

## Statement of Ethics & Business Practices

Silkbank's goal is to be a leading player in the market with the vision to be amongst the top ten banks of the country. We want to be known as a Bank with highest standards of ethical conduct.

The reputation of Silkbank should be built on the honesty and fairness of individual employees-regardless of function, business or location. This standard going beyond compliance with the letter of applicable laws and regulations, demands a consistent regard for moral principles. Silkbank continues to dependent, not only on the quality of our products and services, but also on the way in which they are delivered.

The purpose of the code of ethics is to invoke serious thoughts and to consider all possible outcomes when faced with difficult ethical dilemmas. It is understandable that such decisions are neither straight forward not easily reached.

The code of Ethics thus established by Silkbank Limited sets forth the guiding principles through which we operate and conduct our daily business with each other, our shareholders, customers, vendors and with other group companies. These principles apply to all full or part time officers and staff members in all our locations.

In circumstances where employees face difficult situations which are not covered under this document, they must ask themselves the following questions regarding envisaged decision/action and also seek further guidance from their line Manager.

- Does it corroborate with Silkbank's policies and procedures?
- Does it fulfill regulatory requirements?
- Is it consistent with Silkbank values and principles?
- Does it feel right?
- Would your colleagues be comfortable with it?
- Can it be justified if it is published in the press?

### **Each Silkbank's Employee Must**

- Avoid any conflict (or even the perception of conflict) between personal, social, financial or political interests and the Bank's business interests or the interests of its consumers.
- Identify and take immediate steps to ensure ethical handling of any actual or apparent conflict of interest.
- An employee with purchasing authority from a class of vendors favors Vendors A because the employee (a) is a part of owner of Vendor A (b) close family members of the employee work for Vendor A or (c) he/she has accepted an offer from Vendor A of special discount for personal purchase.
- Always act on behalf of the Bank by exercising professionalism, dedication, utilizing the exercise and expertise to assist in the growth of the Bank rather than harm the Bank's reputation and the Bank's reputation for integrity.
- Serve according to the best of his/her skills and abilities and conform to the directives and policies of the Bank in all respect to ensure corporate objectives and strategies are implemented.
- Function with integrity within the scope of authorities and follow directives given by the person(s) under whose jurisdiction she/he is deputed with complete honesty.
- Promote core values by upholding fairness, equality and respect for all team members

## General Principles of Ethics and Code of Conduct

Conflict of interest generally occurs when an employee's private interests interfere with the Bank's interests. The potential for development of conflict of interest situation arises when an individual with various interests in a matter takes a decision regarding that matter. In such situation, Bank's interest must come first.

The employees of the Bank:

- Have an obligation to carry out work professionally, impartially, with integrity and in the best interests of the Bank.
- Must not make unauthorized commitments or promises of any kind purporting to bind the Bank.
- Not act partially or give preferential treatment to any organization or individual.
- Avoid exploitation, abuse, gross negligence, corruption and fraud within the Bank.
- Attend to anyone who is seeking the services of their offices and must, at all times, act promptly, expeditiously and professionally.
- At all times act with fairness, sincerity, honesty, tolerance and attentiveness with the customers and other concerned and shall as far as legally possible attempt to provide the required relief sought by them.
- Not use or allow their offices to be used for their own private gain or for the private gain of friends, relative, or persons with whom they are affiliated in a non-official capacity and persons with whom they have or seek employment or business relations or an entity in which they have a present or potential financial interest.
- Not compromise official work or responsibilities for personal interest.
- Ensure security of information about the persons working with or dealing with Bank.
- Not hold financial interests that conflict with the conscientious performance of their duties.
- Not engage in financial transactions using Confidential Information or allow the improper use of such information to further any private interest or gain or for the gain of any relative or friend.

