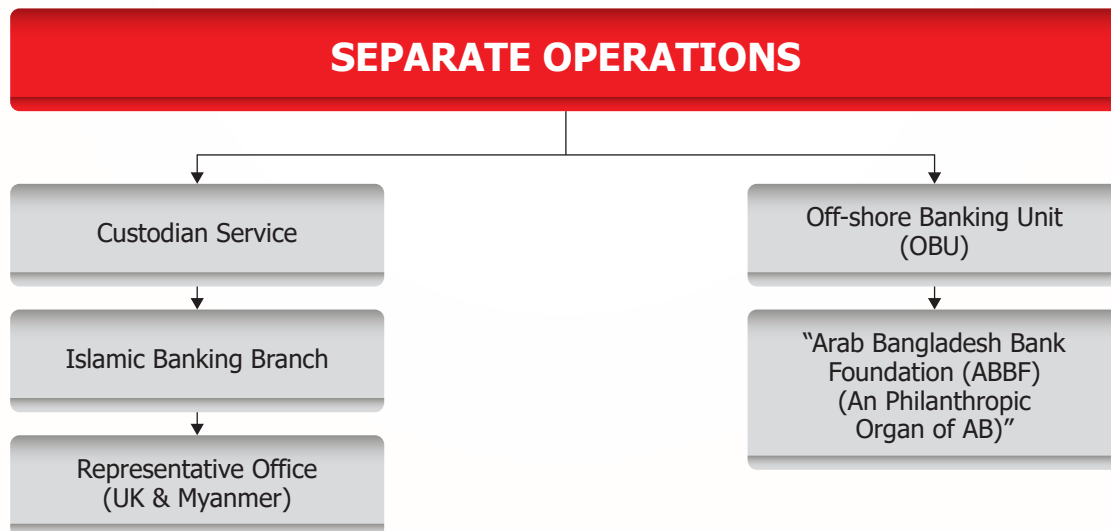
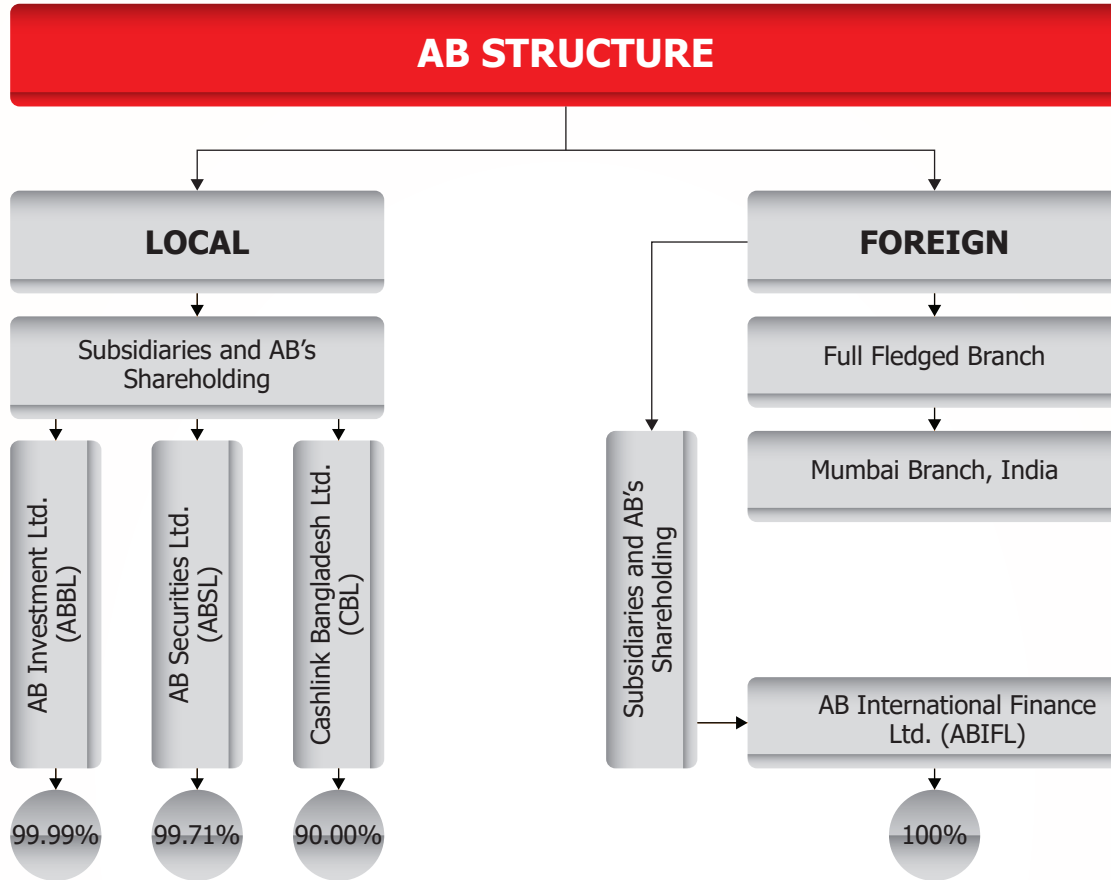


