

## Internal Auditing System

The Bank established the “Internal Audit Division” as an internal oversight unit independent from other businesses and affairs of the Bank. The mission of the Internal Audit Division is to validate and evaluate the management and operations of all business activities in terms of the appropriateness and effectiveness of internal controls. Based on the Division’s reports on its audit results and recommendations of issues to be improved, the Bank sustains and/or improves the appropriateness of its business operations.

The scope of the internal audits is all operations by all divisions and branches of the Bank and operations by its consolidated subsidiaries and equity-method affiliates that are compliant with laws and regulations. These audits are conducted in accordance with the Bank’s three-year mid term audit plan and its yearly audit plans decided by the Board of Directors.

In the course of establishing audit plans, the Internal Audit Division implements risk assessments of all operations subject to auditing and determines the key audit points (e.g., validating the appropriateness of operations with respect to risk management and compliance with laws and regulations) and the frequency and depth of audits in accordance with the type and degree of risk in a given division. As such, the plans serve as road maps for conducting effective and efficient internal audits.

Audit results are reported to the President and the Auditors. The audited division is then notified of the results by the Internal Audit Division, with periodic follow-up audits conducted to assess the status of efforts to improve problems indicated in the audit report. Moreover, audit summaries are presented to the Board of Directors on a quarterly basis, with particularly important items quickly reported to the Board of Directors, the President and the Auditors, and when necessary the Supervisory Committee.

The Asset Audit Department established within the Internal Audit Division works to ensure the soundness of assets by validating that internal ratings, self-assessments, write-offs and reserves are all correct and appropriate.

