

Statement of Internal Controls

STATEMENT OF MANAGEMENT RESPONSIBILITIES

It is the responsibility of Bank's management to:

- Establish and maintain an adequate and effective system of internal controls and procedures for an efficient working environment for obtaining desired objectives.
- Evaluate the effectiveness of the Bank's internal control system that encompasses material matters by identifying control objective, reviewing significant policies and procedures and establishing relevant control procedures.

The control activities are being closely monitored across the Bank through Audit Group, working independent of line management. In addition, Compliance and Control Group monitors control activities on an on going basis. Both Groups cover all banking activities in general and key risks areas in particular. The Audit Committee of the Board reviews special audit reports periodically where significant violations to the local regulations, prescribed policies and procedures have occurred. The Audit Committee ensures their implementations through concerned Group to mitigate identified risks to safeguard the interest of the Bank.

The Bank's internal control system has been designed to provide reasonable assurance to the Bank's management and Board of Directors. All internal control systems, no matter how well designed, have inherent limitations that they may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. However, control activities are on going process that includes identification, evaluation and management of significant risks faced by the Bank.

In an effort to incorporate the Internal Control Guidelines as spelled out by the State Bank of Pakistan in BSD Circular No. 7 of 2004, the Bank is already in the process of carrying out a detailed exercise through a well established firm of Chartered Accountants including documentation and benchmarking of existing processes and controls relating to financial reporting on internationally accepted standards. This project will help in further improving the quality of internal controls across the Bank and in ensuring compliance with the SBP requirement for external auditors' attestation on Internal Control over financial reporting.

The Board of Directors is ultimately responsible for the internal control system and the Board endorses the above management evaluation.

Mohammad Aftab Manzoor
Chief Executive Officer