# **CORPORATE** **GOVERNANCE**







## AB Bank Limited Corporate Governance

Corporate Governance policies and practices of the Bank are focused on ensuring fairness, transparency and accountability in the organization as a whole. Bank is structured and systems and processes organized aligned with accepted Corporate Governance practices and also in line with guidelines of Bangladesh Bank and the Bangladesh Securities and Exchange Commission (BSEC) in this regard. While pursuing the goal of Shareholders value addition, Bank attached utmost importance to setting up of well-defined compliance oriented organization and business structure.

**Board of Directors** of AB comprises of 12 (twelve) Members including President & Managing Director. This is in conformity with Bangladesh Bank guidelines and the Articles of Association of the Bank. Board includes two Independent Directors in pursuance with respective regulatory requirements respectively.

Board of Directors of AB is a professionally run forum having Members from various backgrounds and professions.

Board is the apex body for strategy and policy formulations and for taking decisions on business, operational and financial matters besides ensuring compliance and risk management of the Bank. This is run professionally following the guidelines of Bangladesh Bank and within the authorities of the Memorandum and Articles of Associations of the Bank. Management of the Bank operates within the policies, guidance and limits approved by the Board.

Board holds meeting regularly and sits at least once in a month.

**Executive Committee** of the Board is formed following the guidelines of Bangladesh Bank in this respect and comprises of 5 (five) Members nominated by the Board. Mr. Feroz Ahmed, Vice Chairman of the AB Bank, is the Chairman of the Executive Committee. Executive Committee operates within the Terms of Reference (TOR) set by the Board.

**Audit Committee** of the Board has been formed in strict compliance with Bangladesh Bank guidelines and accordingly comprises of 3 (three) Members. Chairman of the Audit Committee is the Independent Director of the Board. Company Secretary acts as the Secretary of the Committee while other Members of the Management attend the Committee Meeting on invitation only. Audit Committee works within the scope of Bangladesh Bank guidelines and Corporate Governance Guidelines.

**Risk Management Committee (RMC)** of the Bank has been formed in compliance with Bank Company Act, 1991 (amendment up to 2018) sec-15 Kha, and subsequent BRPD Circular # 11 Dated October 27, 2013. RMC is formed by 5 (five) Board Members. Ms. Shireen Scheik Mainuddin is the Chairman of the RMC. Function of the RMC is to minimize risk regarding strategic

planning & implementation and to accomplish Board functions accurately related to risk.

**Shariah Council** of the Bank has 7 (seven) Members for overseeing and strategic guidance of the Islamic Banking business. The Council comprises of scholarly persons and operates as per the assigned responsibilities.

### **Regulatory Compliance Disclosure:**

Bank has been following related guidelines on submission of Quarterly, Half-yearly and Yearly Financial Statements and other statutory reports. Any significant development in the business is forth-with disclosed through the adherence to proper rules/guidelines/directives in the form of Price Sensitive Declarations.

Bank also ensures submission of returns to regulatory bodies in full-compliance with the requirements and appropriate disclosures ensuring transparency and accountability.

