

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

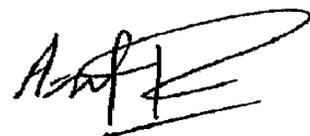
The bank has made its efforts to ensure during the year 2005 that an effective and efficient internal control system is implemented and no compromise is made in implementing the desired control procedures and maintaining a suitable control environment in general. However it is an ongoing process that includes identification, evaluation and management of significant risks faced by the bank.

The observations and weaknesses found and identified by the auditors, both internal and external, have been taken care of and steps have been taken to further improve/strengthen the existing controls. Necessary steps have also been taken by the management to minimize repetition of exceptions and elimination of such weaknesses to the maximum possible level. Requisite training for the staff across the Bank has commenced to ensure implementation and emphasize accountability, segregation of duties, rotation plans and a follow up process.

The management also endeavors to make efforts during year 2006 to ensure further improvement and existence of an Internal Control System by revisiting/re-engineering various processes that could minimize risks faced by the Bank alongside safeguarding interests of the Stakeholders.



M. Ejazuddin
**Global Head
Audit & Inspection**



Atif R. Bokhari
**President and
Chief Executive Officer**