite

The Bank defines Risk Appetite as the level of risk it chooses to take in pursuit of its vision and business objectives. Approved by the Board, the Bank's Risk Appetite Statement explicitly incorporates climate-related risk considerations. It mandates that the Bank shall promote corporate sustainability through its financial services and establish measures to manage Environmental, Social, and Governance (ESG) risks. Quantitative or qualitative indicators are established to monitor and manage climate-related risk exposures against the defined risk appetite.

3.1.2 Risk Management Mechanisms

Climate risk management is integrated into the Bank's ERMF through the following mechanisms:

- **Enterprise-wide Risk Profile Assessment:** Climate risk is integrated into periodic risk assessments, where climate risk metrics are incorporated into the inherent risk assessment and the review of risk management quality incorporates senior management's evaluations of the adequacy and effectiveness of climate risk controls.
- **Internal Capital Adequacy Assessment Process (ICAAP):** Climate risk scenario analysis results are integrated into the Internal Capital Adequacy Assessment Process (ICAAP), enabling the Bank to assess the impact of climate risks on its capital and ensuring that the Bank remains adequately capitalized under severe, adverse climate-related risk events.
- **Risk and Control Self-Assessments (RCSA):** Business Units and Functional Units conduct periodic self-assessments to identify significant climate-related risks and establish appropriate key control measures and monitoring indicators to mitigate these risks.
- **Business Continuity Management:** To mitigate operational risks, the Bank maintains robust business continuity management mechanisms, including Business Impact Analysis (BIA), Business Continuity Plan (BCP), Disaster Recovery Plans (DRP), and regular testing or drills. These measures ensure coordinated incident response and the timely resumption of normal operations to reduce losses from climate-related events or natural disasters.



3.1.3 Three Lines of Defense

Climate risk management is a shared responsibility across all relevant functions within the Bank, operating under a Three Lines of Defense mechanism.

- **First Line of Defense:** Business and Support functions are responsible for complying with regulatory and internal policies, identifying, assessing, and managing climate-related risks and opportunities, and executing risk controls in daily operations.
- **Second Line of Defense:** Compliance and Risk Management functions establish climate risk management frameworks, monitor risks in business operations, and provide independent oversight and guidance to the first line of defense.
- **Third Line of Defense:** Internal Audit function independently assesses compliance and implementation of climate risk regulations and mechanisms, evaluates the effectiveness of climate risk controls, and audits the activities of the first and second lines of defense.

Climate risk management framework involves active participation, promotion, and execution from the Board, senior management, and all employees. A bottom-up approach ensures emerging risks are reported and escalated appropriately, while top-down communication enforces alignment with the Bank's risk strategy. Cross-functional coordination ensures consistent application of policies across all business lines.

3.1.4 Policies and Procedures

The Bank has integrated its climate risk management framework into various policies and procedures to ensure the identification, assessment, prioritization, and monitoring of climate-related risks and opportunities. Climate-related considerations are incorporated into existing risk management processes where relevant and proportionate to the Bank's size, complexity, and business activities. This includes:

- Risk Management Policy
- Corporate Core Credit Policy
- Guidelines for Corporate Loans Applicable to the Equator Principles
- Guideline for Sustainable Finance in Institutional Banking
- Internal Control Standard

In the "Guideline for Sustainable Finance in Institutional Banking", risk management mechanisms establish clear guidance for managing ESG risks within our commercial portfolio. During the loan application and review process, Business Units shall evaluate potential climate risk exposure. If a significant ESG risk is identified or if a borrower experiences a severely negative climate-related



event, its impact shall be evaluated and disclosed in the credit report and managed with appropriate Terms and Conditions.

In addition, the Guideline defines the following ESG or climate-related risk categories:

Category	Definition	Credit Appetite & Management Principles
ESG Exclusion List	Business activities involving: <ul style="list-style-type: none"> ▪ Crimes ▪ Terrorism ▪ Armaments ▪ Pornography ▪ Threats to public security. 	Prohibited.
ESG Sensitive Sector	Sectors highly vulnerable to ESG risks and impacts, defined as: <ul style="list-style-type: none"> ▪ Thermal coal extraction: Borrower generates > 25% of revenue from thermal coal extraction. ▪ Thermal coal power generation: Borrower generates >25% of power from coal-fired electricity. ▪ Tobacco: Borrower generates >10% of revenue from tobacco production (excluding cigarette wrapping or packaging). ▪ Unconventional oil & gas extraction: Borrower generates >10% of revenue from unconventional oil and gas extraction, including oil sands, shale, arctic, and ultra-deep-water sources. 	Prohibited, except for state/local government-owned entities, or credit facilities for sustainability-related purposes.
Carbon Intensive Sector	Sectors that generate high levels of GHG emissions, defined as: <ul style="list-style-type: none"> ▪ Power generation: Borrower generates >25% of power from coal, oil, or natural gas. ▪ Marine shipping & airlines: Borrower generates >25% of revenue from marine shipping or air transportation services. 	Enhanced due diligence is required. Transition risk controls include: <ul style="list-style-type: none"> ▪ Collecting GHG emissions data. ▪ Assessing climate-related risks, opportunities, and corresponding measures (e.g., climate transition or adaptation plans). ▪ Implementing risk mitigation measures (e.g., performance covenants).