Board of Directors ensures adequate disclosures for the Shareholders and other stakeholders through the Annual Report or other specific disclosures if required.

### **Delegation of Power:**

Management of the Bank has been empowered with appropriate finance and business decision making authorities as per the guidelines of Bangladesh Bank.

Credit Committee of the Bank has been delegated with the authority for credit approval up to a given limit. Board has approved a Procurement Manual to cover the purchase of goods and services and other procurements of the Bank. Limited formal delegation in this respect has also been given to the Management.

Besides, various manuals, policies and guidelines were approved by the Board from time to time with levels of authority and process delegation varied across the Bank.

Bank also has well empowered ALCO to deal with funding and treasury matters.

President & Managing Director is the Executive Head of the Bank. Bank has approved Organizational Structure (Organogram) up to the Unit Level with clear functional segregation and segregation of processing functioning (Front and Back office) authorities. This ensures Core Risk Management compliance across the Bank. Bank's functions and plans also consider various regulatory limits and restrictions to be risk compliant, as well.

A Risk Management Division (RMD) has been formed in compliance with the relevant guidelines of Bangladesh Bank. Bank also has a strong SRP Team in place.

## AB Bank Limited Corporate Governance

In the overall, the Bank is governed by the rules, regulations, guidelines, directions, and policies as applicable for the banking business and operation. Different control aspects based on need are in place, which includes capital adequacy, risk management, market, liquidity, anti-money laundering compliance, prudential guidelines, reporting standards among others.

Other operations of AB like AB International Finance Limited (ABIFL) at Hong Kong and the Branch in Mumbai, India, governed by the rules and regulations of the respective countries. While the two local subsidiaries - AB Investment Limited (ABIL) and AB Securities Limited (ABSL) governed by rules and regulations of the Bangladesh Securities and Exchange Commission (BSEC) mostly.

Bank has also acquired ninety percent shareholding of Cashlink Bangladesh Limited (CBL) a company engaged in EFT business, governed under the Companies Act besides other applicable regulatory requirements.

### Business Plan vs Achievements in 2017:

Business Plan of the Bank provides for the Working Platform embodying the growth aspect, profitability, risk appetite, capital management etc. It also embodies accountability in terms of set KPI's and acts as a roadmap for Shareholders value addition.

Overall performance of the Bank in 2017 with respect to Business Plan Target is given below:

Performance	BGT 2017	ACT 2017	Variance	
			Amount	%
Operating Profit	563	448	(115)	(20)
Provisions for loans and others	263	463	201	77
Profit before Tax	300	(16)	(316)	(105)
Provision for Tax	100	(19)	(119)	(119)
Net Profit After Tax	200	3	(197)	(99)
Loans and Advances	20,363	22,965	2,602	13
Deposits	25,895	23,595	(2,300)	(9)
Import	11,711	10,492	(1,219)	(10)
Export	7,628	7,511	(117)	(2)
Guarantee	1,422	1,347	(75)	(5)
Inward Remittance (USD)	25	30	5	20

### Inspection by Bangladesh Bank:

Bangladesh Bank conducted the comprehensive inspection on Head Office and 8 (eight) selected Branches based on 31 December 2017. Tripartite meeting among Bangladesh Bank, External Auditors and Management of AB has conducted for finalization of annual Financial Statements.

### External Audit:

External Auditors also covered potential Branches and Head Office as part of the Statutory Audit Program. Auditors covered 80% of the risk assets.

Auditors submitted a Management Report, where they opined that internal control system of the Bank appears to be effective as

evidenced from the functions of its Internal Control and Compliance Department on its various operational areas. The Report was also discussed in the Audit Committee & the Board.

### Department of Internal Control and Compliance (ICC):

Bank has a separate Department for Internal Control & Compliance. This Department operates independently in line with the Bangladesh Bank guidelines. Head of Internal Control & Compliance is accountable to the Audit Committee of the Board.

