E.SUN Bank Risk Management Policy

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Chapter I General Provisions

Article 1 In order to effectively identify, measure, monitor, and control various risks, this Risk Management Policy (hereinafter referred to as "this Policy") is established in accordance with the "E.SUN Financial Holding Company Risk Management Policy and Guiding Principles" to serve as an important basis for risk management.

Article 2 All units of the Bank (including overseas branches) shall conduct their respective businesses in accordance with this Policy, ensuring that any risks arising from their operations are controlled within acceptable limits. Furthermore, the goal of achieving a balance between risk and return shall be met while ensuring capital adequacy.

Chapter II Risk Management Objectives

Article 3 The main objectives of the Bank's risk management are as follows:

1. Enhance the Bank's reputation.
2. Establish a risk culture.
3. Optimize the use of capital.
4. Provide strategic management decision recommendations.

Chapter III Risk Management Organization

Article 4 The organization and responsibilities related to the Bank's risk management are as follows:

1. Board of Directors
   (1)The Board of Directors is the highest decision-making unit for establishing an effective risk management mechanism in the Bank and bears the ultimate responsibility for overall risk management.
   (2)The Board of Directors, finalizes the overall risk management policy and significant decisions based on the overall operational strategy and business environment to ensure the effective operation of the risk management mechanism.
2. Risk Management Committee

Executes the risk management decisions approved by the Board of Directors, integrates cross-departmental resources, and supervises the coordination, execution, and operation of various risk management mechanisms.

3. Risk Management Division (RMD)

   Integrates the review, supervision, and coordination of various risk management mechanisms within the Bank, and responsible for formulating risk management policies and principles followed by all business units. Additionally, supervises and coordinates the operation of risk management mechanisms across business units.

4. Business Management Units (BMUs)

   Each BMU shall identify, assess, and control the risks associated with their managed businesses, new products, services, or new types of businesses. They shall formulate, implement, and review various risk management regulations to cooperate with the RMD in completing the control of various risks.

5. Audit Division

   The Audit Division shall audit the Bank's risk management to ensure compliance with established policies and control procedures.

Article 5 To evaluate risk management performance and continuously supervise risk management operations, the RMD shall independently or assist each business unit in establishing the following risk management standards:

1. Risk management procedures.
2. Risk management organization and control structure.
3. Limits of risk-bearing and monitoring indicators.
4. Operational procedures and evaluation systems for measuring various risks.
5. Procedures for supervision and reporting.
6. Regular review of the operational systems of the risk management procedures.

Article 6 The RMD shall measure and monitor the overall quality of risk management-, and shall report the risk control status and capital requirements to the Board of Directors and the Risk Management Committee quarterly. If any significant exposures that endanger financial or business conditions or legal compliance are discovered, appropriate measures shall be immediately taken. Besides reporting to the Board of Directors, RMD shall also notify the risk management unit of the financial holding company.

Article 7 When developing new products, services, or business plans, each BMU shall incorporate relevant risk measures into their operational systems. The RMD (or personnel) shall be responsible for the execution and review of risk management-related matters for the respective business unit.

Chapter IV Risk Management Principles

Article 8 Maintaining Capital Adequacy

1. The Bank shall monitor capital adequacy based on business scale, credit risk, market risk, operational risk conditions, and future operational trends, ensuring compliance with capital adequacy regulations and related management measures set forth by the regulatory authorities.
2. The Bank shall plan and establish operational procedures that allocate capital to relevant risks in accordance with the level of each respective risk.

Article 9 Detect and Manage Various Risks

1. When detecting and assessing risks, the Bank shall consider factors such as capital adequacy, asset quality, management capability, profitability, liquidity, profit sources, foreign exposure, investment positions, off-balance-sheet items, customer consumer disputes, and issues related to environmental, social, and corporate governance within the company's operations.
2. The Bank shall consider overall exposures, inherent capital, and the characteristics of liabilities when allocating assets .Risk management for different businesses shall be conducted based on the risk appetite mechanism finalized by the Board of Directors.
3. Categories of risks to be managed:
   (1) Credit risk
   (2) Market risk
   (3) Operational risk
   (4) Interest rate risk in the banking book
   (5) Legal and compliance risk
   (6) Liquidity risk
   (7) Money laundering and terrorist financing risk
   (8) Information security risk
   (9) Climate and environmental risk
   (10) Other risks: such as strategic risk, reputational risk, etc.