The employees must not:

- Engage in any activity that could create the appearance of conflict of interest of the Bank and thereby impair the reputation of the Bank for integrity, impartiality and fair dealing.
- Participate in, influence or attempt to influence an official decision or administrative action in violation of Bank laws particularly in which they have an interest in or from which they can potentially benefit.
- Authorize or request another person on their behalf to perform an act prohibited by the conflict of interest provisions of this code.
- Receive personal favors in return for the services provided to the customer or any other person dealing with the Bank.
- Have any financial involvement with an employee or representative of a customer /supplier of the Bank with whom the employee comes in contact while performing her/his services.
- Deal directly, in the course of official responsibilities, with their spouse or immediate family member who is employed by a supplier or customer of the Bank.

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- Take advantage of an official opportunity that was learned of in course of their employment with the Bank.
- An employee uses Bank stationary, to market a family member's or friend's business, or to raise money for a political candidate.
- Participate in reviewing and approving an application for a loan from a corporation of which he or she is a director.

**Other Corporate Ethical Policies**

Here are some other important corporate ethical policies and requirements.

- If an employee wishes to become officially involved with any outside corporation or other organization as director, trustee, officer or advisor, such involvement must first be approved by the President & CEO.
- An employee must obtain the consent of her or his supervisor and Group Head Human Resources before submitting a work for publication or making a public speech. Generally, approval will be granted, if the writing or speech furthers legitimate Silkbank business interests and does not involve the disclosure of confidential information of Silkbank.
- All employees are entitled to a safe working environment that is free from discrimination, bullying and harassment. They are treated fairly and with respect, encouraged to develop, and rewarded based on individual performance.
- Silkbank internal ethical standards are the result of shared moral convictions. Rationales such as "everyone in the market does it" or "our competitors do it" cannot be countenanced as permitting deviations from our standards.
- Compliance with laws, regulations on money laundering, terrorist financing and fraud prevention and ethical standards in spirit and not just the letter, is an important element of your obligations to our customer, our stockholders, the public and, other staff, it is essential to our success that we take compliance seriously.
- Each employee of the Bank should think of compliance as a personal responsibility and should be expected to be held accountable for all compliance- related activities.

**Use of Bank's Resources / Property**

- The employees having access to Bank's funds / property / resources in any form must follow the prescribed procedures for recording, handling and protecting the same as detailed in the Bank's policies or other instructions/guidelines issued from time to time.
- The employees shall not use the Bank property or resources for any illegal or unethical activity or the conduct of an outside business.
- Any personal use must not interfere with the performance of the Bank's activities, the employee's assigned duties or the assigned duties of other employees and should not adversely affect the performance of the employees or the Bank.

**Gifts & Favors**

- As a rule, employee of the Bank shall not solicit or accept any gift or other item of monetary value from any person or entity seeking administrative action from, doing business with, or conducting activities regulated by the Bank, or whose interests may be substantially affected by the performance or non-performance of her/his duties.

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- Employee must appreciate that there is a fine line between an expression of appreciation and bribery, and employees must politely decline all but very nominal gifts made under circumstances where such a gift is customary and is understood to express only regards for the recipient or appreciation for services.

**Exceptions include:**

- Advertising or promotional material of nominal value.
- Public service awards and awards in connection with the employee's appearance in seminars / conference.

The employees of the Bank shall not solicit or accept anything of value, in return for advice or assistance on matters concerning official work.

Gifts to/from any public official, another employee or person holding a political office or any of their relatives should not be accepted, unless there is a personal relationship between them.

- Employee should not accept a gift of an expensive nature from a subordinate employee of the Bank or the customer.
- In the event that a gift must be accepted due to excessive customer insistence and sensitivity of the relationship, all such gifts must be surrendered to the Group Head of Human Resources along with a Gift Declaration Form – Annexure A 2.3[2a].
- Record of such collection will be maintained by HRD, gift/s will be disposed of by Group Head HR once a year, in collaboration with Group Head of another Department.
- Under no circumstances should any gift be accepted from vendors/suppliers.
- An employee must avoid giving a present/gift to a customer or a government official, which might be interpreted as consideration for a business official or a personal favor.