### Credit Rating:

AB Bank Limited was rated by Credit Rating Agency of Bangladesh Limited (CRAB). The summary of their ratings are given below:

Surveillance Rating (2017)	Long Term	Short Term
	A1	ST-2
Date of Rating	June 04, 2018	
Validity Date	December 31, 2018	

Credit Rating Agency of Bangladesh Limited (CRAB) has affirmed 'A1' rating in the long term and 'ST-2' rating in the short term to AB Bank Limited for the year ended December 31, 2017 (Based on Audited Financials).

Commercial Banks rated 'A' have strong capacity to meet their financial commitments but are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than Commercial Banks in higher-rated categories. A is judged to be of high quality and are subject to low credit risk.

Commercial Banks rated in this category are considered to have strong capacity for timely repayment and are characterized with commendable position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.

### Compliance:

Bangladesh Securities and Exchange Commission (BSEC) issued a Corporate Governance Guidelines (Notification dated 7th August, 2012) for the companies listed with the Stock Exchanges. Compliance status of the guidelines is attached in Annexure-I, II and A respectively.



**AB Bank Limited**  
**Corporate Governance**

**Annexure: I**

**MEETINGS OF THE BOARD OF DIRECTORS OF AB BANK LIMITED (Board Meeting)**

(From 01<sup>st</sup> January, 2017 to 31<sup>st</sup> December, 2017)

Name of Directors	Designation	Date of Original Appointment/ Election	Attendance in Board Meeting of the Bank		Leave of absence granted
			No. of Meetings held since 01.01.2017 to 31.12.2017	No. of meeting attended since 01.01.2017 to 31.12.2017	
Mr. M. Wahidul Haque (upto 21.12.2017)	Chairman	12.12.2007	24	20	03
Mr. Salim Ahmed (upto 21.12.2017)	Vice Chairman	09.07.2008	24	03	20
Mr. Feroz Ahmed	Director	19.10.2008	24	09	15
Mr. M.A. Awal	Director	16.07.2008	24	19	05
Mr. Shishir Ranjan Bose, FCA	Independent Director	16.07.2008	24	21	03
Mr. Faheemul Huq (upto 21.12.2017)	Director	06.09.2007	24	18	05
Mr. Syed Afzal Hasan Uddin	Director	06.09.2007	24	13	11
Mr. Md. Mesbahul Hoque	Director	16.07.2008	24	09	15
Prof. Dr. M. Imtiaz Hossain	Independent Director	03.12.2008	24	24	Nil
Mr. Syed Golam Kibria	Director	16.06.2016	24	21	03
Mr. Asish Baran Sarkar	Director	28.07.2016	24	24	Nil
Mr. Shamim Ahmed Chaudhury (upto 23.02.2017)	President & Managing Director	23.02.2014	24	03	01
Mr. Moshir Rahman Chowdhury, President & Managing Director (C.C.) w.e.f. 23.02.2017 and w.e.f. 09.05.2017 on Regular basis.	President & Managing Director	09.05.2017	24	19	01
<b>Total number of Board Meeting held = 24 (twenty four)</b>					

**Executive Committee Meeting**

(From 01<sup>st</sup> January, 2017 to 31<sup>st</sup> December, 2017)

Name of Directors	Status	No. of Meetings held since 01.01.2017 to 31.12.2017	No. of Meetings attended since 01.01.2017 to 31.12.2017	Leave of absence granted
Mr. Feroz Ahmed Director, ABBL	Chairman	01	01	Nil
Mr. Md. Mesbahul Hoque Director, ABBL	Member	01	Nil	01
Mr. Faheemul Huq Director, ABBL (upto 21.12.2017)	Member	01	01	Nil
Mr. Syed Afzal Hasan Uddin Director, ABBL	Member	01	01	Nil

**AB Bank Limited**  
**Corporate Governance**

**Annexure: I**

**Executive Committee Meeting**  
(From 01<sup>st</sup> January, 2017 to 31<sup>st</sup> December, 2017)

Name of Directors	Status	No. of Meetings held since 01.01.2017 to 31.12.2017	No. of Meetings attended since 01.01.2017 to 31.12.2017	Leave of absence granted
Mr. Shishir Ranjan Bose, FCA Independent Director, ABBL	Chairman	09	08	01
Mr. M. Wahidul Haque Chairman, ABBL (upto 21.12.2017)	Member	09	08	Nil
Mr. Salim Ahmed Vice Chairman, ABBL (upto 21.12.2017)	Member	09	01	07
Mr. M.A. Awal Director, ABBL	Member	09	07	02
Prof. Dr. M. Imtiaz Hossain Independent Director, ABBL	Member	09	09	Nil

