

STATEMENT ON INTERNAL CONTROLS

It is the responsibility of bank's management to establish and maintain an adequate and effective system of internal control that could help in bank's endeavor to attain a professional and efficient working environment through out the bank. The Internal Control systems comprises of various inter-related components including Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring.

Internal Control System in the bank is designed to manage, rather than eliminate the risk of failure to achieve the business objectives, and can only provide reasonable and not absolute assurance against material mis-statement or loss.

Management ensures the efficient and effective Internal Control System by risk assessment, identifying control objectives, reviewing pertinent policies/procedures, establishing relevant control procedures and monitoring. All policies and procedures are monitored, reviewed and compared with existing requirements and necessary amendments made where necessary on timely basis.

Alongside this appropriate test of transactions, observation of control environment, sharing of findings on Internal Control Systems and ensuring relevant appropriate follow ups/corrective actions are also been done by the management on regular basis.

EVALUATION OF EXISTING INTERNAL CONTROL SYSTEMS

During the year 2006 Bank has made efforts to ensure that an effective and efficient internal control system is implemented and no compromise is made while implementing the desired control procedures and maintaining a suitable control environment in general.

As an ongoing process Management is committed to identify, evaluate and manage significant risks faced by the bank.

The observations and weaknesses found and identified by the auditors, (internal and external) have been rectified and steps taken to further improve/strengthen the existing control environment. Necessary steps have also been taken to minimize repetition of exceptions and elimination of such weaknesses to the maximum possible level.

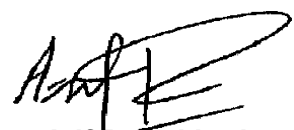
Requisite training for the staff across Bank has commenced to enhance the knowledge base of the field staff, which had a positive impact on the overall Control Environment. Management has also implemented a self monitoring system to ensure proper implementation of accountability, segregation of duties, rotation plans and a follow up process.

Audit results of later half of the year are indicative of the overall improved control environment, however still more efforts are required to achieve the desired results.

The management also endeavors to make efforts during year 2007 to ensure further improvement in Internal Control System by revisiting/re-engineering various processes that could further minimize risks faced by the Bank alongside safeguarding interests of the Stakeholders.



Muhammad Ejazuddin
Group Executive -
Audit & Inspection Group



Atif R. Bokhari
President