

DIRECTORS' **REPORT**





AB Bank Limited **Directors' Report 2017**

Bismillahir Rahmanir Rahim

Honorable Shareholders

Assalamualaikum.

It is a pleasure for the Board of Directors of AB Bank Limited to present the Directors' Report 2017. This report outlines the performance of the Bank for the year ended December 31, 2017. The Board of Directors has reviewed the financial statements to ensure effective financial controls, transparency and accuracy of the data and financial reporting of the Bank. The report deals with the Bank's overall performance and activities of 2017. The Directors' Report also contains a brief overview of the world economy alongside Bangladesh economy and Banking industry outlook of the country.

Dear Shareholders,

The Directors' Report 2017 is prepared in accordance with Section 184 of Companies Act, 1994 and Bangladesh Securities & Exchange Commission's Notification SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012. We are pleased to place the audited Financial Statements of the Bank for the year ended 31st December 2017 along with the Auditor's Report. Financial Statements of the Bank have been prepared with a view to provide maximum possible coverage in terms of compliance with applicable regulatory requirements and financial standards and to give a true and fair view of the business affairs in a transparent manner as far as possible to our Shareholders and regulators alike. All the subsidiaries and other independent activities of the Bank have been given separate representation in this year's Financial Statements.

Starting in 1982, today after 36 years, we are a compliant and a robust banking institution facing the challenges of the changing business environment - a testament to an enduring partnership with our Shareholders, Directors, Customers, Regulators and well-wishers. To honour and in recognition of the bondage, we have designed our 36th year mnemonic to read - "36 Years of Successful Partnership".

Dear Shareholders,

Global Economy

The global growth is expected at 3.9% in 2018, similar to 2017. China's growth is likely to ease moderately as it continues to rebalance towards consumption from investment. It is expected that the US and euro area growth will exceed 10-year averages, although this is not a particularly high bar. There is a slim possibility that global growth will recover to the 4.2% pre global financial crisis average. Fiscal policy has turned mildly supportive of world growth, while monetary policy in general is likely to shift from ultra-accommodative to more neutral as inflation rises but remains well below longer-term averages.

While the market is unwilling to price risk premium for now, this does not mean risks can be ignored. In addition to geopolitical and political risks (including many elections), we are watching three other key risk themes for 2018:

Global trade may not perform as strongly, as temporary factors that propped up 2017 exports are likely to fade. Asia, the region most open to trade, cannot count on the same degree of external support that it received in 2017. Two of the drivers of stronger exports in 2017 were temporary: the recovery in prices of exported goods (which followed commodity prices with a lag) and China's inventory restocking cycle. Stretched leverage cannot be ignored. High household leverage may weigh on growth in Malaysia, South Korea and Thailand. On the external debt front, the most vulnerable economies are Venezuela, Jordan, Argentina, Turkey and Greece.

Multiple political event risks could knock the markets, and global growth, off track. Today's political risks (US, Middle East, North Korea, UK and Europe) leave us almost as uncomfortable about the outlook as we were a year ago. In the markets, however, a positive see of change in risk sentiment is visible compared to one year ago.

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Despite a strong near term view on global growth, long-term structural issues will continue to weigh: ageing populations, weak productivity (despite rapid technological advances), soft wage growth, and prior leverage excesses.

On the commodities front, the supply-demand balance for oil in 2018 appears supportive of higher prices. We expect global oil demand to increase in the 2nd half of 2018 exceeding 100mb/d resulting in increase of oil price from USD 60/bbl.

The medium-term growth outlook appears tentative and will depend in part on the new economic relationship within the EU (e.g. how Brexit plays out) and the extent of the barriers to trade, migration, and cross-border financial activity. IMF's October 2017 report on the global economy and outlook paints a modestly improved picture of the world economy in the current year and the next. Though global growth is not projected to reach pre-financial crisis levels the good news is that trade growth has finally started to exceed output growth. This phenomenon of trade growth exceeding income growth was the standard feature of the post-war global economy until the financial crisis of 2007-08 broke the trend. It was the signal that trade was the driving force behind post-war prosperity.

That trend — a consequence of rapid globalization - is under siege from political forces in the developed countries who ironically were the champions of free trade and globalization. Rising income inequality and skills mismatch in a period of digital transformation and open trade have led to unemployment in those countries giving rise to forces of protectionism and a new wave of economic nationalism.

Bangladesh Economy

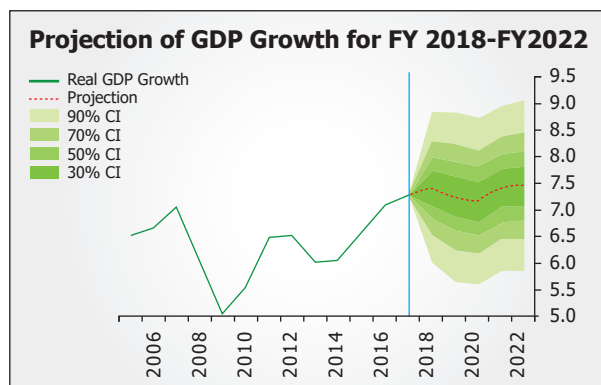
GDP grew by 7.3% in fiscal year 2017 (FY2017, ended 30 June 2017), edging up from 7.1% a year earlier. This growth despite falling remittances was due to acceleration in private consumption expenditure, and continued growth in public

infrastructure investment. Private investment rose marginally. With faster expansion in import volume while exports stagnated, net exports subtracted from growth at \$1.7 billion, foreign direct investment equaled less than 1.0% of GDP.

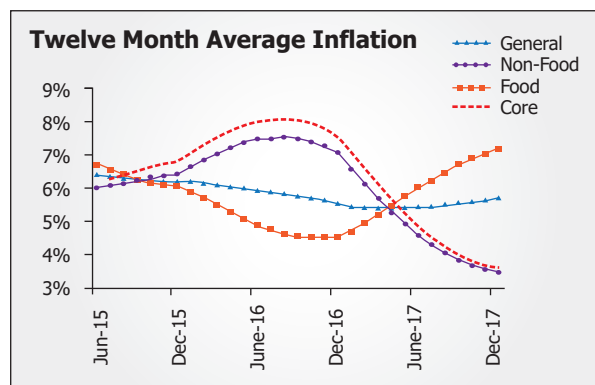
On the supply side, agriculture grew by 3.0%, up from 2.8% the year before. Despite staple crop losses to heavy rain and prolonged flooding, good performance in other subsectors—horticulture, animal farming, forestry, and fishing—buoyed agricultural output overall. Industry growth slowed to 10.2% from 11.1% largely on weaker growth in medium and large-scale manufacturing as garment production stagnated. Services growth accelerated to 6.7% from 6.3%, mainly on higher growth in wholesale and retail trade and in transport services.

Despite food inflation trending higher during the year as weather induced rice shortages, average inflation decelerated to 5.4% from 5.9% as non-food inflation slowed. This reflected the conservative monetary policy of Bangladesh Bank, the central bank, and a stable exchange rate. Inflation rose to 5.9% year on year in June 2017, from 5.5% a year earlier, as food inflation accelerated to 7.5% from 4.2% and non-food inflation decelerated to 3.7% from 7.5%. Growth in broad money slowed in FY2017 to 10.9%, well below the monetary program target of 15.5%. The slowdown came mainly from a sharp decline in net credit to the government as it turned to borrowing more through the sale of national savings certificates. Private credit growth was close to its target of 16.5% as private investment picked up. Expansion in net foreign assets slowed on a smaller increase in central bank foreign exchange reserves.

The central bank kept its repo and reverse repo policy rates unchanged in FY2017, but ample liquidity in the banking system meant that interest rates continued to decline. The call money rate remained stable under easing liquidity pressure. The weighted average yield on 91-day Treasury bills declined to 3.7% in June 2017 from 4.0% a year earlier.



Source: Bangladesh Bank Projection



Source: Bangladesh Bureau of Statistics



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Banks' weighted average lending rate eased to 9.6% from 10.3% in the same period, while the weighted average deposit rate declined to 4.8% from 5.4%, narrowing banks' interest rate spread by 0.2 percentage points to 4.7 points. Nonperforming loans in state-owned commercial banks continued to be a major issue as, despite remedial policies.

Budget revenue as a share of GDP remained very low at 10.2%, continuing to constrain a more rapid pace of development even as it rose slightly from 10.0% in the previous year. Tax collection by the National Board of Revenue grew by 19.0% in FY2017 but still fell short of the high budget target. Non-tax revenue collection was below target.