**Lending or Borrowing Money**

An employee places herself/himself under pecuniary obligation:

- If an employee borrows money from or in any way places himself under pecuniary obligation, to a broker or moneylender or subordinate employee of Silkbank or any firm or persons having dealing with Silkbank.
- If an employee buys or sells stocks, commodities, foreign exchange or securities of any description without funds to meet the full cost thereof.
- If an employee arranges for a Silkbank customer to be granted preferential treatment as a vendor.

Such situations as best be avoided.

A wall should be maintained that precludes even the fact of customer status to be known to those making decisions with respect to vendors.

**Confidential Information**

All employees, both during and after their employment, must adhere to the restrictions contained in this Section and must respect the confidentiality of internal information of the Bank and its customers. Employees must ensure that the information is dealt with appropriately and only used for the purposes of Bank.

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- In no circumstance, shall an employee use information related to Bank and its customers to gain personal advantage for her/him or another person.

The employees shall not:

- Disclose to third parties any non-public information involving the Bank.
- Use or store any of proprietary or sensitive information related to the Bank where unauthorized personnel can see it, whether at work, in public places or elsewhere.
- Attempt to access or possess any of the Bank's confidential and proprietary information, activities or processes to which they are not authorized or entitled in their course of work.
- Participate in any activity that may lead to or result in inappropriate disclosures of sensitive information of the Bank Employees provided with laptops or notebooks by the Bank shall ensure that the information contained therein is properly secured and not available to others for misuse.
- Use the identification issued to them (including without limitation, computer passwords, systems' login which are allowed to them) be given or divulged by them to any other person, except as required in their performance of the Bank's activities.

Confidential Information concerning a customer or supplier must never be disclosed to a third party except pursuant to a statute or regulation, or a court order or other legal process, or after the informed consent of the customer or supplier in writing.

- Likewise, proprietary Silkbank Information (Confidential Information about Silkbank Bank's business or business plans, product and services, marketing methods, technology or systems) must never be disclosed to a third party except pursuant to a statute or regulation, or a valid, final court order.
- For these purposes, "Confidential Information" is non-public information about Silkbank or a customer or supplier that would be useful to a competitor or important to an investor in deciding whether to purchase, hold or sell any Silkbank shares, or the shares of customer or supplier.
- Without permission, disclose proprietary Silkbank information (e.g. forms; procedures; data etc.) in writing an article or book that personally profits and/or furthers the career of the employee.

This policy is intended to alert employees to the need for discretion at all times and is not intended to inhibit normal official communications. If there is a question of whether certain information is considered confidential, the employees are advised to first check with her/his immediate line manager to avoid any chances of repercussion.

**Information Security**

Information is the raw material for decisions and actions, therefore, it is a critical company asset and must be protected. Information access controls are critical to ensuring data integrity, confidentiality, accuracy and accessibility.

In this regard, the Bank has developed an IT employee Handbook to familiarize and guide all the employees to implement and practice information security standards. Many important aspects of information security policy and access control practices have been defined for staff awareness to have an effective Bank wide information security.

**USER RESPONSIBILITIES**

- Employees using Silkbank computer resources must realize their responsibility for the safekeeping of those resources and must guard against abuses that disrupt or threaten the viability of these resources.

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- Users must embrace the philosophy that “Security is everyone’s responsibility” to assist Silkbank in meeting its business goals.
- Users should maintain awareness of the contents of the Information Security & IT Policies.
- All users must read and sign Non-disclosure Agreements (NDA).
- Users to read and sign the Acceptable Use Policy (AUP) document before using a system.
- All users must understand and limit the distribution of information and/or documents as per the classification of the information/documents.

## Access Control (User IDs and Password)

Access to the Bank’s information through various systems requires user IDs and passwords, which is the first line of defense against unauthorized access to confidential information stored on the Bank’s network.