Category	Definition	Credit Appetite & Management Principles
	<ul style="list-style-type: none"> ▪ Iron & steel smelting: Borrowers in the upstream or midstream of iron and steel industry chain: <ul style="list-style-type: none"> • >25% of revenue from producing steel via blast/electric furnace or hot-rolled products (also applies to non-ferrous metal smelting). ▪ Cement: Borrowers in the midstream of cement industry chain: >25% of revenue from producing cement or cement clinker. ▪ Petrochemical: Borrowers in the upstream or midstream of petrochemical and plastic rubber industry chain with >25% of revenue from: <ul style="list-style-type: none"> • Refining or cracking crude oil, coal to produce fuels and plastic raw materials; or • Manufacturing chemical raw materials via chemical reactions. ▪ Fossil fuel mining: <ul style="list-style-type: none"> • >25% of revenue from coal, petroleum, natural gas, or oil shale extraction; or • >10% of revenue from oil sands exploitation. 	

As of fiscal year-end 2025, the Bank has no credit exposures to the categories listed above.

To manage physical risk, when a borrower's headquarters, major operations, or real estate collateral are located in climate-vulnerable areas, specific control measures shall be imposed to mitigate potential credit and operational losses from acute or chronic physical climate events. These control measures include, but are not limited to, the imposition of climate-related terms, mandatory catastrophic insurance coverage, tightened collateral haircuts, and loan-to-value (LTV) ratio adjustments.



For Retail Banking, climate-related considerations are currently addressed through existing retail lending and portfolio management practices, including:

- Property appraisal and collateral assessment
- Property insurance requirements
- Loan-to-value limits
- Borrower repayment capacity assessment
- Credit adjudication and approval processes
- Ongoing portfolio monitoring.

3.2 Integrated Climate Risk Management

3.2.1 Risk Identification and Assessment

Transition and physical risks pose potential impacts on the Bank's operations and business activities. In addition to causing operational risk losses to the Bank's own operations, climate risk factors may affect the risk profiles of our counterparties through micro- and macro-economic transmission channels, thereby increasing exposures to existing risk categories (e.g., credit, liquidity, and operational risks). The Bank's identification of the impacts of climate-related risks and their transmission channels is summarized below:



Risk Category ⁴	Description of Climate Risk Factors & Transmission Channels
Credit Risk	The operations, assets, and services of counterparties (e.g., borrowers, guarantors) may be impacted by transition risks (e.g., deteriorating financial conditions due to rising carbon emission costs). Additionally, their assets and operations may be affected by damage or disruptions from physical risk events (e.g., severe flooding submerges real estate properties). These factors can result in an increased Probability of Default (PD) for the counterparty, or a higher Loss Given Default (LGD) for underlying collateral.
Operational Risk	Extreme weather events may impact branch operations, the Bank's physical assets and equipment, or third-party outsourcing arrangements, causing personnel casualties, asset damage, or operational disruptions, thereby resulting in operational risk losses.
Liquidity Risk	Climate risk factors may cause sudden shifts in customer liquidity demands (such as accelerated deposit withdrawals or sudden large drawdowns of credit facilities). These actions impact the Bank's net cash flows and liquidity buffers, thereby elevating liquidity risk.
Legal Risk	Failure to comply with regulatory changes, such as climate-related disclosure requirements in OSFI's B-15 Guideline, could increase legal and compliance costs.
Reputational Risk	As market and consumer preferences shift toward climate- and environmentally friendly products, services, and business practices, public and stakeholder expectations regarding the Bank's social responsibility in supporting ESG and sustainability initiatives rise. If the Bank fails to meet these expectations, it faces heightened reputational risk.
Strategic Risk	If the Bank fails to respond to changing market conditions or implement effective strategies that align with consumer preferences for environmentally and climate-friendly practices, it may lose its market position and competitiveness.

⁴ The Bank concludes the impact of climate risks on market risk to be immaterial considering that the Bank does not engage in trading or investment activities, and its exposure to foreign exchange risk primarily arises from transactional or operational activities in the banking book (e.g., currency exchanges for clients) and from mismatches between foreign currency-denominated assets and liabilities.