**Risk Management Committee Meeting**  
(From 01<sup>st</sup> January, 2017 to 31<sup>st</sup> December, 2017)

Name of Directors	Status	No. of Meetings held since 01.01.2017 to 31.12.2017	No. of Meetings attended since 01.01.2017 to 31.12.2017	Leave of absence granted
Mr. M. Wahidul Haque Chairman, ABBL (upto 21.12.2017)	Chairman	10	09	Nil
Mr. Feroz Ahmed Director, ABBL	Member	10	03	07
Mr. Shishir Ranjan Bose, FCA Independent Director, ABBL	Member	10	09	01
Mr. Faheemul Huq Director, ABBL (upto 21.12.2017)	Member	10	09	Nil
Mr. Syed Afzal Hasan Uddin Director, ABBL	Member	10	06	04

**AB Bank Limited**  
**Corporate Governance**

**Annexure: II**

Shareholding pattern of the Bank is disclosed as below following the requirements of Section 1.5 (xxi) of SEC Notification No. – SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012.

**a) Parent / Subsidiary / Associated Companies and other related parties: N/A**

**b) Shares held by Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their Spouses and Minor Children are as follows: status as of December 31, 2017**

**i) Shares held by Directors and their spouses**

Name of Directors	Status	No. of Shares	%	Name of the Spouses	No. of Shares	%
Mr. M. A. Awal	Chairman	4,749	0.0006%	Mrs. Hosne Ara Awal	-	-
Mr. Feroz Ahmed	Vice Chairman	15,730,196	2.0749%	Mrs. Salvana Ahmed	310,497	0.0410%
Mr. Md. Mesbahul Hoque	Director	3,371	0.0004%	Mrs. Mahfuza Khanam	-	-
Mr. Syed Afzal Hasan Uddin Barrister-at-law	Director	3,371	0.0004%	Mrs. Razia Akhter Choudhury	-	-
Mr. Syed Golam Kibria	Director	1,125	0.0001%	Mrs. Hazera Faizun Nahar	-	-
Mr. Asish Baran Sarkar	Director	1,125	0.0001%	Mrs. Shova Sarkar	-	-
Mr. Moshtaque Ahmed Chowdhury*	Director	-	-	Mrs. Kaniz Fatema Ahmed	-	-
Mrs. Shireen Scheik Mainuddin*	Director	-	-	Late A.N. Mainuddin	-	-
Mr. Shajir Ahmed*	Director	-	-	Mrs. Fahmida Islam	-	-
Mr. Shishir Ranjan Bose FCA	Independent Director	-	-	Mrs. Buli Bose	-	-
Prof. Dr. M. Imtiaz Hossain	Independent Director	-	-	Mrs. Shirin Jahan	-	-
Mr. Moshir Rahman Chowdhury	President & Managing Director	-	-	Mrs. Farzana Chowdhury	-	-

\* Appointed in the 35<sup>th</sup> Annual General Meeting held on December 21, 2017. Bangladesh Bank consented on January 4, 2018.

**ii) Shares held by Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit.**

Name	Status	No. of Shares
Mr. Moshir Rahman Chowdhury	President & Managing Director	-
Mr. Mahadev Sarker Sumon FCA	Company Secretary & Chief Financial Officer	-
Mr. Anupam Kanti Debnath	Head of Internal Control and Compliance Division	-

**c) Shares held by top five salaried employees other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, and Head of Internal Audit.**

Sl. No	Name	Status	No. of Shares
1	Mr. Sajjad Hussain	DMD & Head of Operations	-
2	Ms. Shamshia I Mutasim	DMD & Head of HRMD	-
3	Mr. Reazul Islam	SEVP & Head of IT & eBiz	-
4	Mr. Abu Hena Mustafa Kamal	SEVP & MD's Secretariat	-
5	Mr. Syed Mizanur Rahman	EVP & Head of Retail Banking	-