Expenditure was lower than the budget and declined to 13.2% of GDP from 13.8% a year earlier. Strengthened monitoring of public spending through a new integrated budget and accounting system helped moderate current spending, curb public spending as a share of GDP and make it more effective. The budget deficit declined to the equivalent of 3.0% of GDP in FY2017 from 3.8% in FY2016, well below the 5.0% budget target.

Exports grew marginally in FY2017, by 1.7%, down from 8.9% a year earlier. Garment exports grew by a scant 0.2%. The slump reflected much weaker demand in major markets in the euro area and the US, as well as an infrastructure deficit that kept exporters from filling some orders. Other exports grew rapidly at 8.5%.

With stepped-up domestic demand, growth in import payments accelerated to 9.0% from 5.9%, reflecting solid increases in most categories: food, investment and consumer goods, and crude oil and petroleum products. Growth in intermediates for the garment industry, however, were modest.

Despite expanded employment overseas, worker remittances fell by 14.5% in FY2017. The decline mostly reflected economic adjustment to low oil prices in the Gulf, which hosts most Bangladeshi migrant workers, that depressed wages and employment as well as remittances through reportedly unofficial channels.

The current account fell into deficit in FY2017 by \$1.5 billion, equal to 0.6% of GDP, which reversed a surplus of \$4.3 billion in FY2016. The downturn reflected a \$3.0 billion widening of the trade deficit and a \$2.1 billion fall in remittances, as well as continued small deficits in the

service and primary income accounts. The surplus in the combined capital and financial accounts nevertheless rose to \$4.5 billion, which lifted gross foreign exchange reserves in the central bank by \$3.2 billion to \$33.4 billion at the end of June 2017, providing nearly 8 months of import cover.

The Bangladesh Taka depreciated against the US dollar by 2.7% in nominal terms in the year to the end of June 2017. Taking into account differences in inflation, the Taka appreciated by 2.4% in real effective terms, eroding competitiveness.

The country's capital market passed 2017 registering some records, including seven-year high turnover value, amid fluctuation observed in broad index and turnover value during the year.

The Dhaka Stock Exchange (DSE) registered the highest turnover in 2017 since the stock market debacle in 2010-11, riding on increased trade participation by the investors. The DSE featured a daily average turnover of more than Tk 8.75 billion, whereas the turnover during 2011-16 was between Tk 4.23 billion and Tk 6.64 billion.

The benchmark index of the Dhaka Stock Exchange DSEX posted 24 percent growth to more than 6,200 points in 2017. On November 26, the DSEX closed at 6,336 points, the highest ever mark since the introduction of new benchmark index.

The DSE also registered the highest ever market capitalization worth above Tk 4.26 trillion on November 23, 2017. However, the benchmark index of DSE has fallen at 5,406 on May 21, 2018, a downward trend since the beginning May 2018.

Worker remittances rebounded to expand by 16.6% in the first 8 months of FY2018, reflected reduced bank fees and charges and a record number, in about a decade, of about 1 million workers that went abroad in 2017.

The Taka depreciated by 4.3% against the US dollar in late-2017 from the same period last year, and is expected to depreciate further in response to the large current account deficit. To avoid excessive volatility in the foreign exchange market, the central bank sold \$1.1 billion to meet demand for foreign currency in this period. By December 2017, the Taka had depreciated by 6.8% in real effective terms from a year earlier, indicating a gain in competitiveness.

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The FY2018 budget, announced in June 2017, projected that revenue growth at 31.8% would outpace spending growth at 26.2%. Annual development spending was slated to grow by 38.5% to accelerate the implementation of some large infrastructure projects including the Padma Bridge, Dhaka Metro Rail, Rooppur Nuclear Power Plant, Payra Port, and coal-fired power plants at Rampal and Matarbari. Revenue was projected to rise to equal 13.0% of GDP, and public spending 18.0%, both significant increases from the previous year.

The ratio of government debt to GDP has declined slightly over time and is quite low for developing Asia. External debt amounted to 11.4% of GDP in FY2017, reflecting the government's continued preference for concessional external borrowing. Domestic debt amounted to 15.7% of GDP.

Meanwhile, the influx of some one million Rohingya ethnic minority of Myanmar fleeing pogrom perpetrated on them by the Myanmar military junta put a sudden pressure on Bangladesh economy in the late 2017. None other than the UN and many more governments have recognized the incident as a case of "ethnic cleansing", and the international community have been raising their voice to hold the Myanmar government to account for this humanitarian crisis. Bangladeshis have once again shown their kinder gentler side by offering these refugees safety and temporary habitat. They are the responsibility of the UN High Commission for Refugees (UNHCR) which has been actively seeking pledges of aid that is expected to come in drips. Our optimistic assumption is that much of the annual cost of about \$600 million will become available and the refugees will be repatriated within a year. A plausible long-term solution to the Rohingyas of Rakhine State in Myanmar is the Kofi Anan Commission Report that is on the table with wide international endorsement. In the unlikely event that this becomes a longer-lasting festering problem there could be unpalatable economic and social consequences for Bangladesh to endure.

"Bangladesh has made remarkable progress in achieving inclusive growth, which led to a substantial decline in poverty. The extent of financial inclusion in society is commendable, and the authorities should continue to strengthen the legal and regulatory framework of the banking sector and implement the upcoming financial inclusion strategy. Finally, higher expenditure on education and improvements in rural infrastructure should continue to boost the current low female labour force participation rates by enhancing job prospects, reducing the time spent on domestic tasks, and increasing safety," - a statement of International Monetary Fund (IMF) on the trends of Bangladesh economy in 2017.

BUSINESS OVERVIEW 2017:

Corporate Banking

Based on experience and practical knowledge, AB Bank provides Corporate Banking solutions to the growing Corporate Sectors of the country. To meet the diverse financial needs of the corporates, the Bank provides a broad spectrum of products and services. With expertise, innovation and customization, the Bank simplifies the complexities of the financial world for the clients and helps them attaining their desired objectives. The prime focus is on building and maintaining long-term mutually beneficial relationship with the clients, and being a part of their journey towards development and growth.

The Corporate Products and Services of AB Bank Limited are extended to the Corporate Clients of its various Branches through Head Office Corporate Finance Division. AB Bank has always been supporting the Corporates through a wide range of conventional Corporate and Islamic Banking Products and Services along with cutting edge solutions through a focused approach. On many occasions, AB's innovative and insightful support has transformed corporate customers into market leaders.

AB Bank Limited has a proven track record as a book runner, mandated lead arranger and underwriter of Syndicated loans. Due to the long experience and flexible handling, the Bank can offer clients tailored loans and facilities as well as a complete service for complex transactions through Syndication. As an unwavering financial partner with substantial underwriting capacity, the Bank offers clients the necessary services to raise capital and debt from the market.

Financial Highlights – as on December 31, 2017

- Total outstanding of corporate loan: Tk 17,474.00 Crore
- Proportion of Corporate Loans was 76.09% against the total loan portfolio
- Corporate Loan growth was 7.18% in comparison with the year 2016
- Dominant sectors in the Bank's exposure to corporate clients include Readymade Garments, Textiles, Construction, Power, Food, Manufacturing and Trading Sectors.

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Business Highlight in 2017:

- 1) **Textile and RMG:** RMG accounts for the largest export revenue generating sector of the country. In continuation of its financial support to this most important economic sector, the Bank provided credit facilities to a number of clients in this sector which is going to further consolidate Bangladesh's capabilities in Textiles.
- 2) **Steel manufacturing industry:** Steel manufacturing industry is growing as one of the dominant economic sectors of the country. In 2017, AB Bank strengthened its footprint in this sector by extending credit facilities to a number of clients.
- 3) **Medical Education and Health Service:** The Bank has extended financing to the capacity building of the Health sector.
- 4) **Home Appliances:** In recent times, home appliances manufacturing has become one of the most important sector in the economy of Bangladesh. As part of the investment of the Bank, AB Bank Limited extended credit facility to various home appliances company of the country.
- 5) **Fast Moving Consumer Goods (FMCG):** AB Bank Limited contributed to the FMCG sector of the country by extending various sort of credit facilities to its FMCG clients to support their business.

Retail Banking Division

Being the first private sector commercial bank of Bangladesh, starting its operation in 1982, AB Bank Limited always emphasizes on developing flexible and customized retail products on sophisticated technology platform for its diversified products and services. The

Bank with its expanded branch network, efficient workforce, Direct Sales Executives and Alternative Delivery Channels (ADCs) is facilitating the banking services at the doorstep of the customer.

