

Statement on Internal Control

Responsibility

The Board acknowledges its overall responsibility for the Group's system of internal control and for reviewing its adequacy and integrity. The system of internal control is designed to manage the Group's risks within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Group. It can therefore only provide a reasonable but not absolute assurance of effectiveness against material misstatement of management and financial information or against financial losses and fraud.

The Board regularly receives and reviews reports on internal control and is of the view that the system of internal control that has been instituted throughout the Group is sound and adequate to safeguard the shareholders' investments and the Group's assets.

The Group has instituted an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the system of internal control when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board and is in accordance with the 'Statement on Internal Control: Guidance for Directors of Public Listed Companies', issued by the Task Force on Internal Control. The role of Management is to implement the Board's policies, procedures and guidelines on risk and control to identify and evaluate the risks faced and design, operate and monitor a suitable system of internal control to manage these risks.

The Board has extended the responsibilities of the Audit Committee ("AC") to include the role of oversight on internal controls on behalf of the Board, including identifying risk areas and communicating critical risk issues to the Board. The AC is supported by an independent Internal Audit function which reports directly to it. The Internal Auditors have performed their duties with impartiality, competency and due professional care.

Risk Management Framework

The Board, through its Group Risk Management Committee ("GRMC") provides oversight on risk management strategies, methodologies, policies and guidelines, risk tolerance and other risk related matters of the Group. Approval of risk policies by the Board is obtained where necessitated by regulatory requirements. In addition, the GRMC also oversees the functions of management committees such as the Group Assets and Liabilities Management Committee and Group Operational Risk Management Committee, which assume the responsibility of monitoring specific areas of risks pertaining to the Group's business activities and implement various risk management policies and procedures.

Major risks arising from the Group's day-to-day activities in the financial services industry comprise credit risk, liquidity risk, market risk and operational risk. For more information on the risks and relevant guidelines and policies, please refer to Note 43 under the Financial Statements.

System of Internal Control

To ensure that a sound system of control is in place, the Board has established primary processes in reviewing the adequacy and integrity of the system of internal controls. The primary processes include:

- Regular and comprehensive management reports are made available to the Board on a monthly basis, covering financial performance and key business indicators, which allow for effective monitoring of significant variances between actual performance against budgets and plans;
- Clearly defined delegation of responsibilities to committees of the Board and to Management including organisation structures and appropriate authority levels;
- Operational risk management framework, business continuity management framework, code of conduct, human resource policies and performance reward system to support business objectives, risk management and the system of internal control;
- Properly defined policies and procedures to control applications and the environment of computer information systems;
- Regular update of internal policies and procedures, to adapt to changing risk profiles and address operational deficiencies;
- Regular review of the business processes by the Group's internal audit, to assess the effectiveness of the control environment and highlight significant control gaps impacting the Group;
- Documentation and periodic assessment of controls and processes by all business and support units for managing key risks; and
- Regular senior management meetings are held to review, identify, discuss and resolve strategic, operational, financial and key management issues.

Review of the Statement by External Auditors

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Internal Control for the financial year ended 31 March 2012 and have reported the results of the review thereof to the Board.