**d) Shareholders holding ten percent or more voting interest in the company: N/A**

**AB Bank Limited**  
**Corporate Governance**

**ACNABIN**

Chartered Accountants  
BDBL Bhaban (Level-13 & 14)  
12 Kawran Bazar Commercial Area  
Dhaka 1215, Bangladesh

Phone: +88 02 8144347-52  
+88 02 8189428-29  
Facsimile: +88 02 8144353  
Email: acnabin@bangla.net  
Website: www.acnabin.com

**Certificate on Compliance with Conditions of Corporate Governance Guidelines**

[Issued under condition #7(i) of Corporate Governance Guidelines of BSEC vide  
Notification NO. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012]

I have reviewed the compliance with the conditions of Corporate Governance Guidelines by AB Bank Limited ("the Bank") for the year ended 31 December 2017. These conditions of Corporate Governance were issued by Bangladesh Securities & Exchange Commission (BSEC) vide their notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012. The compliance with the said conditions of Corporate Governance and reporting the status thereof is the responsibility of the management of the Bank. My responsibility is to provide a certificate about whether the Bank is in compliance with the said conditions of Corporate Governance based on my examination.

My examination for the purpose of issuing this certificate was limited to the procedures including implementation thereof as adopted by the Bank for ensuring the compliance of the conditions of Corporate Governance and correct reporting of the status of the compliance on the attached statement on the basis of evidence gathered and representation received. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

To the best of my information and according to the explanations given to me by the Bank, I hereby certify that AB Bank Limited has complied with the conditions of Corporate Governance stipulated in the above mentioned BSEC's notification dated 07 August 2012.

Dhaka,  
09 May 2018



**M. Moniruzzaman, FCA**

Partner  
ACNABIN, Chartered Accountants  
ICAB Enrollment # 787



**AB Bank Limited**  
**Corporate Governance**

**Annexure: A**

**Status of Compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969 is presented below:**

Condition No.	Title	Compliance Status ("√" has been put in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
1	Board of Directors (BoD)			
1.1	Board size [number of Board members-minimum 5 (five) and Maximum 20 (twenty)]	√		
1.2	Independent Directors			
1.2 (i)	At least one fifth (1/5) of the total number of Directors shall be Independent Directors	√		
1.2 (ii)	Independent Director means a Director			
1.2 (ii) (a)	who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company	√		
1.2 (ii) (b)	Who is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company	√		
1.2 (ii) (c)	who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies	√		
1.2 (ii) (d)	who is not a member, director or officer of any stock exchange	√		
1.2 (ii) (e)	who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market	√		
1.2 (ii) (f)	who is not a partner or executive or was not a partner or an executive during the preceding 3 (three) years of the company's statutory audit firm	√		
1.2 (ii) (g)	who shall not be an independent director in more than 3 (three) listed companies	√		
1.2 (ii) (h)	who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI)	√		
1.2 (ii) (i)	who has not been convicted for a criminal offence involving moral turpitude	√		
1.2 (iii)	Independent Director(s) shall be appointed by BoD approved by the shareholders in the Annual General Meeting (AGM)	√		
1.2 (iv)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days	√		
1.2 (v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded	√		
1.2 (vi)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only	√		
1.3	Qualification of Independent Director			
1.3(i)	Independent director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business	√		
1.3(ii)	Independent Director should be a Business Leader/ Corporate leader/Bureaucrat /University Teacher with Economics or Business Studies or Law background /Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management/professional experiences	√		