AB Bank Retail Product Line

Asset Products

The bank has a wide range of asset products to meet customer demands. The broad categories under Consumer Credit Scheme are:

- Personal Loan
- Auto Loan
- Home Loan for renovation, construction and apartment purchase
- Secured Loan

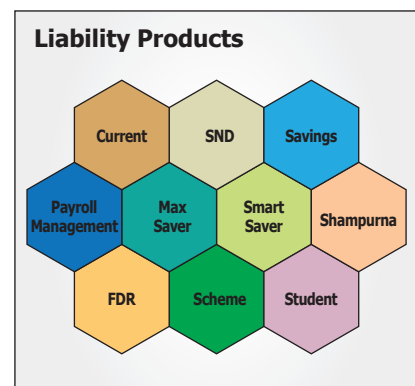
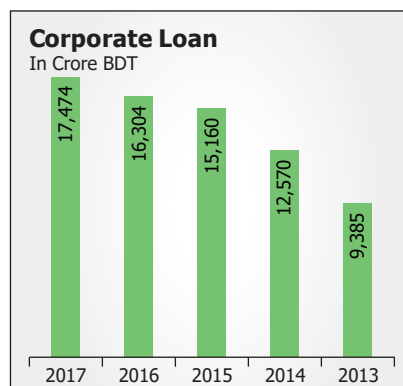
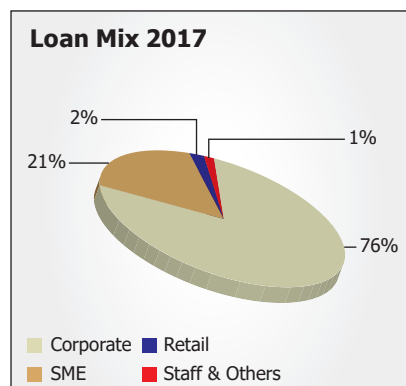
Liability Products

The bank has wide variety of deposit products in its product line to satisfy the consumers of different segments. Last year, the bank has introduced payroll management account to support the large corporates to manage their employees' salary account.

Business Overview of Retail Banking Division in 2017

Deposit Mix

2017 has been a very challenging year in the banking arena. Due to some irregularities in the financial sector, people seemed to have lost confidence in the private sector banking and on the other hand with high yielding



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Government savings certificate, people were more inclined towards diverting their deposit in government savings certificate. Among all these challenges, the bank was able to significantly grow the savings with specific segmented focus. During this year, the bank emphasized on booking payroll accounts and as a result, number of saving account increased by 13% from 326,040 nos. to 368,396 nos. which also contributed to the growth of the saving deposit of the bank. Savings deposit increased from Tk.2,790.73 crore to Tk.2,973.54 crore in 2017, which is 6.55% increase over 2016.

Agent Baking:

The bank started its Agent Banking Operation (pilot project) on December 24, 2017 which is aimed towards the achievement of long term sustainable goal by reaching the unbanked, unserved and poor people of the country and bringing them under the banking net.

School Banking:

Bank organized a school banking conference in Kushtia on August 12, 2017 as the lead bank as per directive of Bangladesh Bank. The bank also participated in school banking conference organized by other bank in different

regions to impart financial literacy among the students and parents, to build awareness and to encourage the habit of saving for future.

SME Business:

SME is one of the most significant contributors in attaining graduation of our country from Least-Developed Country to Developing country. SME financing uplifts our economy in a sustainable form through diversified portfolio, financial inclusion and employment generation. AB has strengthened its SME segment in parallel to accommodate the financial need of this thrust sector.

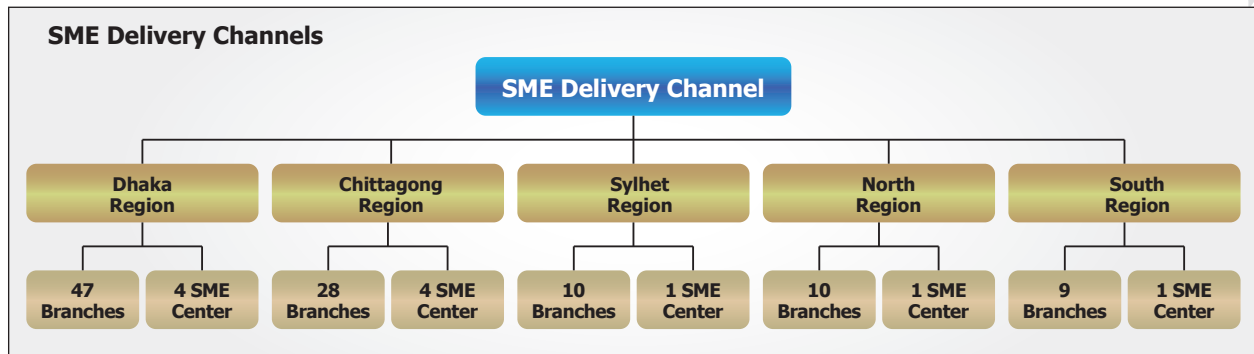
We are giving special emphasise in manufacturing industries, women-led units and service oriented business initiatives. The bank has disbursed Loans to a large number of SME clients of various sectors/segments. AB is strengthening its business focus especially on SME Businesses which will further enrich the SME portfolio of the Bank.

In addition to the regular Deposit and Loan Products, AB has introduced tailor-made products to cater to the need of SME Clients and widen its distribution network throughout the country.

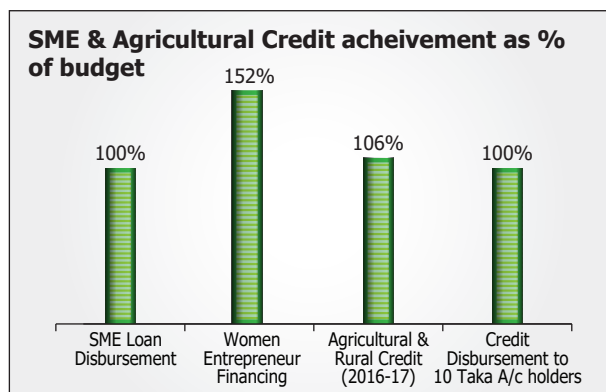


Bank's participation in School Banking Fair 2017, Chittagong

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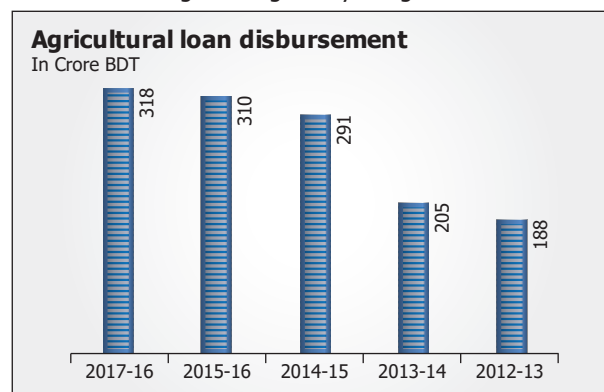


AB's SME Financing/Agricultural Credit Performance in 2017



Agricultural & Rural Credit

AB's Agricultural Loan disbursement has been successfully achieved the targets assigned by Bangladesh Bank.



SME Events & Training Programs:

AB participated in several SME Events as organized at the national level and also arranged Training Programs on its

own initiatives for creating awareness among the SME Clients.



Bank disbursed SME Loan to women entrepreneur

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Alternate Delivery Channel

AB has established a wide network of ATMs across the country covering both urban and rural areas. The Bank's Electronic Business (eBiz) Division has so far introduced Visa Debit Cards, MasterCard Credit Cards, ATMs, SMS Banking, Branch POS and Internet Banking with a 24-hour call center.

Automated Teller Machines (ATMs)

AB Bank now has the fourth largest ATM network with 276 ATMs located across the country. The increase of ATMs is changing the conventional banking trend and ATMs are becoming the banking channel of choice for customers. We have already implemented Online Bills Collection of DESCO and Mobile Top-up using AB Bank Visa debit cards in ATM.

Any Visa or MasterCard cardholder around the globe can enjoy the AB Bank ATM facilities AB has also joined the National Payment Switch of Bangladesh (NPSB). Through this arrangement, any member bank's cardholder can withdraw money from AB Bank's ATMs as well as AB Bank's cardholders can withdraw money from other NPSB member banks' ATMs. Nearly 3.60 million transactions were executed via AB Bank ATMs last year.

Credit Cards

AB Bank, in partnership with MasterCard, launched the World MasterCard line of credit cards in 2014. The World card is in the highest tier of the MasterCard's portfolio and comes with an array of exclusive benefits specifically focused on premium travelers. In addition to the World MasterCard, AB Bank also launched MasterCard Titanium and MasterCard Gold credit cards.