- Each user is responsible for their access IDs and must not share their IDs with any other user, including your supervisor and IT representatives. Therefore, passwords must be memorized, not written down or posted anywhere and must be changed periodically.
- All employees must ensure that their screens are clear / blank and / or locked when not being used with password enabled screensavers. Confidential and sensitive documents must not be placed on desktop.
- An information security breach can cause damage or loss of data from an information system. Such incidents must be reported to the Silkbank designated incidence response team immediately.

All employees must familiarize himself with the IT employee Handbook, available on internet, and abide by the policies/guidelines stipulated in it.

## Password setting tips

A strong password is an important protection. Here are steps you can take to create a strong password.

- **Length:** Make your passwords long with eight or more characters.
- **Complexity:** Include letters, punctuation, symbols, and numbers. The greater the variety of characters in your password, the better.
- **Variation:** To keep strong passwords effective, change them often. Remember to change your passwords about every three months.
- **Variety:** Don't use the same password for everything. Use different ones for different applications.

## ACCEPTABLE USE OF ASSETS

### Desktops/Laptops

- Usage of Silkbank information systems to store, process, download or transmit data that can be construed as biased (politically, religiously, racially, ethnically, etc.) or supportive of harassment is strictly prohibited.
- Downloading, redistribution and printing of copyrighted articles, documents, or other materials to Silkbank information systems is strictly prohibited.

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- Printing, transmitting, or otherwise disseminating proprietary data, business strategies, secrets of Silkbank or other confidential information in violation of Silkbank policies or proprietary agreements is strictly prohibited.
- The storage, processing, or transmittal of unauthorized copies of licensed software & hardware (piracy/copyright & patent infringement), by Silkbank personnel is strictly prohibited.
- Introduction of freeware and shareware and other type of software whether downloaded from the Internet or obtained through any other media is subject to a formal evaluation and approval from Information Security and Information Technology.
- User shall not attempt to install/uninstall any software. Only IT nominated staff is authorized to install any kind of software on the user's system.
- Downloading inappropriate material such as executable files, music files, games or video files or destructive programs for any personal use is strictly prohibited.
- Desktop/Laptops should always be locked when left unattended.

**Data Backup**

- Employees are responsible for taking backup of their critical data residing on their local hard drives / mobile device.
- Critical data should always be kept on the allocated network drives so that it is secured and undergoes backup procedures regularly. IT is responsible for creating network backup drives and/or taking backups of network drives.

**Maintenance & Troubleshooting**

- Employees must not attempt to fix PC and other IT equipment problem themselves, but contact IT Helpdesk / Support for assistance.

**Personal Machines**

- Personal laptops, desktops and other peripheral devices are prohibited to connect to Silkbank's network, unless approved by Head of Information Security or Information Technology.

**External Devices**

- Use of any external devices or gadgets through any means (e.g. WiFi, Internet Dongle, Personal Smart Phones, Card Readers, Bluetooth, Infrared, USB, Optical Disks, Parallel Port, TV card, Speakers etc.) is strictly prohibited. Special permissions can be granted to users on the basis of their work requirements after formal approval from head of department and head of information technology.

**Printers and Scanners**

- All Silkbank Staff with printer requirement and approval will be allowed access to centralized departmental Printers.
- Classified/sensitive information should be cleared from printer trays immediately.
- Printers should be used for business purposes only.