3.2.2 Risk Measurement

A. Transition Risk Measurement

- Identify corporate borrowers in carbon-intensive sectors and monitor their credit exposures⁵.
- Collect or estimate GHG emissions data, calculate and analyze carbon footprints.

B. Physical Risk Measurement

- Identify geographic areas potentially impacted by natural disasters under climate change scenarios and evaluate the impacts on the Bank’s own assets, credit exposures, and underlying collateral.

3.2.3 Climate Risk Scenario Analysis

A. Climate Transition Risk

Risk Type	Credit Risk				
Climate Scenarios & Methodology Provider	OSFI's Standardized Climate Scenario Exercise (SCSE)				
Climate Scenarios	<ul style="list-style-type: none"> ▪ Below 2°C immediate: Immediate policy actions taken to limit average global warming to below 2°C by 2100. ▪ Below 2°C delayed: Delayed policy actions taken to limit average global warming to below 2°C by 2100. ▪ Net-zero 2050 (1.5°C): More ambitious, immediate policy actions to limit average global warming to 1.5°C by 2100, incorporating current net-zero commitments by some countries. 				
Portfolio Coverage	Commercial Real Estate (CRE) and Commercial & Industrial (C&I) loan portfolios ⁶				
Scenario Years	2030, 2035, 2040, 2045				
Baseline Data	December 31, 2025				
Balance Sheet Assumption	Static balance sheet				
Scenario Analysis Results	Metric	2030	2035	2040	2045
	Delta ECL (%) Range Across Scenarios	+0.16%~+0.17%	+0.17%~+0.17%	+0.17%~+0.18%	+0.17%~+0.19%

⁵ As of fiscal year-end 2025, the Bank has no credit exposures to carbon-intensive sectors.

⁶ Unlike SCSE methodology, all commercial loans within the portfolio are evaluated, and no materiality thresholds are adopted.



Observations and Analysis	<ol style="list-style-type: none"> 1. Trends Across Scenarios: The scenario horizon correlates directly with an increasing impact on ECL. The portfolio impact peaks in the 2045 projection year. 2. Obligor Comparison: Borrowers with better internal credit risk ratings exhibit a lower increase in ECL across all industries and scenarios. This trend indicates that companies with stronger financial profiles demonstrate greater resilience against severe climate transition policies. 3. Scenario-specific Observations: <ul style="list-style-type: none"> ▪ The Immediate Scenario exhibits a gradual and slightly lower increase in the additional ECL rate over time. ▪ The Delayed Scenario exhibits a steeper increase in credit risk during later projection years. This trend aligns with the underlying scenario assumption that new climate policy implementations are deferred until 2030, requiring more aggressive policy adjustments thereafter to compensate for lost time. ▪ The Net-Zero 2050 Scenario exhibits the highest overall ECL rate across all scenarios and years⁷.
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B. Climate Physical Risk

Risk Type	Credit Risk		
Physical Risk Hazard	Flooding (fluvial, pluvial, and coastal)		
Climate Scenario	1-in-100-year flood scenario referencing the Bank of Canada’s research, “Climate-Related Flood Risk to Residential Lending Portfolios in Canada ⁸ .”		
Portfolio Coverage	Total loan portfolios, including CRE, C&I, and residential mortgages.		
Baseline Data	December 31, 2025		
Scenario Analysis Results	Metric	1-in-100-year Return Period	
	Delta ECL rate (bps)	+0.26 bps	

⁷ While the Net-Zero 2050 scenario drives the highest impacts, the Bank notes that the absolute ECL impacts modeled across scenarios and scenario horizons may be underestimated due to the following methodological limitations:

- The current scenario analysis captures only the direct impacts of transition policy adjustments on macroeconomic factors and counterparties, neglecting indirect impacts such as credit risk stemming from business disruptions.
- Physical risk impacts resulting from a delayed or disorderly climate policy implementation are excluded from the scenario setting, potentially underestimating the Bank’s climate-related ECL.

⁸ Given the complex, highly uncertain, forward-looking nature of climate risks, the Bank currently faces data and methodological limitations in developing flood risk models or estimating flood risk impacts on real estate values. Therefore, the Bank references LGD parameters derived from industry research to estimate its ECL impact. Looking ahead, we remain committed to refining our methodologies, incorporating new data, and expanding both scenario and portfolio coverage to inform strategy and decision making, and support the identification of climate-related opportunities.



3.2.4 Risk Monitoring and Reporting

The Climate Risk Task Force and Risk Management function provide regular reporting to the Board and the management team on:

- Climate risk indicator exposures and trends
- Climate risk scenario analysis results
- Risk profile assessments, ICAAP, and self-assessment results
- Incident reporting and climate-related risk issues

This reporting ensures that the Board and management team maintain a clear and timely understanding of the Bank's climate risk profile, driving informed strategic planning and risk management.

