

Policy on Anti-Money Laundering and Combating the Financing of Terrorism

The Chugoku Bank Group (hereinafter, the “Bank Group”) recognizes that measures for anti-money laundering and combating the financing of terrorism (hereinafter, “AML/CFT”) is a priority task required not only domestically but also from the rest of the global community. Based on this recognition, the Bank Group shall take the initiative in establishing the management system in which it shall execute agile and effective responses to ever-changing international situations and the risks facing the Bank Group, and set forth the following policy as a basis for execution of operations.

1. Management Policy

In order to execute agile and effective responses to changes in international situations, the Bank Group shall take proactive steps to establish and maintain the management system based on the concept of “risk-based approach,” in which it shall identify and assess its money laundering and the financing of terrorism (hereinafter, “ML/FT”) risks in a timely and appropriate manner and take mitigation measures that are proportionate to the risks.

2. Organizational Structure and Officer

The Bank Group shall define AML/CFT as one of its critical management task and shall clarify the internal roles and responsibilities for that purpose. The Bank Group shall appoint the officer in charge of the Corporate Administration Department or the duty executive officer of Chugin Financial Group, Inc. as the supervisory manager for AML/CFT. The Corporate Administration Department shall act as the centralized function to ensure the execution of the measures.

3. Measures for AML/CFT under Laws and Regulations

The Bank Group shall establish an internal system capable of carrying out timely and appropriate measures for AML/CFT under laws and regulations, including, but not limited to, verification at the time of transaction, retention of transaction records, confirmation of sanctions including freezing of assets, and notification of suspicious transactions.

4. Administration of Customer Information and Policy for Handling Customers

The Bank Group shall establish an internal system for making appropriate investigations about the basic information of customers in the course of the transactions with them and for carrying out measures that are proportionate to their attributes. Furthermore, the Bank Group shall determine and carry out required risk mitigation measures by way of making periodic investigations and analyses on the history of transactions with customers.

5. Transaction Monitoring and Screening

The Bank Group shall determine and carry out required risk mitigation measures by way of investigating and analyzing the status of transactions by the use of reports submitted by its branches or detection made by its computer systems for any unusual transactions or transactions subject to sanctions.

6. Management of Correspondent Banks

The Bank Group shall endeavor to collect sufficient information about its correspondent banks, conduct an appropriate assessment on them, and carry out appropriate measures that are proportionate to the risks involved. No relationship shall be established or maintained with any shell banks without a physical presence or operations.

7. Development Training of Directors and Employees

The Bank Group shall continually conduct training or other programs for all of its Directors and employees to deepen their understanding and raise their awareness of AML/CFT, in an effort to develop and retain human resources having expertise and fitness for the given roles.

8. Verification of Status of Compliance

The Bank Group shall inspect the status of compliance with regard to AML/CFT, and based on the results of such inspections, shall continually make efforts to improve its risk management system against ML/FT.