SMS Banking

AB Bank SMS Banking allows day to day banking on the mobile 24 hours a day. An SMS Banking customer needs to

dial AB Bank short code (16207) and text the desired service requirement—no hassle, no queue and easy to use.

Internet Banking & Mobile App

To facilitate modern banking services, AB Bank revamped Internet Banking and introduced Mobile App under the umbrella of AB Direct. Internet Banking is browser and device independent and the Mobile App is available in major three platforms: Android, iOS, Windows.

'Banking is not somewhere you go, but something you do' – believing in this mantra, AB Bank brings its new Internet Banking.

Branch POS (Chequeless Transaction)

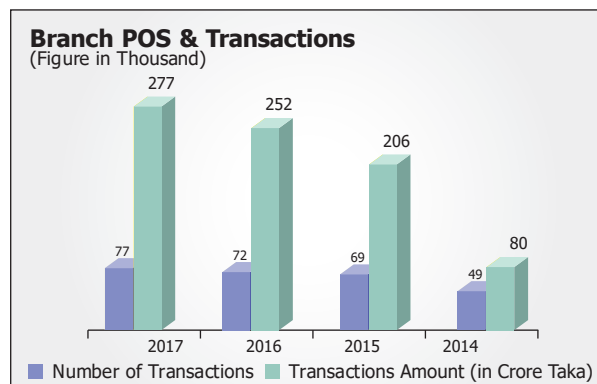
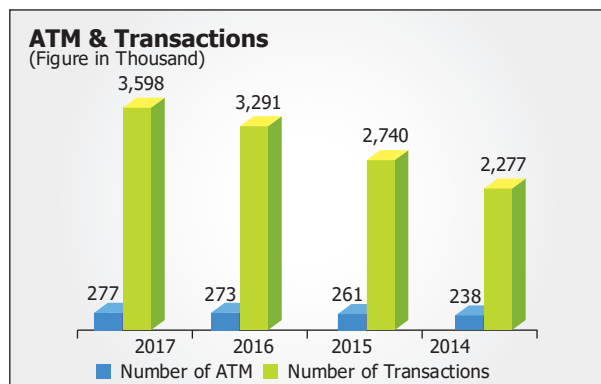
AB Bank introduced Branch POS (Point of Sale) Services to consolidate its position in the market in terms of technology based retail banking product offers. This service was introduced to facilitate AB Bank Debit cardholders for the higher cash withdrawal facility through POS terminals in selected AB Bank Branches.

Utility Payments

AB Bank facilitating following utility bills via Branch, SMS Banking and Internet Banking:

- Dhaka Water and Swearage Authority (Dhaka WASA)
- Dhaka Electricity Supply Company Limited (DESCO)
- Dhaka Power Distribution Company Limited (DPDC)
- Bangladesh Telecommunications Company Limited (BTCL)
- Titas Gas Sales and Distribution Company Limited
- Chittagong Water and Swerage Authority

AB Bank customers are also able to pay these utility bills from Internet Banking and SMS Banking.



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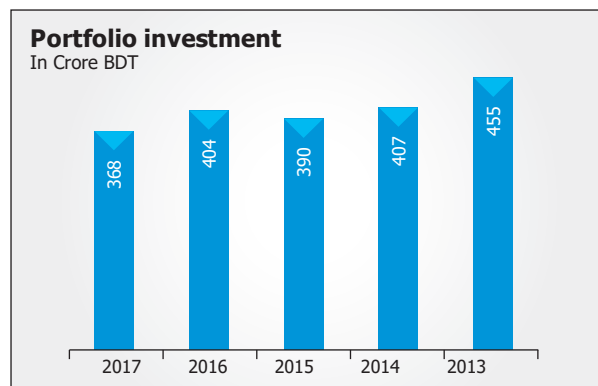
Information Technology

During the year IT has undertaken various major upgradation initiatives which includes core banking software and associated hardware. This will enable the Bank to offer state of the art product and services to its customers under a more secured environment.

Investment Banking Department (IBD)

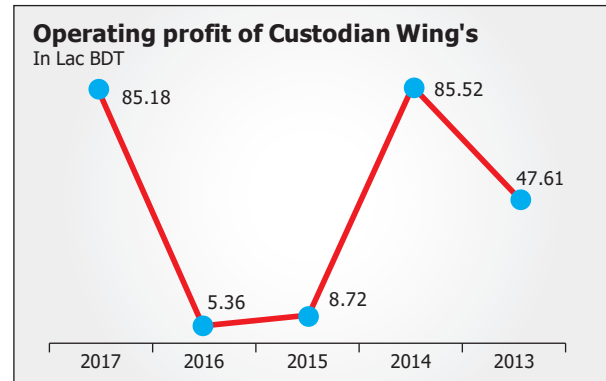
Investment Banking Department (IBD) was established in 2006 to manage the Bank's investments in the capital market. There is also a Custodian Unit which operates under IBD which provides one-stop services to NRB's and Foreign Investors interested to invest in Capital Market in Bangladesh. Besides IBD also plays a monitoring and supervisory role to oversee AB Investment Limited and AB Securities Limited.

AB's last five years portfolio investments (Quoted shares) are shown below:



Keeping in pace with AB's vision of innovative banking, IBD focuses on diversifying service horizons from that of conventional Merchant Banking services. IBD also extends services for the Portfolio Management needs of Non-Resident Bangladeshi (NRBs) and foreign investors and also facilitates remittance in the local capital market through NRB-IDA, FC and NITA account. As a value-added option IBD also has a Custodian Wing under a separate license.

Custodian Wing's operating profit for the last five years is summarized below:



1st Mutual Fund

At the end of 2017, the "AB Bank 1st Mutual Fund" has reported Net Asset Value (NAV) of Tk. 12.88 per unit on the basis of current market price and Tk. 11.36 per unit on the basis of cost price against face value of Tk. 10.00. The total Net Assets of the Fund stood at Tk. 2,886.68 million on the basis of market price and Tk. 2,546.42 million on the basis of cost price after considering all assets and liabilities of the Fund.

Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT):

Money Laundering and Financing of terrorism have become a serious threat across the globe, consequently there is a growing awareness in the financial community to combat these threats.

AB is obligated to ensure that the institution is not used as a vehicle by the money launderers, terrorists, militants, etc. for unlawful activities and the Board and Management of the Bank are committed to this end.

According to Financial Action Task Force (FATF) recommendations, the bank has formulated policies, control and procedures that enable to manage and mitigate effectively the risk that have been identified on money laundering and terrorist financing. Risk Management Guidelines is an integral part of our AML & CFT Policy. We are committed to full-fledged implementation of Risk Management Guideline to assess the level of risk exposure considering the Bank's customers, product, services, geographic locations, delivery channel and regulatory risk on money laundering and terrorist financing.

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Awareness of officials of AB is essential to combat money laundering & terrorist financial threats. Training to all employees on these area is mandatory as per AML and CFT Policy as well as BFIU instructions. These training will also recap employees' responsibilities in prevention of money laundering and combating terrorist financing. Last year (in 2017) we imparted training to 975 employees of the Bank. Our plan is there to arrange fresh and refresher job specific trainings for 710 officials in 2018.

We do exercise customer due diligence (CDD) and take appropriate steps to determine the identity of all customers. Enhanced Due Diligence (EDD) is exercised in case of high risk customers and/ or as and where applicable. Special safeguards are taken for business relationship with Politically Exposed Persons (PEPs)/ Influential Persons (IPs)/ Senior Officials of International Organizations (IOs) deemed to be High Risk. We have adopted Customer Acceptance Policy (CAP) in our AML/CFT policy in accordance with BFIU guidelines.

We have given sufficient emphasis on prevention of Trade Based Money Laundering (TBML). As a result of that we have appended a separate chapter on Trade Based Money Laundering in our revised AML/CFT policy in 2018. Training on the same has been provided to officials of AD Branches and other concerned officials.

We do monitor customers' transaction with high importance in line with declared Transaction Profile (TP).

Source of funds, its origin and purpose of transactions are meticulously reviewed in order to detect suspicious transaction and activity. When such transaction/activity is detected, those are proactively reported.

Effective monitoring of suspicious movement in customers' accounts is a principal mechanism in the fight against money laundering. As such a well-designed and effective transaction monitoring system has been introduced. The Bank performs transaction monitoring through a specialized software to identify suspicious /unusual transaction.

