

# Statement of Compliance

## with Code of Corporate Governance

This statement is being presented to comply with the terms of the Code of Corporate Governance as contained in Prudential Regulation No.G-1, and Listing Regulations of Karachi, Lahore & Islamabad Stock Exchanges (Guarantee) Ltd. 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 Bank has adopted the Code of Corporate Governance and applied the principles contained in the Code in the following manner:

1. The directors have confirmed that none of them is serving as a director in more than ten listed companies including the Bank.
2. The Bank encourages representation of independent directors on its Board of Directors. At present, the Board includes 3 independent directors, 3 sponsors directors, 1 executive director and 1 non-executive Government nominee.
3. All the directors of the Bank have confirmed that they are registered tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI and NBFC.
4. Election of the Directors was held on August 19, 2009 for a fresh term of three years.
5. No casual vacancy occurred in the Board during the year 2009.
6. The Bank has adopted a "Statement of Ethics & Business practices", which has been signed by all the directors and employees.
7. The mission / vision statement, overall corporate strategy and significant policies have been approved by the Board. The Bank maintains a complete record of the particulars of significant policies along with the dates on which these were approved or amended.
8. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer are taken by the Board.
9. Related party transactions carried out on "Arm's Length Basis" in accordance with the Related Party Transaction Policy were placed before Audit Committee of the Board and Board of Directors.
10. The meetings of the Board were presided over by the Chairman. The Chairman of the Board is a non-executive director. The Board met at least once in every quarter. Written notices of the Board meetings along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
11. Appropriate arrangements were made for Orientation of Directors to acquaint them with their duties and responsibilities. Pakistan Institute of Corporate Governance (PICG) had awarded three of the Board members title of "Certified Director". Other members of the Board had completed few parts of the certified directorship. The Bank also encourages participation of members of Board to attend Seminars/workshops conducted by various forums.
12. The Board has approved appointments of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the CEO.
13. The Directors' Report for the year ended December 31, 2009 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
14. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
15. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
16. The Bank has complied with all the corporate and financial reporting requirements of the Code.
17. The Board has formed an Audit Committee which comprises of three members; majority of the members including Chairman of the Committee are non-executive directors. One of the members is a Government nominee.
18. The meetings of the Audit Committee are held at least once in every quarter, prior to the approval of interim and the annual financial statements of the Bank as required by the Code. The Board had approved Charter of the Audit Committee.
19. An independent Internal Audit Group is in place.
20. The statutory joint 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, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
21. The statutory joint auditors or the persons associated with them have not been appointed to provide services other than approved services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board.

**Mohammad Aftab Manzoor**  
Chief Executive Officer

Place: Lahore  
Dated: February 17, 2010