## AB Bank Limited Corporate Governance

### Annexure: A

Condition No.	Title	Compliance Status ("√" has been put in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
1.3(iii)	In special cases the above qualifications may be relaxed subject to prior approval of Commission	-	-	Not Applicable
1.4	The Chairman of the Board and the Chief Executive Officer (CEO) shall be different individuals. The Chairman shall be elected from among the directors. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the CEO	√		
<b>1.5</b>	<b>The Director's Report shall include the following additional statements:</b>			
1.5 (i)	Industry outlook and possible future developments in the industry	√		
1.5 (ii)	Segment-wise or product-wise performance	√		
1.5 (iii)	Risks and concerns	√		
1.5 (iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin	-	-	Not Applicable
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss	-	-	Not Applicable
1.5 (vi)	Basis for related party transactions - a statement of all related party transactions should be disclosed in the annual report	√		
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any other instrument	-	-	Not Applicable
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Right Offer, Direct Listing, etc.	-	-	Not Applicable
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements, the management shall explain about the variance	-	-	Not Applicable
1.5 (x)	Remuneration to directors including independent directors	√		
1.5 (xi)	The financial statements present fairly its state of affairs, the result of its operations, cash flows and changes in equity	√		
1.5 (xii)	Proper books of account have been maintained	√		
1.5 (xiii)	Adaptation of appropriate accounting policies & estimates	√		
1.5 (xiv)	IAS/BAS/IFRS/BFRS, as applicable in Bangladesh, have been followed and adequate disclosure for any departure	√		
1.5 (xv)	The system of Internal control is sound in design and has been effectively implemented and monitored	√		
1.5 (xvi)	Going Concern (ability to continue as going concern)	√		
1.5 (xvii)	Highlight and explain significant deviations from the last year's operating results	√		
1.5 (xviii)	Key operating and financial data of at least preceding 5(five) years shall be summarized	√		
1.5 (xx)	The number of Board meetings held during the year and attendance by each director is disclosed	√		
<b>1.5 (xxi)</b>	<b>Pattern of shareholding and name wise details (disclosing aggregate number of shares):</b>			
1.5 (xxi) (a)	Parent/Subsidiary/Associated Companies and other related parties	√		
1.5 (xxi) (b)	Directors, Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO), Head of Internal Audit (HIA) and their spouses and minor children	√		
1.5 (xxi) (c)	Executives	√		
1.5 (xxi) (d)	Shareholders holding ten percent (10%) or more voting interest in the company	-	-	Not Applicable

**AB Bank Limited**  
**Corporate Governance**

**Annexure: A**

Condition No.	Title	Compliance Status ("√" has been put in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
1.5 (xxii)	In case of the appointment/re-appointment of a director, disclose:			
1.5 (xxii) (a)	a brief resume of the director	√		
1.5 (xxii) (b)	nature of his/her expertise in specific functional areas	√		
1.5 (xxii) (c)	names of companies in which the person also held the directorship and the membership of committees of the board	√		
2.0	Chief Financial Officer, Head of Internal Audit & Company Secretary			
2.1	Appointment of CFO, HIA and CS and defining their respective roles, responsibilities & duties	√		
2.2	The CFO and the CS shall attend the meeting of the Board of Directors	√		
3.0	Audit Committee			
3 (i)	The Audit Committee shall be the sub-committee of the BoD	√		
3 (ii)	The Audit Committee shall assist the BoD in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	√		
3 (iii)	The Audit Committee shall be responsible to the BoD. The duties of the Audit Committee shall be clearly set forth in writing	√		
3.1	Constitution of the Audit Committee			
3.1 (i)	The Audit Committee shall be composed of at least 3 members	√		
3.1 (ii)	The BoD shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) Independent Director	√		
3.1 (iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience	√		
3.1 (iv)	Expiration of the term of service of Audit Committee members making the number lower than 3 (three) and fill up the vacancy (ies) by the Board not later than 1 (one) month from the date of vacancy(ies)	-	-	Not Applicable
3.1 (v)	The Company Secretary shall act as the secretary of the Audit Committee	√		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1(one) independent director	√		
3.2	Chairman of the Audit Committee			
3.2 (i)	The BoD shall select the Chairman of the Audit Committee, who shall be an Independent Director	√		
3.2 (ii)	Chairman of the audit committee shall remain present in the AGM	√		
3.3	Role of Audit Committee			
3.3(i)	Oversee the financial reporting process	√		
3.3(ii)	Monitor choice of accounting policies and principles	√		
3.3(iii)	Monitor Internal Control Risk Management process	√		
3.3(iv)	Oversee hiring and performance of external auditors	√		
3.3(v)	Review the annual financial statements before submission to the board for approval	√		
3.3(vi)	Review the quarterly and half yearly financial statements before submission to the board for approval	√		
3.3(vii)	Review the adequacy of internal audit function	√		