It is the responsibility of all employees of AB to adhere to its AML & CFT Policy. Any employee, who violates or do not comply with laws relating to AML & CFT, Circulars and instructions of BFIU, AML & CFT Policy and instructions and circulars issued from time to time which may jeopardize reputation of the Bank will be subject to severe disciplinary action even termination of employment or charged for assisting in criminal offence.

We always meticulously comply with the instructions of regulatory authority and keep all our employees aware of any changes or development in this area. AB acknowledges and supports the increasing need for partnership between the government, BFIU, Bangladesh Bank, Law enforcement agencies and financial institutions to work together to combat money laundering and terrorist financing. AB is determined to play an appropriate role in this partnership.



Employees participating in a training program on Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT)

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Offshore Banking Unit (OBU)

In April 28, 2010 AB Bank started OBU operation located in EPZ Branch by initiating financing to Bangladesh Biman Airlines under syndicated Term Loan against sovereign guarantee. With spontaneous support from all corners, OBU has been able to finance a few foreign owned companies as well as some corporate resident customers with due permission from the regulatory body.

Last year in 2017, OBU discounted USD 65.00 Million Import and Export Bills besides foreign currency term loan USD58.00 Million.

Department of Internal Control & Compliance (DICC)

The Department of Internal Control & Compliance (DICC) comprises the following Divisions:

- i) Audit & Inspection Division
- ii) Monitoring Division and
- iii) Compliance Division

Audit & Inspection Division conducts Risk Based Audit and Annual comprehensive audit of the Branches, Head Office Departments/Divisions/Units etc. The Division ensures compliance of internal as well as external and Bangladesh Bank Inspection Reports on Core risks. Besides, Special Audit on some specific issues like year-end Cash Position, Security Stock verification etc. is also conducted by the Department.

Monitoring Division under DICC monitors branches operational activities through internal control tools e.g. DCFCL, LDCL and QOR and summarizes the findings and reports with updates to the Board Audit Committee. It also summarizes the decisions of Board Audit Committee (BAC) Meetings and submits the same to the Board of Directors along with the status of the decisions quarterly.

Audit & Inspection Division has a direct reporting line with BAC although it becomes a part of ICC administratively. The Department follows its charter as embodied in the ICC Manual approved by the Board of Directors and comply with the instructions of the Guidelines on Internal Control & Compliance in Banks circulated vide BRPD Circular # 03 dated 8th March, 2016 & BRPD Circular # 06 dated 4th September, 2016.

The DICC conducted the following audit and inspections during 2017:

Risk Based Audit of Branches	: 103 Branches
Annual Comprehensive Audit of Branches	: 103 Branches
Annual Comprehensive Audit of Divisions	: 10 Divisions
Special Investigation	: 10 Numbers
Surprise Visits	: 26 Branches

Regarding the effectiveness of internal control, the external auditors of the bank opined in the Management Report that the banks' Internal Control System appears to be effective as evidenced from the functions of its Internal Control and Compliance Department on its various operational areas.

Operations Department

General Banking Operations is entrusted with overall back-office operations management of the Bank. It ensures service standards, operational controls, improves process flows through re-engineering, simplifies and standardizes processes, continuously monitors branch activities to mitigate risks, ensure regulatory compliance, support business and other functions, internal and external compliance and quality improvement etc.

The primary objective of operations is to ensure to maintain a certain standard in delivery of products and services within a controlled culture. Like previous years the department undertook different initiatives in 2017. In addition to the routine functions the department was also entrusted to hold different events, which were successfully arranged, supervised and monitored.

In 2017, Head Office Operations implemented the following:

- Established "Help Desk for NRBS" at all branches with a dedicated official for delivering prompt customer service to encourage NRBS and their beneficiaries.
- Arranged "Customer Awareness Program" at 31 branches to familiarize our customers with AB products and services as well as banking norms and practices. It is an effort to mitigate the information and communication gap between customers and bankers.
- Introduced Cash Deposit Machine (CDM) services at our Baridhara DOHS Booth.
- Introduced Bangla version of upgraded website of AB Bank.
- Implemented redesigned Account Opening Forms (AOFs) for individuals, Non-individuals and FDR Application as per BFIU guidelines for Conventional as well as Islamic Banking and guidelines to fill up the AOFs and imparted training on "Redesigned Account Opening Forms (AOFs)".

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- Arranged training on major operational process like "Account Opening & Customer Service Excellence", "Effective Cash Management & Customer Service Excellence" and "Product Knowledge of AB Bank".
 - Data Cleansing & Sanitization Project as part of Core Banking System (CBS) Transformation from Equation Banking System (EBS) to Fusion Banking Equation (FBEQ).
 - Preventive measures have been advised to all of branches as precaution against fraud risk related to banking operations.
 - To create awareness of fake notes among general public, displayed actual bank notes and their special security features through videos in front of the important public places/ intersection of the roads.
 - Installation of Fake Note Detection Booths at cattle markets in Dhaka and different parts of the country during Eid-ul-Azha.
- 2) Implementation of National Integrity Strategy (NIS) - As per directive from Bangladesh Bank, Board of Director's as well as Management Committee of the Bank committed to be compliant in execution of NIS and accordingly AB Bank graded as "A" in 2017
 - 3) Policy Updates- To be market competitive and to serve the business needs in an effective manner AB Bank leave policy and Local TA/DA policy updated in 2017.
 - 4) Business portfolio restructuring: - To ensure smooth business function, to give efficient service to the customer, the whole business segregated in front office, like; a. Corporate Banking Division, b. Small and Medium Enterprise (SME) Division, c. Retail banking Division and back office, like; a. CRM (Corporate) Division, b. CRM (SME) Division, c. CRM (Retail) Division. Each division led by one Business Head with specific Job Description in managing business affairs and to deliver results.
 - 5) Career Path: Performance Appraisal System has been simplified with specific promotion criteria and this year AB Bank management re-introduced Promotion Interview to identify the right candidate.

Department of Human Resource Management & Development

HR initiatives – 2017

- 1) Learning & Development: to be market competitive Bank always concentrate on learning culture through different initiatives on a continuous basis. Competent human resource with right skills is the main driving force which led us to ensure sustainable growth in a compliant way. In 2017 total 4,963 no of participants participated in 279 internal and external training programs of the Bank.

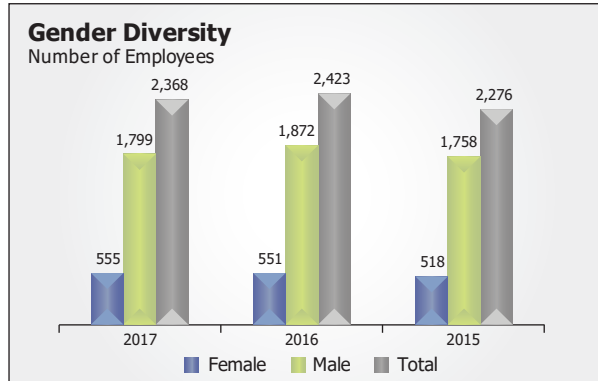
Inclusive Workplace: HRMD champions the diversity and inclusiveness in the Bank by having processes in place by which all individuals irrespective of their gender get equal opportunity in terms of recruitment, positions and career progression.



Employees participating in a training program organized by AB Bank Training Academy

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Gender Diversity: (Year to Year comparison from 2015 - 2017)



Treasury Functions

Strategic functions of Treasury are risk management e.g. - Liquidity Risk, Interest Rate Risk and Foreign Exchange Risk. Being an integrated unit, AB Bank Treasury is engaged in managing these risks within the laid down policies and guidelines of Bangladesh Bank. Functions of Treasury are broadly divided into ALM Desk, Foreign Exchange Desk and Primary Dealership Desk. Core responsibilities of Treasury operations are maintenance of statutory requirement i.e. CRR, SLR and NOP limits. In the process of liquidity risk management treasury arranges fund both in LCY and FCY. While, as an interest rate risk manager treasury focuses on maturity management of both loans and deposits in line with banks risk appetite. As a primary dealer AB Bank performs its responsibility as an underwriter of the Govt. securities. AB Bank treasury is capable of providing all possible treasury solutions through an array of treasury products at better prices and superior services with a dynamic and innovative work force. It has been performing consistently well over the last couple of years with respect to contribution to bank's profitability. Prudent Money Market, Foreign Exchange and PD operations contribute significantly in interest, exchange and investment earnings.

Highlights of 2017:

- Interest income on Money Market Product stood BDT 276.33 million in 2017 compared to BDT 404.82 million in 2016.
- Investment income decreased to BDT 4,435.59 million in 2017 from BDT 5,110.69 million in 2016.