Article 10 Credit Risk

The Bank shall establish systematic methods to manage credit risk from borrowers, counterparties, or asset portfolios:

1. Establish an appropriate credit risk control environment, including credit approval processes, credit management, measurement and monitoring processes, and credit risk control.
2. Integrate credit risk of counterparties (including counterparties, borrowers, debtors, etc.) into control, such as default risk and settlement risk.
3. Establish credit ratings for counterparties and set control conditions for exposures and risk concentration of product type, industry, country, or group.

Article 11 Market risk

The Bank shall establish risk assessment and control mechanisms for both on-balance-sheet and off-balance-sheet items, considering fluctuations in prices, exchange rates, and interest rates. These assessment and control mechanisms shall be based on principles of safety, liquidity, and profitability, taking into account the practical operations of financial markets. The control measures shall include market risk limit management, over-limit management, and exception management, such as market risk value limits.

Article 12 Operational risk

The Bank shall actively establish control and audit procedures, including operational procedures for various businesses, operational authorizations, and the safekeeping of documents and certificates. This is to manage risks arising from improper or erroneous internal operations, personnel, and systems, as well as losses caused by external events. This includes legal risks but excludes strategic risks and reputational risks.

Article 13 Interest Rate Risk in the Banking Book

The Bank shall establish a comprehensive interest rate risk management framework for the banking book, encompassing relevant policies, methodologies, and procedures to measure, monitor, and control interest rate risk in the banking book. The framework shall also include the establishment of corresponding indicators, warning levels, and limits.

Article 14 Legal and Compliance Risk

The Bank shall establish a dedicated compliance system to effectively manage and mitigate legal and compliance risks.

Article 15 Liquidity Risk

The Bank shall establish a management mechanism to measure, monitor, and control liquidity positions, thereby managing liquidity risk.

1. Assess the primary asset portfolios and their associated liquidity risks, including funding policies, net funding requirements, funding sources, and liquidity tolerance.
2. Manage liquidity risk according to the characteristics of individual industries and the regulations set forth by regulatory authorities.
3. Regularly assess liquidity management conditions and positions and report them to the Asset and Liability Committee(ALCO).
4. Develop a liquidity risk contingency funding plan(CFP), including procedures and sources for funding.

Article 16 Money Laundering and Terrorist Financing Risk

The Bank shall establish a management mechanism for anti-money laundering (AML) and counter-terrorism financing (CTF).

1. Identify, assess, and manage money laundering and terrorist financing risks.
2. Manage and mitigate identified money laundering and terrorist financing risks, and adopt enhanced control measures for higher-risk areas.
3. Supervise and control compliance with AML and CTF laws and the implementation thereof.

Article 17 Information Security Risk

The Bank shall establish an information security risk management mechanism for the interaction and usage of business or transaction information. This mechanism shall identify, assess, and control the associated risks, reducing them to an acceptable level to ensure the continuous operation of the business.

Article 18 Climate and Environmental Risk

The Bank shall assess potential risks and opportunities related to climate and the environment, develop mitigation and adaptation measures, and establish control measures such as risk appetite, indicators, targets, and exception management for climate and environmental risks. This will enhance the Bank's ability to manage climate and environmental risks.

Article 19 Other Risks

The Bank can manage reputation risk and other major risks through mechanisms such as risk scenario stress testing, risk appetite measurement, and capital adequacy assessment.

Article 20 The Bank shall establish a consistent assessment method for asset quality and classification, calculate and control large exposures, and review quarterly at least, ensuring accurate provisioning for losses or reserves.

Chapter V Supervision, Reporting, and Internal Control

Article 21 The adoption and significant changes of methods, models, and assumptions related to risk management and control procedures shall be reviewed by the RMD.

Article 22 When engaging in new products, services, and new types of business activities, the RMD shall participate in the review.

Article 23 The Bank shall establish information security protection mechanisms and emergency response plans for the interaction and use of bank operations, transactions, and information.

Article 24 The Bank shall establish reporting and review procedures for risk control. This procedure shall include a review mechanism to ensure compliance with established policies and procedures, emphasizing any exceptions where compliance was not achieved.

Article 25 Risk Management of Overseas Branches

1. The risk management of overseas branches (including branches and subsidiaries) shall comply with the relevant provisions of this Policy. However, if there are other relevant regulations from the local regulatory authorities, the local regulations may be followed.
2. Overseas branches shall establish their risk management standards and risk limits in accordance with this Policy. Based on the hierarchical authorization levels specified in the branch's oversight regulations, these risk management standards and related limits shall be finalized and submitted to the head office or parent bank for approval.

Chapter VI Supplementary Provisions

Article 26 This Policy shall be implemented after approval by the Board of Directors.