## AB Bank Limited Corporate Governance

### Annexure: A

Condition No.	Title	Compliance Status ("√" has been put in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
3.3(viii)	Review statement of significant related party transactions submitted by the management	√		
3.3(ix)	Review Management Letters/Letter of Internal Control weakness issued by statutory auditors	√		
3.3(x)	Disclosure to the Audit Committee about the uses/applications of IPO funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, shall prepare a statement of funds utilized for the purposes other than those stated in the prospectus	-	-	Not Applicable
<b>3.4</b>	<b>Reporting of the Audit Committee</b>			
<b>3.4.1</b>	<b>Reporting to the Board of Directors</b>			
3.4.1(i)	Reporting to BoD on the activities of the Audit Committee	√		
3.4.1(ii)(a)	Reporting to BoD on conflicts of interests	-	-	Not Applicable
3.4.1(ii)(b)	Reporting to BoD on any fraud or irregularity or material defect in the internal control system	-	-	Not Applicable
3.4.1(ii)(c)	Reporting to BoD on suspected infringement of laws	-	-	Not Applicable
3.4.1(ii)(d)	Reporting to BoD on any other matter	-	-	Not Applicable
<b>3.4.2</b>	<b>Reporting to the Authorities</b>			
	If the Audit Committee has reported to the BoD about anything which has material impact on the financial condition and results of operation and has discussed with the BoD and the management that any rectification is necessary and if the audit committee finds that such rectification has been unreasonably ignored, the audit committee shall report such findings to the commission, upon reporting of such matters to the BoD for 03 times or completion of a period of 06 months from the date of first reporting to BoD, whichever is earlier	√		
<b>3.5</b>	<b>Reporting to the Shareholders and General Investors</b>			
	Report on activities carried out by the audit committee, including any report made to the BoD under condition 3.4.1(ii) above during the year, shall be signed by the Chairman of the audit committee and disclosed in the annual report of the issuer company	√		
<b>4.00</b>	<b>External / Statutory Auditors</b>			
4.0 (i)	Non-engagement in appraisal or valuation services or fairness opinions	√		
4.0 (ii)	Non-engagement in designing and implementation of Financial Information System	√		
4.0 (iii)	Non-engagement in Book Keeping or other services related to the accounting records or financial statements	√		
4.0 (iv)	Non-engagement in Broker-dealer services	√		
4.0 (v)	Non-engagement in actuarial services	√		
4.0 (vi)	Non-engagement in internal audit services	√		
4.0 (vii)	Non-engagement in any other services that the Audit Committee determines	√		
4.0 (viii)	No partner or employees of the external audit firms shall possess any share of the company during the tenure of their assignment	√		
<b>5</b>	<b>Subsidiary Company</b>			

**AB Bank Limited**  
**Corporate Governance**

**Annexure: A**

Condition No.	Title	Compliance Status ("√" has been put in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
5(i)	Provisions relating to the composition of the BoD of the holding company shall be made applicable to the composition of the BoD of the subsidiary company	√		
5(ii)	At least 1(one) Independent Director on the BoD of the holding company shall be a director on the BoD of the subsidiary company.	√		
5(iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company	√		
5(iv)	The minutes of the respective Board Meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also	√		
5(v)	The Audit committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company	√		
<b>6</b>	<b>Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO)</b>			
6(i)	The CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief:	√		
6 (i)(a)	these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	√		
6 (i)(b)	these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws	√		
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct	√		
<b>7</b>	<b>Reporting and Compliance of Corporate Governance</b>			
7 (i)	Obtaining certificate from a practicing Professional Accountant/Secretary regarding compliance of conditions of Corporate Governance Guidelines of the BSEC and include in the Annual Report	√		
7 (ii)	Directors statement in the directors' report whether the company has complied with these conditions	√		