- Income from Foreign exchange increased to BDT 800.7 million in 2017 compared to BDT 648.3 million in 2016.
- During 2017 net realized gain on sale of securities stood BDT 478.0 million compared to BDT 1086.5 million in 2016.

Financial Institutions (FI) Unit

FI marketing team facilitates trade business for the entire bank including AB Bank Mumbai branch and AB International Finance Limited (ABIFL), Hong Kong. It is also engaged in Reimbursement Authorities / Payment Instructions and scouting of LC advising from different commercial Banks.

International Trade

In 2017, Import and export business of AB Bank has experienced negative growth compared to previous year. Import Business decreased by 9.39% to Taka 10,492 crore in 2017 which was Taka 11,579 crore in 2016. Import bucket of AB covers areas like scrap vessels, food items, chemicals, medicines, textiles, capital machineries etc.

Total Export experienced a negative growth 1.23% percent in the year 2017 compared to the previous year. Total Export stood Taka 7,511 crore at the end of the year 2017 which was Taka 7,605 crore in 2016. Export business was concentrated in frozen fish, readymade garments, knitwear and other indigenous products.

AB's Foreign correspondent relationship covers most of the important financial centers and financial institutions in the world. About 413 correspondents comprises correspondent banking platform of the Bank facilitating its expanding international trade business and customer service.

Remittance Initiative

AB strengthened the existing remittance relationship with various exchange houses in 2017. Dedicated "Remittance Hub" centrally located at Head Office backed by advanced technology platform helped to expand the Bank's service to the doorsteps of customers. Corporate clients of AB remained another major source of foreign currency. Bank is also trying to broaden its base through solicitation of indigenous export clients. Total remittance at the end of the year 2017 stood at USD 300 million against USD 250 million in 2016.

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Overseas Operations

Mumbai Branch

AB Bank Limited, Mumbai Branch, India, is the only Bangladeshi Bank based in Mumbai catering to Indo-Bangla Trade. Since its inception in the year 1996, in addition to retail banking activities, it is engaged in handling L/Cs and documents arising out of exports from India to Bangladesh. The Branch also handles add confirmation, negotiation and discounting of documents among others.

At present our Mumbai Branch is maintaining VOSTRO Accounts of 43 Bangladeshi Banks. Branch's Operating Profit at the year-end 2017 was INR 156.24 million.

Highlights of the Mumbai Branch Business

INR in Million	2017	2016	2015	2014	2013
Total Assets	2,346.11	2,564.18	2,767.26	2,196.75	1,759.93
Total Loans and Advances	593.14	405.31	673.91	729.84	561.35
Total Deposits	1,189.18	1,367.94	1,609.58	1,073.10	798.63
CRAR – Overall	36.52%	32.24%	34.87%	30.50%	33.87%
CRAR – Tier I	36.22%	31.97%	34.56%	30.22%	33.59%
CRAR – Tier II	0.30%	0.27%	0.31%	0.28%	0.28%
Fee based income to Total income	81.54%	81.87%	79.92%	78.15%	78.46%
Return on Total Assets	3.34%	2.39%	4.75%	4.77%	4.68%

Operating results of Mumbai in 2017

INR in Million	2017	2016	2015	2014	2013
Operating Profit	156.24	188.54	194.34	158.85	141.74
Profit after Tax (PAT)	78.33	63.68	114.24	94.44	81.37
Return on Assets (%)	3.34	2.39	4.75	4.77	4.68
Return on Equity (%)	8.94	6.53	12.38	11.04	10.60

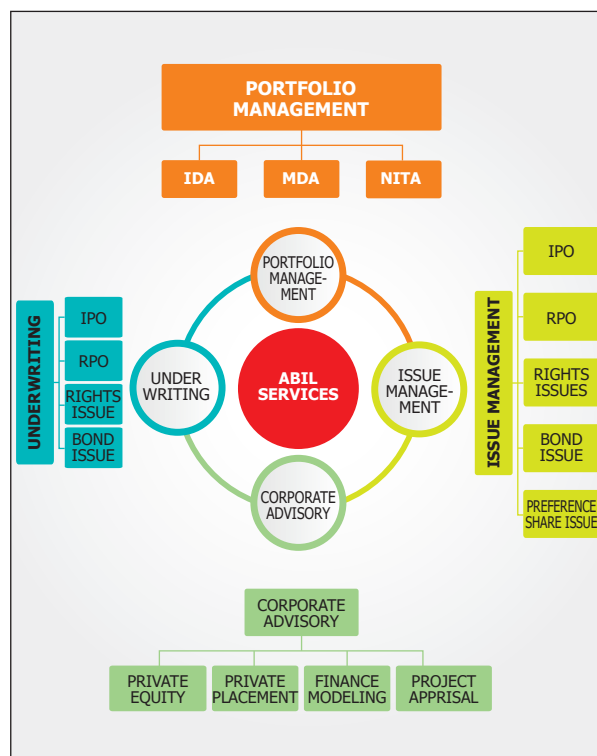
AB Subsidiaries

AB International Finance Limited, Hong Kong, a wholly owned subsidiary of AB Bank Limited, having started its operations in the year 1995 is primarily engaged in advising, adding confirmation to documentary credits, negotiation and discounting of bills under L/C. ABIFL's performance in 2017 is presented below:

Particulars	2017	2016	2015	2014	2013
Profit after tax (PAT)-HKD Million	7.803	7.78	7.41	8.74	11.48
Return on assets (%)	8.89	8.49	5.76	5.5	7.19
Return on equity (%)	46.13	46.52	43.06	45.42	58.98
Earnings per share-HKD	78.03	77.77	74.06	87.38	114.85

AB Investment Limited

AB Investment Limited (ABIL), a wholly owned subsidiary company of AB Bank was incorporated in December 2009 and went into operation in 2010. ABIL offers the following range of services:



The number of clients of AB Investment Limited is about 2,425. The clientele include Local Individual, Institutional clients, NRBs and Foreign Individuals. ABIL has 7(seven) panel brokers to perform trading for its clients and also for its own portfolio. Total portfolio of ABIL was more than Tk.8.62 billion in 2017 which is 0.20% of the total market capitalization. Currently, ABIL operates from its Head Office in Dhaka and two branch offices in Chittagong and Sylhet.

Performances of ABIL:

Particulars	In Million Taka			
	2017	2016	2015	2014
Number of Clients (in number)	2,425	2,509	2,567	2,553
Margin Loan provided to Clients	6,670	7,152	6,991	7,017
Operating Income	509	473	438	623
Operating Profit	442	391	253	330
Net Profit	3	244	114	169
Earnings Per Share (Tk.)	0.004	*0.37	*0.36	*5.87
Face Value (Tk)	10	10	10	10

*Restated

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AB Securities Limited

After incorporation on 24th day of December 2009, AB Securities Limited (ABSL), a subsidiary company of AB Bank Limited, started its operation on the 2nd day of August, 2010. ABSL is a corporate TREC Holder of both Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.

The number of clients of ABSL is around 3,250 and it comprises of local individual & institutional along with NRBs and foreign individuals. ABSL also acts as agent broker of AB Investment Limited.

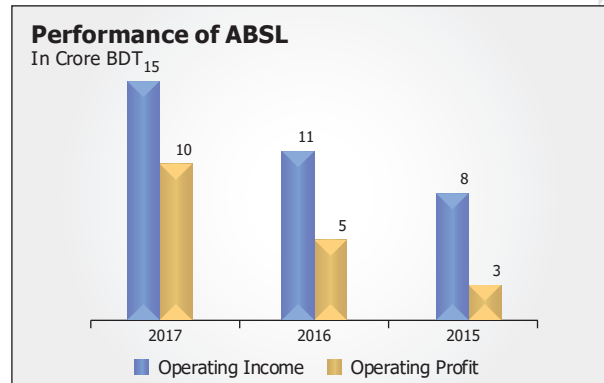
Currently, ABSL is operated from its Head Office in Dhaka and two branch offices in Chittagong & Sylhet. In the year 2017, total turnover of ABSL was around Tk.38.86 billion.

Services of ABSL



For Foreign Nationals and Non-Resident Bangladeshis, ABSL provides one stop stock broking services including assistance in opening Foreign Currency (FC) Account & Non-Resident Investor's Taka Account (NITA), BO account opening and trading at DSE and CSE.

