

Statement of Compliance

With the best practices of Code of Corporate Governance
for the year ended December 31, 2013

This Statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Regulation No. 35 of the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a Listed Company is managed in compliance with the best practices of corporate governance.

The Board has adopted the Code of Corporate Governance and applies the principles in the following manner:

- The Board comprises of eight Directors of which one Director is an Executive Director appointed under S.200(2) of the Companies Ordinance 1984 being the Chief Executive Officer of the Company. The remaining Directors are all Non Executive Directors of which three Directors are categorized as Independent Directors.
- The Directors have confirmed that none of them is serving as a director in more than seven listed companies.
- All the resident Directors have confirmed that they are registered taxpayers and none of them have defaulted in the payment of any loans to a banking company, a development financial institution or non-banking finance company or stock exchange.
- The Board of Directors of Habib Bank Limited was elected in 2012 for a three year term which will expire on March 26, 2015.
- The Board currently has one casual vacancy which as represented by the Ministry of Finance is to be filled under S.183 of the Companies Ordinance 1984.
- The Board adopted a vision / mission statement, overall corporate strategy and significant policies of the Bank. The Bank maintains a complete record/ log of all policies along with the dates on which these were approved or amended including the dates when these are required to be updated.
- All the major decisions relating to investment and disinvestment of funds are taken in accordance with the policies laid down by the Board of Directors.
- The Board of Directors has approved the appointment, remuneration and terms and conditions of employment of the Chief Executive Officer.
- All meetings of the Board of Directors were chaired by Mr. Sultan A. Allana, Chairman of the Board. The Board met six times during the year and closely monitored the Company's performance. The Committees of the Board also met regularly during the year. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and

circulated. The Chief Financial Officer and the Company Secretary also attended the meetings of the Board.

- As the Directors had undergone training with the Institute of Directors, UK at the onset of their Term on the Board, this year no training was planned. However, an Orientation for the new Directors joining the Board was organized.
- The Board has approved the appointments of the Chief Financial Officer, Head of Internal Audit and Company Secretary including their remuneration and terms and conditions of their employment.
- The Director's Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Bank, except as mentioned in the Pattern of Share Holding.
- The Bank has circulated the Code of Ethics and Business Conduct, which has been approved by the Board of Directors. The same has been placed on the HBL website.
- The Chief Executive Officer and Chief Financial Officer have duly endorsed the financial statements of the Bank before its approval by the Board.
- The Bank has complied with the applicable corporate and financial reporting requirements of the Code.
- The statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan and the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan. The Auditors have also confirmed that they or any of the partners of the firm, their spouses and minor children do not hold any shares in the Bank.
- The statutory Auditors or the persons associated with them have not been appointed to provide other services other than approved services and the Auditors have confirmed that they have observed IFAC guidelines in this regard.
- The Board Audit Committee comprises of three members, all of whom are Non Executive Directors including the Chairman of the Committee. The Board Risk Management Committee comprises of three members with a majority of Non Executive Directors and the Chairman of the Committee is a Non Executive Director. The Board HR and Remuneration Committee comprises of four members, a majority of whom are Non Executive Directors. The Chairman of the HR and Remuneration Committee is a Non Executive Director.
- An effective Internal Audit Group is in place. The Head of Internal Audit reports directly to the Board Audit Committee.
- The Audit Committee met four times during the year 2013. On the recommendation of the Audit Committee, the Board approves the Financial Statements of the Company. The Terms of Reference of the Audit Committee have been formulated and approved by the Board.

- The other Board Committees met as follows:
 - i. Board Risk Management Committee four times in the year.
 - ii. Board Human Resource and Remuneration Committee six times in the year.
- The Company confirms that all other material principles contained in the Code have been complied with.
- The 'Closed period' prior to announcement of interim/final results, and business decisions, which may materially affect the market price of companies' securities, was determined and intimated to Directors, Employees and Stock Exchanges.
- Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.

This Statement of Compliance with best practices of corporate governance is being published and circulated along with the Annual Report of the Bank.

For and on behalf of the Board

Nauman K. Dar
President & Chief Executive Officer
February 27, 2014