



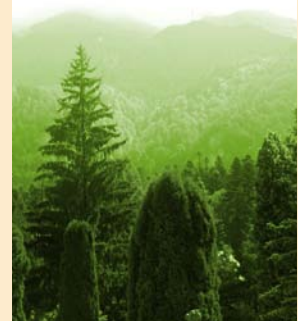
# STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED DECEMBER 31, 2007

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Regulation No.36 & 37 (XIII) of listing Regulations of Karachi, Lahore & Islamabad Stock Exchange (Guarantee) Limited 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 complied with the principles contained in the Code in the following manner:

1. The Board of Directors of the Bank is appointed by the Government of Pakistan (GoP) as per provisions of the Banks' (Nationalization) Act 1974. At present, all the Directors (except for the President / Chief Executive who is also the Chairman of the Board) are independent non-executive Directors. In terms of amended Section 11(3) (a) of the Banks (Nationalization) Act 1974, Mr. Tariq Kirmani has been inducted on the board of NBP w.e.f. February 16, 2008 (the date of election) representing the private shareholders, in accordance with the section 178(1) of the Companies Ordinance 1984.
2. The directors have confirmed that none of them is serving as a Director in more than ten listed Companies including the Bank.
3. All the Directors of the Bank are registered as Tax Payers and none of them has defaulted in payment of any loan to Banking Company, a DFI or an NBFIs or being a member of Stock Exchange, has been declared as defaulter by that Stock Exchange.
4. No casual vacancy on the Board occurred during the year.
5. The Directors have confirmed that neither they nor their spouses are engaged in the Business of Stock Brokerage.
6. The Bank has prepared "Statement of Ethics and Business Practices" which is already approved by the Board of Directors.
7. The Board has approved the Vision, Mission, Core Values, Objectives and NBP Strategic Plan 2007-2011.
8. The Bank has comprehensive frame work of written policies and procedure on all major areas of Operations such as Credit, Treasury, Finance, Internal Audit and Compliance etc. Many of these policies have been approved by the Board and are being constantly reviewed.
9. There exists in the Bank a frame work defining the limit of the authority at various Management levels. All the powers were exercised by the relevant authorities within the materiality thresholds.
10. All the powers of the Board have been duly exercised and decisions on Material Transactions have been taken by the Board.
11. The meetings of Board of Directors were presided over by the Chairman, Board met 12 times during the year. Written notices of the Board meetings, alongwith Agenda and working papers were circulated at-least seven days before the meetings. The Minutes of the Meetings were appropriately recorded.
12. The Bank held orientation course for the directors in January 2005.
13. The appointment of Financial Controller, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment are duly approved by the Board.



14. The Director's Report for the year has been prepared in compliance with the Code of Corporate Governance and fully describes the salient matters described in the Annual Report.
15. The Financial Statements of the Bank were duly endorsed by CEO and Financial Controller before approval of the Board.
16. The Directors, CEO and Executives have confirmed that they do not hold any interest in the shares of the Bank except as mentioned in the report.
17. The Bank has complied with all the Corporate and Financial Reporting requirements of the Code of Corporate Governance.
18. The Board has formed an Audit Committee comprising three Non-Executive Directors.
19. The Meeting of Audit Committee were held 8 times including Meetings held prior to the approval of Interim and Final Results as required by the Code. The terms of reference of the Committee have been framed and advised to the Committee for compliance.
20. The Board has setup an effective Internal Audit function. All the Branches, Regions and Groups are subject to Audit. All the Internal Audit Reports are accessible to the Audit Committee and important points arising out of audit are reviewed by the Audit Committee and important points requiring Board's attention are brought into their notice.
21. The Statutory 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 partners of the firms, their spouses and minor children do not hold shares of the Bank and that the firms and all of their partners are in compliance with International Federation of Accountants (IFA) on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
22. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the Auditors have confirmed that they have observed IFA guidelines in this regard.
23. We confirm that all other material principles contained in the code have been complied.

On Behalf of the Board of Directors

**S. ALI RAZA**  
Chairman & President

Date: February 29, 2008



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## **Auditors' Review Report to the Members on Statement of Compliance with best Practices of the Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **National Bank of Pakistan** (the Bank) to comply with the Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan, Listing Regulations No. 37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Bank's compliance with the provisions of the code and report if it does not. A review is limited primarily to inquiries of the Bank personnel and review of various documents prepared by the Bank to comply with the code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2007.

**FORD RHODES SIDAT HYDER & CO.**  
Chartered Accountants  
Karachi

**M. YOUSUF ADIL SALEEM & CO.**  
Chartered Accountants  
Karachi

Date: February 29, 2008