4. Metrics and Targets

- a) Disclose metrics used by the FRFI to assess climate-related risks and opportunities in line with its strategy and risk management process.
- b)
- Disclose separately the FRFI's Scope 1 and location-based Scope 2 absolute gross GHG emissions for the period.
 - Disclose the measurement approach, inputs, and assumptions the FRFI uses to measure its Scope 1 and Scope 2 GHG emissions, and the underlying reasons for these decisions.
 - Disclose the reporting standard used by the FRFI to calculate and disclose GHG emissions. If the reporting standard used by the FRFI is not the GHG Protocol Corporate Standard, disclose how the reporting standard used by the FRFI is comparable.
- c)
- Disclose any quantitative and qualitative climate-related targets the FRFI has set to monitor progress towards achieving its strategic goals, including:
 - The objective of the target;
 - The period over which the target applies;
 - The base period from which progress is measured;
 - Any revisions to the target and an explanation of those revisions;
 - Disclose information about the FRFI's approach to setting and reviewing each target and how it monitors progress against each target;
 - Disclose information about the FRFI's performance against each climate-related target and an analysis of trends or changes in the FRFI's performance.



For any GHG emissions target disclosed (and the corresponding metrics, if applicable), disclose it both gross of, and net of, carbon offsets, if applicable, and explain the type of offset (for example, carbon credit, nature-based, other.)

4.1 Operational Emissions

The Bank's operational greenhouse gas (GHG) emissions are surveyed annually. The historical data and intensity metrics for the past two years are summarized below:

Greenhouse Gas (GHG) Emissions (ton CO ₂ e) ⁹	2024	2025
Scope 1: Gasoline Consumption for Company Fleet	3.10	3.78
Scope 2: Electricity Consumption by Offices	4.65	5.24
Total Operational Scope 1 and Scope 2 Emissions	7.75	9.02
Total Number of Employees ¹⁰	62	60
Total Operational Scope 1 and Scope 2 Emissions Per Employee	0.13	0.15

4.2 Targets and Good Practice

Item	Action Plan	Target
Electricity	<p>1. Email Notices (Quarterly) Key reminders:</p> <ul style="list-style-type: none"> ▪ Switch off unused equipment. ▪ Turn off lighting and monitors before leaving. ▪ Power off meeting room equipment and switch off lights after use. ▪ Minimize lighting during non-office hours. <p>2. Notice Board</p> <ul style="list-style-type: none"> ▪ Display posters on energy saving, water saving, and recycling. ▪ Place “Energy Saving” labels near switches. 	Achieve a 0.1% reduction in electricity consumption Year-over-Year.

⁹

(1) Reporting standard: GHG Protocol Corporate Accounting and Reporting Standard

(2) Calculation Methodology:

- GHG Emissions = Activity Data × Emission Factor × Global Warming Potentials (GWPs)

- Sources of Emission Factors:

- Electricity: Government of Canada, Department of Environment and Climate Change, Emission Factors and Reference Values, Version 3.0

- Gasoline: Intergovernmental Panel on Climate Change (IPCC) 2006 Guidelines for National Greenhouse Gas Inventories

- Source of GWPs: IPCC’s Sixth Assessment Report (AR6, 2021)

(3) Third-Party Assurance: Emissions for both reporting years have been independently verified by Brightspot Climate Inc.

¹⁰ The number is based on the fiscal year-end data, including full-time, part-time, and contract employees.



Item	Action Plan	Target
Paper	<p>1. Email Notices (Quarterly) Key reminders:</p> <ul style="list-style-type: none"> ▪ Think before printing. ▪ Use double-sided printing. ▪ Use recycled paper. ▪ Reduce tissue usage. ▪ Bring reusable cups and cutlery. ▪ Reduce daily waste. <p>2. Notice Board</p> <ul style="list-style-type: none"> ▪ Display environmental protection posters. ▪ Place “Paper Saving” reminders near printers and copiers. 	Achieve a reduction in copy paper ordering.
Water	<p>1. Email Notices (Quarterly) Key reminders:</p> <ul style="list-style-type: none"> ▪ Turn off taps tightly after use. ▪ Report any water leakage immediately. ▪ Avoid unnecessary water usage in the pantry and washrooms. ▪ Do not leave water running unnecessarily. <p>2. Notice Board</p> <ul style="list-style-type: none"> ▪ Display “Save Water – Every Drop Counts” signs. ▪ Promote proper use of taps (turn off after use). ▪ Provide water-saving tips in the office environment. ▪ Report leaks and provide maintenance contacts. 	Complete quarterly awareness communications.