Particulars	Year 2017	Year 2016	Year 2015
Number of Clients	3,250	3,166	3,051
Margin Loan Disbursed (Million Tk.)	926	958	990
Operating Income (Million Tk.)	147	106	81
Operating Profit (Million Tk.)	98	53	25
Earnings Per Share (Tk.)	0.25	1.04	0.32
Total Turnover –Trade (Billion Tk.)	38.86	20.68	22.49



Cashlink Bangladesh Limited (CBL)

CBL is a subsidiary of AB Bank Limited. CBL was incorporated on 24th September 2008 with the following objectives:

- To carry on the business of providing integrated electronic financial payment to AB and other member Banks
- To do Transaction Processing solutions in Bangladesh, including coordination and deployment of independent branded automated teller machines (ATM)
- To facilitate Electronic Fund Transfer through Points of Sale (EFT POS) and provide pre-paid Card
- Debit Card, Credit Card processing services, etc.
- To facilitate E-commerce facility to our clients

Arab Bangladesh Bank Foundation (ABBF)

Arab Bangladesh Bank Foundation (ABBF) is a platform for philanthropic activities of the Bank. ABBF has donated Taka 7.5 million in 2017 under CSR activities.

Credit Risk Management (CRM)

CRM Division manages the credit risks of the Bank as per the CRM Policy formulated in accordance with guidelines, manuals and other related circulars issued by Bangladesh Bank from time to time. The Division implements specific risk mitigating tools that include understanding customers [KYC], their past track record, financial soundness, management ability, outlook of business

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and industry, collateral arrangement etc. AB has diversified its credit portfolio into Corporate, SME and Retail. There are separate policies for each such sector with clearly defines tools for risk management in line with exposure, purpose, types, industry etc. A uniform Credit processing matrix is in place which is disseminated to the Branch level also. Clear segregation of Credit Relationship and Credit Administration streams across the Bank has been established to ensure effective credit risk management. This setup has also ensured sound practices in overall credit management viz. credit processing/appraisal, approval, documentation, disbursement, monitoring and control. The Division regular reviews and updates Credit Risk Management Policy and Lending Guidelines in line with the regulatory guidelines.

Credit Administration Management (CAM)

Credit Administration Management (CAM) Division of the Bank engages in credit administration, monitoring and handling of classified loans. The Division is subdivided into a number of Units such as Credit Limit Authorization, Credit Compliance & Returns, CIB, Monitoring & Recovery and Legal & Real Estate. The Core activities of the Division are to supervise new Loan disbursement, overview the loan documentation, monitoring and controlling of loan delinquency and reporting the status to the Board of Directors, Senior Management, Business Divisions and Branches to take remedial steps and initiate appropriate actions to control the delinquency. CAM Division also supervises the legal matters of the Bank related to Artha Rin Ain- 2003, Writs and Apex Court issues through a coordinated process with the Branches and along with engaged dealing lawyers all over the Country.

Department of Accounts & Finance (A&F)

Department of Accounts & Finance works towards achieving high standards as befitting for the institution. It also ensures operations of the Bank within the compliance framework. The Department primarily focuses on developing and maintaining a service-oriented culture. It performs the key roles of controllership, budgeting, forecasting, financial analysis, business performance monitoring, decision support, procurement (Payment Cell) and provides support for effective risk management. In addition the Department also provides valuable MIS to Management and the Board for facilitating strategic decisions.

Risk Management Division (RMD)

Risk management acts as one of the main operational activities in every sphere of operations for any bank. It also serves as essential auxiliary tools to Board's strategic plans towards achieving bank's overall objectives. As per Bangladesh Bank guidelines, AB Bank has established Risk Management Division (RMD) headed by an Executive Vice President who is working under direct supervision of a DMD and CRO. The Division has also been equipped with adequate resources and infrastructure. The underlying objective of this Division is to protect the organization from unexpected losses caused by unfavorable downgrade in financial areas and reputational issues through early flag raising, and there-by to ensure sustainability in growth. The RMD is constantly contemplating and exerting efforts to develop organization wide risk management structure and processes to rip out its outcomes in all areas of the Bank in compliance with Bangladesh Bank's risk related directives and procedures. The Division keeps its continuous focus on the Bank's core risk areas i.e. lending business, asset-liability management, trade-service business and other operational activities. Where the risk factors appear high and mitigating factors are not up to the mark as prescribed by Bangladesh Bank, RMD provides its suggestions for required and possible initiatives through the Board's Risk Management Committee.

RMD has been performing an effective role in successful competition of Supervisory Review Process and holding SRP-SREP dialogue on ICAAP. The Division, in association with Finance Division and Treasury Division has introduced the module for VAR calculation on fixed income and FX position. RMD also designs the Bank's Risk Appetite Framework in the light of Bank's strategic plan comprising Key Risk Indicators (KRIs) from different segments of the Bank. It also provides training to AB Bank officials on risk management focusing on Management Action Trigger (MAT), Comprehensive Risk Rating (CRR) with a view to enhance the level of understanding on risk management, its importance and its application.

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders. AB feels obligated towards the community in which it operates. It has long been active in a wide range of socially responsible initiatives. AB Bank believes that

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Corporate Social Responsibility is the first and foremost commitment to contribute to the society for improving the quality of lives of people, particularly for that segment of the people who are underprivileged and less fortunate in terms of basic needs such as food, health, education etc. The Bank promotes the country's rich heritage of arts, culture and sports. Besides addressing the basic social needs of the under privileged people of the country, AB believes that CSR can be a genuine platform to address growing environmental concerns, more so when Bangladesh is likely to be the most affected country in the world due to climate change. The Bank always responds to the crying needs of the society and to stand beside the affected ones in times of crisis.

Financial Performance in 2017

As one of the most highly regulated industries in the world, investors get high level of assurance in the soundness of the banking system. For AB, 2017 was a challenging year as the bank required to perform within a lot of constraints. As a result, Management's policy was to consolidated the books for safeguarding the interest of the depositor and to maintain the asset quality of the Bank. As a sequel to this maxim, efforts have been made from time to time, to measure the financial position of each bank and manage it efficiently and effectively. Amid a challenging economic and business environment, which prevailed throughout 2017, AB registered following financials:

Total Assets of the Bank stood at Taka 31,456 crore while total capital reached the level of Taka 3,129 crore at the year end.

Business Results:

Particulars	Amount in Crore Taka		Amount in Crore USD		Change %
	2017	2016	2017	2016	
Deposits	23,595.43	24,564.08	285.31	297.03	-3.94%
Loans and Advances	22,964.73	21,876.95	277.69	264.53	4.97%
Investments	4,574.94	4,818.72	55.32	58.27	-5.06%
Import Business	10,492.00	11,579.00	126.87	140.01	-9.39%
Export Business	7,511.00	7,605.00	90.82	91.96	-1.24%
Guarantee Business	1,347.00	1,667.00	16.29	20.16	-19.20%
Remittance	2,481.00	2,067.50	30.00	25.00	20.00%
Operating Profit	447.61	501.94	5.53	6.20	-10.82%
Profit before taxation	-15.79	200.21	-0.19	2.47	-107.89%
Profit after Tax	2.96	130.47	0.04	1.61	-97.73%
Earnings Per Share (TK)	0.04	1.72	0.0005	0.02	-97.73%
Return on Equity (%)	0.13%	5.68%	0.13%	5.68%	-97.73%
Return on Assets (%)	0.01%	0.44%	0.01%	0.44%	-97.84%
Asset Utilization Ratio (%)	85.86%	86.59%	85.86%	86.59%	-0.84%

At the end of the year, Bank achieved Taka 448 crore as Operating Profit. Commission, exchange & brokerage income growth was 2 percent, where other income experienced a negative growth. After providing required level of Tax and Provisions as per Income Tax Ordinance, 1984, related Finance Act and Bangladesh Bank guidelines; Profit after Tax (PAT) stood at Taka 2.96 crore for the year.

Particulars	Amount in Crore Taka		Amount in Crore USD		Change %
	2017	2016	2017	2016	
Interest income	1,756.69	1,891.40	21.69	23.35	-7.12%
Interest expenses	1,489.68	1,607.70	18.39	19.85	-7.34%
Net interest income	267.01	283.70	3.30	3.50	-5.88%
Investment income	478.19	534.82	5.90	6.60	-10.59%
Comm.exchange & brokerage	278.47	271.71	3.44	3.35	2.49%
Other income	11.04	11.58	0.14	0.14	-4.71%
Operating Revenue	1,034.70	1,101.81	12.77	13.60	-6.09%
Operating expenses	587.09	599.86	7.25	7.41	-2.13%
Profit before Provision & Tax	447.61	501.94	5.53	6.20	-10.82%
Provision & Tax	444.65	371.48	5.49	4.59	19.70%
Profit after Tax	2.96	130.47	0.04	1.61	-97.73%

During 2017, Net Interest Income registered Tk.267 crore where Investment Income registered 11% negative growth. Investment, Commission and Other income at Taka 768 crore at the end of the year where last year's position was Tk. 818 crore.