### **Electronic Messaging (e-mails)**

- Silkbank reserves the right to monitor or inspect e-mail on its systems without warning.
- Employees must not transmit information by e-mails that contains defamatory, biased, racial or sexual contents.
- E-mail account must only be used by its owner/authorized user.
- Employees can use the Bank's e-mail facility for business purpose only; use of personal and/or external e-mail services for business messaging is prohibited.
- Users must check for correct e-mail addressing before sending e-mails; particularly when the recipient has a common name.
- Before forwarding or replying, employees must consider the confidentiality and sensitivity of all content, especially on an extended chain of e-mails.
- Subscription e-mail services related to your job function is allowed with formal information / approval to IT department.
- All employees should enable out of office notification when going on vacation or official trips.
- All employees should have their complete and standardized signature (including Full Name, Title, Department, location, Tel, Fax etc).
- Unnecessary attachments should not be sent via e-mail.
- Employees must confirm the validity of any e-mail content, internal or external, by direct contact with the originator before any critical business decision is made based on the content.

### **Internet Usage**

- Bank employees are expected to use the Internet responsibly and productively. Internet access is limited to job-related activities only and personal use is not permitted. Job-related activities include research, visiting industry websites, reviewing competitor information etc.
- Internet access provided by the Bank must not be used to engage in any activity which gathers, generates or distributes any information that is defamatory, abusive, involves any form of racial or sexual abuse, could damage the reputation of the Bank, or any material that is detrimental to any party outside the specific business interests of the Bank.
- Internet access will only be allowed to department / division heads as per their business need. Special access may be granted to designated employees whose work requires internet access. Such special access shall only be granted after formal request from respective division Head.
- Employees may access the Bank's internet facility outside of scheduled work hours for personal development and improvement, provided such use is within professional conduct.
- Employees are discouraged from visiting or downloading high bandwidth consuming websites.
- All files received from the internet must be scanned by official anti-virus management system before opening.
- Information classified as confidential or sensitive must not be sent over the internet insecurely.

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- All laptops, Desktops and handheld devices will be restricted to update their firmware, software updates, software downloading & installation. Installation/updates will be managed centrally by IT Support Team.

**Social Media**

- Employees must be aware that they are responsible for the content they post and that information remains in cyberspace forever.
- Employees must not post any financial, confidential, sensitive or proprietary information about the Bank, its processes, employees or any other assets.
- Employees while posting to personal networking sites and speaking about the Bank or its competitors in anyway, must identify themselves and use disclaimer (“The opinions expressed on this site are my own and do not necessarily represent the views of the Bank.”)
- All employees are expected to speak respectfully about Bank’s current, former and potential customers, partners, directors, employees and competitors.
- Employees to understand that social media sites are not the forum for venting personal complaints about supervisors, co-workers, or the Bank. Beware of comments that could reflect poorly on them and the Bank.
- Employees must not infringe on copyrights or trademarks or use images without permission and without citing due references.
- Employees if contacted by the media, must refer them to Marketing Department.

**Speaking at Public Forums / Interaction with Media**

- The employees of the Bank shall not except as permitted, make any statements, representations or submissions directly to the media in matters related to official work or their employment with the Bank.
- Employees shall not disclose any confidential information at public forums except with the approval of the Competent Authority.

Any speech at public forums by an employee of the Bank dealing with the matters that fall under the jurisdiction of the Bank shall include at an appropriate place, a disclaimer that the views expressed therein do not necessarily reflect the views of the Bank

**Customers, Vendors and Counterparties**

- In order to safeguard the Bank’s reputation for integrity, it is not only necessary for employees to discipline their own actions, it is also necessary to be aware of the character and an action of the customers, vendors, counterparties.
- Care must be exercised in selecting those with whom we deal, and each Silkbank business must have processes in place for checking on the credit and character of customers, vendors and counterparties.

**Mis-declaration**

Employees must avoid mis-declaration, which constitutes, amongst other reasons, the following examples:

- An employee issuing an incorrect account statement, salary certificate or any other information for any customer or staff member.

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- An employee issuing a fake claim for reimbursement of any expenses whereby either the expenses are inflated and/or the expense is not incurred at all.

