

Statement on Internal Controls

The responsibility to establish and maintain an adequate and effective Internal Control System rest with the Management. Internal Control is the process designed to manage rather than eliminate the risk of failure to achieve the bank's business strategies and policies and to provide reasonable assurance regarding effectiveness and efficiency of the operation, reliability of financial information and compliance with applicable laws and regulations.

Internal Control systems comprises of various inter-related components including Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring. Control Environment is the foundation for the other components of internal control, providing discipline and structure.

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 are made accordingly.

During the year 2007 weaknesses identified in the Internal Control Systems by the auditors (internal / external) have been rectified to the maximum possible level and steps were taken to avoid non-repetition of those in all possible manner.

Management took steps to effectively monitor control environment of the Bank, resulted in improvement in the overall working of the branches and departments as is evidenced from the results of current year's audits as compared to last year.

Management also emphasized on imparting training to enhance knowledge and understanding of the staff on Bank's internal policies & procedures and Prudential Regulations, resulted in further strengthening of Internal Control Environment.

We believe that with the implementation of Self Assessment Program, Re-engineering / Re-structuring of branch network and centralization of various processes, the overall control systems with in the bank would further improve, going forward.

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