STATEMENT ON
Internal Control

Responsibility

The Board of Directors (Board) is responsible for the Group's system of internal controls and for reviewing its adequacy and integrity. The Board has instituted an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review. This process is regularly reviewed by the Board and accords with the guidance on internal control, Statement on Internal Control – Guidance for Directors of Public Listed Companies.

In establishing and reviewing the system of internal controls, the Directors have considered the materiality of relevant risks, the likelihood of losses being incurred and the cost of control. Accordingly, the purpose of the system of internal controls is to manage and minimise rather than eliminate the risk of failure to achieve the policies and objectives of the Group and can only provide reasonable but not absolute assurance against risk of material misstatement or losses.

The management assists the Board in the implementation of the Board's policies on risk and control by identifying and evaluating the risks faced by the Group for consideration by the Board and design, operate and monitor the system of internal controls.

The Board is of the view that the system of internal controls in place for the year under review is sound and sufficient to safeguard shareholders' investment and the Group's assets.

Internal Control Environment And Key Processes

The Group has adopted a coordinated and formalised approach to internal control and risk management, which includes the following:

- The Board has established Risk Management Committee of Directors ("RMCD") to assist in oversight of overall risk management structure. At the executive level, Executive Risk Management Committees ("ERMCs") have been set up to assist senior management in discharging their risk management accountabilities over specific areas of risks within the Group. ERMCs comprise Group Traded Market Risk Committee, Group ALCO, Portfolio Management & Credit Policy Committee and Group Operational & Legal Risk Committee. The RMCD and ERMCs meet periodically to review, deliberate and address risk issues.

- Risk management principles, policies, practices, methodologies and procedures are made available to staff in the Group. These are regularly updated to ensure they remain relevant and in compliance with regulatory requirements. The policies, methodologies and procedures are enhanced whenever required to meet the changes in operating environment and/or for continuous improvement in risk management.

- Organisation structure is designed to clearly define the accountability, reporting lines and approving authorities to build an appropriate system of checks and balances, corresponding to the business and operations activities needs. This includes the empowerment and setting of authority limits for proper segregation of duties.

- The Audit and Examination Committees ("AECs") of the Company and its major subsidiaries assist the Board to evaluate the adequacy and effectiveness of the Group's internal controls systems. The AECs review the Group's financial statements, and reports issued by Group Internal Audit, the external auditors and regulatory authorities and follow-up on corrective action taken to address issues raised in the reports.

- Group Internal Audit conducts independent risk-based audits and provides assurance that the design and operation of the risk and control framework across the Group is effective. The AECs review the work of the Group Internal Audit Department, including reviewing its audit plans, progress and reports issued.

- The Group focus is on achieving sustainable and profitable growth within its risk management framework. Annual business plans and budgets are prepared by the Group's business divisions and submitted to the Board for approval.

  Actual performances are reviewed against the budget with explanation of major variances on a monthly basis, allowing for timely responses and corrective actions to be taken to mitigate risks.

- The Group emphasises human resource development and training as it recognises the value of its staff in contributing to its growth. There are proper guidelines within the Group for staff recruitment,

promotion and performance appraisals to promote a high performance culture by rewarding high performers and counseling poor performers. Structured talent management and training programmes are developed to ensure staff are adequately trained and competent in discharging their responsibilities and to identify future leaders for succession planning.

- A code of ethics has been formulated to protect and enhance the Group's reputation for honesty and integrity. The Code of Ethics is based on the following principles: observance of laws both in letter and in spirit; upholding the reputation of integrity throughout the organisation; avoiding possible conflicts of interest; ensuring completeness and accuracy of relevant records; ensuring fair and equitable treatment of all customers; avoiding misuse of position and information; ensuring confidentiality of information and transactions.

- The Group has established policies and procedures to ensure compliance with the relevant laws and regulations. Compliance systems have been implemented that enable regular self-assessment by staff and reporting that provides management and Board with assurance that staff are aware and comply with regulatory requirements. A process is in place to standardise this practice across AmBank Group. Compliance awareness training is conducted on a regular basis to ensure that staff keeps abreast of banking, insurance, securities and anti-money laundering laws as well as other regulatory developments. The training programmes assist staff to develop their skills to address compliance issues as well as cultivate good corporate ethics.