**Bribery**

Bribes can take many forms including the offer or acceptance of direct or indirect payments. An employee will be guilty of an offence, who, without lawful authority or reasonable excuse:

- Solicits or accepts any advantage as an inducement or reward for doing or intending to commit any act in relation to the Bank's affairs or business, or
- Showing or intending to show favors or disfavor to any person in relation to the Bank's affairs or business.
- Offers any advantage to anyone as an inducement or reward for or otherwise, or
- Intends to deceive the Bank by using any receipt, account or other document which is false, erroneous, or defective in any way and which to his knowledge is intended to mislead the Bank.

**Fraud, Theft or Illegal Activities**

- Employees shall be alert and vigilant with respect to frauds, thefts or significant illegal activity committed or planned that breaks or may break any laws, regulations etc. including any matter arising from unethical practices, within the office.
- If any such activity comes to the attention of an employee, the employee must immediately report the same to the manager / Group Head and to the relevant Compliance officer, who will arrange for appropriate follow-up action to be taken.
- Failure to report any such activity will be subject to disciplinary action.

**Drug, Alcohol & Weapons**

In order to keep Silkbank's reputation intact:

- The illegal use, sale or possession of narcotics, drugs, alcohol or controlled substances while on the job or on Silkbank's property is prohibited and is a dischargeable offense.
- Possession of weapons by employees including, but not limited to firearms and knives, presents the possibility of danger in the workplace and therefore is strictly prohibited.

The possession of such articles is cause for disciplinary action up to and including termination of employment.

- Off-the-job illegal drug use adversely affects an employee's job performance, can jeopardize the safety of others, the public, or Silkbank's equipment, and damages the Silkbank's reputation, as employees are representatives of their organization.
- Employees arrested for off-the-job drug activity may be considered to be in violation of this policy.

In deciding what action to take, Management will take into consideration:

- The nature of the charges.
- Employee's present job assignment.
- Employee's record with Silkbank.

- Other factors relating to the impact and circumstances of the employees arrest.

### **Personal Representation**

- No employee shall make any personal representation direct to the Board of Directors, Government, or any of its Agencies.
- Such representation, if any, must be addressed through proper channel internally.

### **Participation in Political Activities**

- The employees of the Bank shall not participate in any political activity/political demonstrations of any nature nor should they form political association with a political party or coerce other employees to do the same.
- The employees must not solicit political contributions from anyone while on Bank's premises during or after office hours.
- Employees must report any behavior or actions by other employees that are against this policy.

### **Non – Compliance**

Employees should uphold these principles and strictly adhere to the provisions of this code. Failure to do so will result in appropriate disciplinary action, including possible warning issuance and termination of employment, legal action and reimbursement of the Bank for any losses or damages resulting from such violation. Compliance will also include the responsibility to promptly report any apparent violation of the provisions of this policy.

### **Sexual Harassment Redressal**

To ensure that it is the inappropriate behavior that remains the focus, the Sexual Harassment Redressal Policy is applicable to both men and women. Any complaints or reports of gender harassment shall be treated promptly, seriously and sympathetically. They shall be investigated thoroughly, impartially and confidentially. Please refer to Section 13 for further details.

### **Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)**

Employees of Silkbank shall meticulously comply with the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Regulations - 2012 and subsequent SBP directives to ensure that money earned through illegal activities is not channeled through Silkbank Limited. All staff members have a duty in respect of compliance and mitigation of compliance risks is every Silkbank employee's responsibility. Any breach or compliance concerns should immediately be reported to the Compliance Division.

### **Dignity & Respect at Workplace – Silkbank an Employer of Choice**

1. Silkbank is committed to maintain and promote a working environment which is free of discrimination, bullying and harassment, of any kind so that its employees treat each other with dignity and respect.
2. Silkbank recognizes that investing in employee well-being makes good business sense, in terms of improving performance, raising morale and reducing stress.
3. Our employees recognize their responsibility in ensuring that employees are not discriminated on gender, race, religion and belief. It further recognizes that this function includes all employees regardless of their status; contractual or permanent or length of service.
4. Silkbank Management ensures that procedures are in place to enable allegations of harassment and bullying are investigated and considered in a fair, timely and sensitive manner. At all times Silkbank will

have regard to the need for such allegations to be dealt with in a way that ensures an impartial investigation and hearing for all parties.

