RESPONSIBILITY

The Board acknowledges its overall responsibility in establishing a sound internal control system as well as reviewing its adequacy and effectiveness.

The Board is of the view that the internal control system together with risk management system are designed to manage the Group's risks within the acceptable risk appetite.

Whilst total elimination of risks is not possible, the risk management and internal control system that is in place is designed to manage risks in meeting the Group's business objectives. The system can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

The Board has established appropriate control structure and process for identifying, evaluating, monitoring, managing and responding to significant risks faced by the Group in its achievement of the business goals and objectives. The control structure and process which have been instituted throughout the Group are reviewed and updated from time to time in response to the changes in the business environment, and this on-going process has been in place for the whole financial year under review.

KEY INTERNAL CONTROL PROCESS AND STRUCTURES

Key processes that the Board has established in reviewing the adequacy and effectiveness of the internal control system include the following:

Establish Management's role with regards to internal controls

The role of Management includes:

- Identifying and evaluating the risks faced, and the achievement of business objectives and strategies;

- Formulating relevant policies and procedures to manage these risks;

- Monitoring the effective implementation of internal control system;

- Reporting in a timely manner to the Board any changes to the risks and the corrective actions taken.

Internal Audit Function - Group Audit & Examination (GAE)

GAE undertakes regular reviews of the Group's system of internal controls. Operations and business processes (auditable entities)

that are included in the annual audit plan are identified using a risk-based approach taking into consideration inputs from Management, and the Audit & Examination Committee. The reviews are performed to examine and evaluate the adequacy and efficiency of internal controls relating to governance, risk management and compliance with the laws and regulations.

Significant risks and non-compliance impacting the Group are highlighted and recommendations are provided in the audit report and Management follows through and reviews the status of recommended actions.

Management Audit & Examination Committee (MAEC)

The MAEC is a management committee chaired by the President/Group Managing Director, comprising senior level representatives from different Lines of Business/Functions. The MAEC meets quarterly or as and when required to deliberate on the findings from all audit and investigation reports and decide on the appropriate action required to resolve issues/concerns covering all aspects of the Bank's business and operations.

Minutes of the MAEC meeting are then tabled to the AEC together with the audit reports.

Audit & Examination Committee (AEC)

The AEC meets at least four (4) times yearly to review issues identified in audit reports prepared by GAE as well as by external auditors. The AEC has active oversight on GAE's independence, scope of work and resources. It also reviews and approves the annual audit plan and frequency of the internal audit activities.

OTHER INTERNAL CONTROL PROCESSES AND STRUCTURES

The other key elements of the procedures established by the Board that provides effective internal control include:

Business Plan and Performance Review

An annual business plan and budget are submitted to the Board for approval. Performance achievements are reviewed against the targeted results on a monthly basis allowing timely responses and corrective actions to be taken to mitigate risks. The Board reviews regular reports from the management on the key operating statistics. The Board also approves any changes or amendments to the Group's policies.

Board Committees

Board Committees (other than the AEC) are also established to assist the Board in performing its oversight function namely Credit Committee of the Board, Nominating Committee, Remuneration Committee and Risk Management Committee. These Committees have the authority (terms of reference) to examine all matters within their scope and report to the Board with their recommendations.

Management Committees

Various Management Committees (Executive Level) are also established by Management to assist and support the various Board Committees to oversee the core areas of business operations. These committees include the Group Management Committee (GMC), Group Credit Committee (GCC), Executive Risk Management Committee (ERMC), Tender Committee and Information Technology Committee (ITC).

Policies, procedures and authority limits

Policies, procedures and processes governing the Group's businesses and operations are documented and are made available to employees across the Group. These policies, procedures and processes are reviewed and updated by the business and functional units through a structured process of review to cater for changes in laws and regulations as well as changes to the business and operational environment.

Delegation of authority including authorisation limits at various levels of Management in the Group are documented and designed to ensure accountability and responsibility.

Code of Ethics and Conduct

The Code of Ethics and Conduct ("the Code") sets out the standards of good and ethical banking practices, as well as aims to maintain confidence in the security and integrity of the Group's business practices. It is a requirement that all employees of the Group understand and observe the Code.