

# Statement of Compliance

## With the best practices of corporate governance to the members

This Statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Regulation No. 37 of the Listing Regulations of the Karachi, Lahore & 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:

- Except for the Chief Executive Officer, all the directors including the Chairman are non-executive directors.
- The directors have confirmed that none of them is serving as a director in more than ten 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.
- During the year, three casual vacancies occurred on the Board due to the demise of Mr. Arif Mansur (Late) and resignations of Mr. Muhammad Ismail Qureshi & Mr. Shaukat Hayat Durrani. These were filled by the Board as follows:
  - Casual vacancy of Mr. Arif Mansur (Late) arising on August 9, 2007 was filled on October 17, 2007.
  - Casual vacancy of Mr. Muhammad Ismail Qureshi arising on December 18, 2007 is awaiting approval by the State Bank of Pakistan of the nominated director.
  - Casual vacancy of Mr. Shaukat Hayat Durrani arising on December 18, 2007 was filled on December 18, 2007. Other than these, no casual vacancies occurred on the Board during the year.
- The Board adopted a vision / mission statement, overall corporate strategy and significant policies of the bank. The bank maintained 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, determination of remuneration and terms and conditions of employment for the Chief Executive Officer.
- The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter or when deemed necessary. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meeting. The minutes of meetings were appropriately recorded and circulated. The Chief Financial Officer and the Company Secretary also attended the meetings of the Board.
- The Directors have familiarized themselves on their responsibilities with the Code of Corporate Governance.
- The board has approved the appointments of 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 Shareholding.
- The Bank has circulated the Code of Ethics and Business Conduct, which has been approved by the Board of Directors and signed by the senior executives and employees of the Bank.
- An Effective Internal Audit Group is in place. The Head of Internal Audit reports directly to the Board.
- The Chief Executive Officer and Chief Financial Officer

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have duly endorsed the financial statements of the Bank before its approval from the Board.

- The Bank has complied with the applicable corporate and financial reporting requirement of the Code.
- The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review programme 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 Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors including the Chairman of the Committee.

- The Audit Committee met four times during the year 2006. On the recommendation of the Audit Committee, the Board approved the financial statement of the bank. The Terms of Reference of the Audit Committee have been formulated and communicated to the committee.
- 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.
- We confirm that all other material principles contained in the Code have been complied with.

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

**R. Zakir Mahmood**  
President & Chief Executive Officer

Karachi: February 14, 2008