- a. We at Silkbank are committed to maintaining dignity and respect at workplace and will ensure that complaints brought under this procedure will not lead to the victimization of any individual.
- b. If an employee feels that he/ she has been treated with lack of respect, harassed or bullied within the meaning of this Policy, he/she is entitled to pursue his/ her case in a safe and non-threatening environment.
- c. Silkbank will ensure that all its employees are aware of this Policy and their obligation to respect the dignity of their colleagues and, in particular not to engage in behavior that may be interpreted as harassment, bullying or showing lack of respect.
- d. All staff members are required to establish and maintain acceptable standards of conduct and performance.
- e. A party or witness who knowingly makes a statement that is untrue, malicious, frivolous or in bad faith may be subject to Silkbank's Disciplinary Procedure.

**DEFINITION of Related Party:**

A related party is any entity that has the ability to control a company or can exercise significant influence over that company in making financial and operating decision. These include:

1. Companies having common directors or common major shareholders.
2. Companies having common control such as a subsidiary or an associate.
3. Entities having significant voting power (20% or above under the International Accounting Standards) and close members of the family of such persons. Close family members would include spouse, children, dependent brother/sister and parents.
4. Key management persons and their close family members (all key employees and any entity in which they are interested in whatever capacity would fall in this definition).Also all directors and their close family members would also fall in the definition of related parties.
5. Where the right to appoint one or more directors in two companies rest with the same person, both the companies would be treated as related parties.
6. A company using secret formula, process or patents, trademarks of another company would fall in the definition of related parties. Also if a company is dependent on another company in respect of its process or business, would make both the companies related party under the Rules.
7. Where 50% of material is supplied by one company to another company, both the companies would fall in the definition of related parties.
8. Entities having common key management persons.
9. Entities in which a company can appoint one or more directors.
10. Where goods \services are sold by a company to another company or to persons specified by that another company at price determined by the selling company would make all the parties concerned as related parties.

### Application of the Rules to Silkbank Limited:

In our case, following transactions would fall in the definition of related party transactions:

1. All transactions with a firm, company, trust etc. where Board members of the Bank, or key employees of the bank occupy a position either as a Director, partner, employee, and owner or in other capacity giving them significant influence over the affairs of that entity.
2. Any transaction with a director or key employee including transaction of supply of goods/services if any.
3. Any transaction with a major shareholder.

It should be noted that transactions of sale ,purchase with a director ,employee or a shareholder holding either 5% or more shares in the bank is prohibited under the Prudential regulations. Furthermore no unsecured loan can be granted to a director as well as any secured credit facility on an arm's length basis can only be allowed if approved by majority of the directors.

1. In our case therefore all permitted loans and deposits to/from a director, key employees, major shareholders, or with entities where directors, key employees or major shareholders, or their close relative are interested, either as director, partner or person who can exercise significant influence over them will fall in the definition of related party transaction.
2. A facility if any extended to a major shareholder or a director (whether funded or otherwise) and fully secured requires Board approval by majority of the directors.
3. Supply of goods \services cannot be undertaken with a director, officer, employee or with a person who beneficially own himself or in concert with his family 5 % or more share in the capital of the bank.

### Disclosure requirement of related party transactions

1. Accounting policy on "transfer pricing" to be disclosed in the financial statements.
2. All "related party transactions" to be disclosed in the financial statements.
3. Transactions with "related parties" not conducted on "an arm's length basis" have to be disclosed in the financial statements along with the justification thereof.
4. All "related party transactions" to be placed before the "Audit Committee" and the "Board"
5. Common directorship to be disclosed in all forms 29 submitted to SECP and other particulars submitted to SBP at the time of the election of the Board.
6. The Board should be informed of any contract / transaction in which a director is interested.

### Requirement of SBP Prudential Regulations:

#### “REGULATION G-2”

#### DEALING WITH DIRECTORS, MAJOR SHARE-HOLDERS AND EMPLOYEES OF THE BANKS/DFIs

1. Banks / DFIs shall not enter into leasing, renting and sale / purchase of any kind with their directors, officers, employees or such persons who individually or in concert with family members beneficially owns either 5% or more of the equity of the bank / DFI. This restriction does not apply in case of purchase of vehicles by the paid directors, officers or employees of the banks / DFIs which remained in their own use, provided such sale is covered under the employees service rules duly approved by the Board of Directors of the banks / DFIs and is effected by the banks / DFIs at least at book value at the date of such transaction.

2. Banks / DFIs shall not:
  - a. Take unsecured exposure on, or take exposure against the guarantee of:
    - i. any of their directors;
    - ii. any of the family members of any of their directors;
    - iii. any firm or private company in which the bank / DFI or any of the persons referred to in (i) or (ii) are interested as director, proprietor or partner; or
    - iv. any public limited company in which the bank / DFI or any of the persons as aforesaid are substantially interested and
    - v. their Chief Executive and shareholders holding 5% or more of the share capital of the bank / DFI, including their spouses, parents, and children or to firms and companies in which they are interested as partners, directors or shareholders holding 5% or more of the share capital of that concern.
  - b. Take any exposure on any of their directors or to individuals, firms or companies in which they or any of their directors is interested as partner, director or guarantor, as the case may be, their Chief Executive and shareholders holding 5% or more of the share capital of the bank / DFI, including their spouses, parents, and children or to firms and\companies in which they are interested as partners, directors or shareholders holding 5% or more of the share capital of that concern, without the approval of the majority of the directors of that bank /DFI excluding the director concerned. The facilities to the persons mentioned above shall be extended at market terms and conditions and be dealt with arm length basis.

**CODE OF ETHICS AND  
BUSINESS PRACTICES ACCEPTANCE**

I hereby acknowledge that I have received a copy of the Code of Ethics and Business Practices Standards and declare that I have read and clearly understood the conditions stated herein and will abide by them to the best of my abilities.

I understand that a copy of this document has been placed on Silk Bank's intranet.

Signature: \_\_\_\_\_

Name of Employee: \_\_\_\_\_

Employee No: \_\_\_\_\_

Date: \_\_\_\_\_

**PLEASE NOTE ANY STAFF MEMBER FOUND GUILTY OF VIOLATION OF ANY OF THE ABOVE ETHICAL STANDARDS, HE/SHE WILL BE IMMEDIATELY TERMINATED.**

The CFO,  
Silkbank Limited,  
Karachi.

Dear Sir,

With reference to the rules on the related party transactions and the list of the related parties circulated by you I have to inform you of my following transactions with the bank:

1. Nature of transaction with the bank in individual capacity or as a proprietor/director or partner of a related party of Silkbank Limited (SBL) or by a close relative occupying a position of influence which could affect a financial or operating decision of Silkbank Limited.
  - i. Financing agreement(s) and facilities availed (excluding the facilities that you avail as an employee of the bank under the terms of your employment)
  - ii. Funds placed or deposits held with the bank
  - iii. Any Service (s) provided to the bank
  - iv. Any Supply of goods/equipment's to the bank
  - v. Amount(s) of above transaction(s)
  - vi. Terms and conditions of transaction(s) e.g. interest rate for each loan/deposit, Bank rates, etc.
  
2. Any other disclosure under the attached rules relating to related party Transactions described under the SBP Prudential regulation G2

(Please state NA if you have nothing to declare against any of the above item)

Signature: \_\_\_\_\_

Name of Employee: \_\_\_\_\_

Employee No: \_\_\_\_\_

Date: \_\_\_\_\_