Operating expenses during the year reduced by Taka 13 crore i.e. 2% below last year. Bank had to sustain the growth momentum through investment in infrastructure and human capital. Salary and allowances which is 50 percent of Operating expenses, decreased by 1 percent. Besides, rent, taxes, insurance, electricity also increased due to multiple reasons like imposition of VAT, expansion of new branch, etc. Communication and other expenses increased keeping pace with the increasing business volume.

In 2017, Total Assets per employee stood at Tk.13.36 crore where profit per employee registered 0.19 crore.

Taka in Crore	2017	2016	Change %
Operating profit per employee	0.19	0.21	-8.21%
Total Asset per employee	13.36	12.99	2.84%

Bank gave constant emphasis on quality credit portfolio and could also keep the NPL Ratio at a manageable level due to the prudent risk management strategies. A committed recovery team and adequate monitoring and

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control systems are in place for asset quality assurance. Bank made required provisions against Loans and Advances, Off Balance Sheet items, Investments and others.

Particulars	Amount in Crore Taka		Amount in Crore USD		Change %
	2017	2016	2017	2016	
Net Profit after Tax	2.96	130.47	0.04	1.61	-97.73%
Total Income	2,524.39	2,709.51	31.17	33.45	-6.83%
Interest Income	1,756.69	1,891.40	21.69	23.35	-7.12%
Classified Loans	1,640.88	1,136.48	19.84	13.74	44.38%
CL Ratio	7.15%	5.19%	7.15%	5.19%	1.95%
CL Provisions	386.24	250.63	4.67	3.03	54.11%

Total Assets of the Bank stood at Taka 31,456.50 crore in 2017 against Taka 31,483.59 crore in 2016. Bank reduced its investment, balance with other banks, money at call and on short notice position in 2017.

Particulars	Amount in Crore Taka		Amount in Crore USD		Change %
	2017	2016	2017	2016	
Cash	1,778.08	1,970.77	21.50	23.83	-9.78%
Balance with other banks and FI	398.72	455.74	4.82	5.51	-12.51%
Money at call and short notice	117.04	680.56	1.42	8.23	-82.80%
Investments	4,574.94	4,818.72	55.32	58.27	-5.06%
Loans and Advances	22,964.73	21,876.95	277.69	264.53	4.97%
Fixed Assets	411.33	408.04	4.97	4.93	0.81%
Other Assets	1,211.66	1,272.82	14.65	15.39	-4.81%
Total Assets	31,456.50	31,483.59	380.37	380.70	-0.09%

At the end of December 2017, total Deposit of the Bank registered a negative growth of 4%. Shareholders Equity stood at Taka 2,277 crore. Paid-up Capital of the Bank went up by 12.5 percent to Taka 758.13 crore representing the effect of Stock Dividend for the year 2016. Statutory Reserve stood at Taka 654.92 crore – during the year. Retained earnings for the year ended was Taka 601 crore from the last year of Taka 681 crore.

Particulars	Amount in Crore Taka		Amount in Crore USD		Change %
	2017	2016	2017	2016	
Borrowings from other banks,					
FI & Agents	2,187.14	1,545.44	26.45	18.69	41.52%
AB Bank Subordinated Bond	600.00	650.00	7.26	7.86	-7.69%
Deposits and other accounts	23,595.43	24,564.08	285.31	297.03	-3.94%
Other liabilities	2,796.80	2,412.62	33.82	29.17	15.92%
Capital/Shareholders' Equity	2,277.12	2,311.45	27.53	27.95	-1.48%
Total Liabilities & Shareholders' Equity	31,456.50	31,483.59	380.37	380.70	-0.09%

Earnings Per Share stood at Taka 0.04 in 2017 compared to Taka 1.72 last year. Return on Assets (ROA) for the year was 0.01 percent while Return on Equity (ROE) was 0.13 percent.

Cash flow statement

During the year 2017, Bank had a net cash outflow of Taka 813 crore as given below:

Taka in Crore	2017	2016
Net cash flow from operating activities	-918.36	2,045.86
Net cash flow from investment activities	166.69	(1,511.23)
Net cash flow from financing activities	-61.61	21.68
Net increase and (decrease) in cash	(813.28)	556.31

Net cash flow from operating activities

Major component of net cash flow from operating activities was operating profit after elimination of the effect of depreciation and provision and non cash items in Profit and Loss Account. Increase/(decrease) of current assets and current liabilities effect has given in operating activities.

Net cash flow from investment activities

Net cash flow from investment activities is negative as the Bank purchased government securities for SLR maintaining and fixed assets purchased for banking operation.

Net cash flow from financing activities

Net cash flow from financing activities comprised long term borrowings and Dividend paid during the year.

Capital Adequacy

Bank maintained CRAR at the end of the year was 10.80 percent. In 2017 the Bank's Common Equity Tier-I Capital and Total Capital were 6.81 percent and 10.80 percent respectively.

Particulars	Amount in Crore Taka		Amount in Crore USD		Change %
	2017	2016	2017	2016	
Paid-up Capital	758.13	673.89	9.17	8.15	12.50%
Statutory Reserve	654.92	649.56	7.92	7.85	0.83%
General Reserve	122.22	122.22	1.48	1.48	0.00%
Retained earnings	601.20	680.97	7.27	8.23	-11.71%
a. Common Equity					
Tier-I Capital	2,136.47	2,126.64	25.83	25.72	0.46%
Less: Regulatory Adjustment	163.39	256.36	1.98	3.10	-36.27%
Total Common Equity					
Tier-I Capital	1,973.08	1,870.28	23.86	22.62	5.50%

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Particulars	Amount in Crore Taka		Amount in Crore USD		Change %
	2017	2016	2017	2016	
Tier-2 Capital:					
General Provision	573.12	495.87	6.93	6.00	15.58%
Revaluation Reserves (50% of Fixed Assets & Securities & 10% of Equities)	79.80	79.80	0.96	0.96	0.00%
Subordinated Debt	560.00	650.00	6.77	7.86	-13.85%
b. Total Eligible					
Tier-II Capital	1,212.92	1,225.68	14.67	14.82	-1.04%
Less: Regulatory Adjustment	57.36	31.92	0.69	0.39	79.69%
Total Tier-2 Capital Available	1,155.56	1,193.76	13.97	14.43	-3.20%
c. Total Eligible					
Capital (a+b)	3,128.65	3,064.04	37.83	37.05	2.11%
Total assets including off-Balance Sheet items	38,001.56	38,831.48	459.51	469.55	-2.14%
Total risk-weighted assets (RWA)	28,974.23	28,402.85	350.35	343.44	2.01%
Total required capital (11.25% of Total RWA)	3,259.60	3,017.80	39.41	36.49	8.01%
Capital Surplus/(Shortfall)	(130.95)	46.24	(1.58)	0.56	-383.23%
CRAR	10.80%	10.79%	10.80%	10.79%	0.10%

Quarterly CRAR Position under BASEL III

Capital to Risk Weighted Assets Ratio (Under BASEL III)

Particulars	2017			
	QTR I	QTR II	QTR III	QTR IV
Total Risk Weighted Assets (RWA)	28,976	29,220	28,703	28,974
Total Capital requirement	3,260	3,287	3,229	3,260
CRAR-				
Requirement	11.25%	11.25%	11.25%	11.25%
Maintained	10.41%	10.30%	10.06%	10.80%
Total Capital maintained	3,015	3,010	2,888	3,129

Key Ratio:

Particulars	2017	2016	2015	2014	2013
LD Ratio (%)	86.24	83.67	96.80	89.60	86.58
CL (%)	7.15	5.19	3.16	3.86	3.37
Capital to Risk Weighted Assets Ratio (%)	10.80	10.79	11.09	10.32	10.80
Cost Income Ratio (%)	56.74	54.44	52.86	43.03	45.78
Earnings Per Share (Taka)-Diluted	0.04	1.72	1.68	1.66	1.33
Return on Equity (%)	0.13	5.68	6.03	6.95	6.13
Return on Assets (%)	0.01	0.44	0.48	0.54	0.53
Asset Utilization Ratio (%)	85.86	86.59	87.71	87.56	84.60

Consolidated Financial Statements

As per the Bangladesh Securities & Exchange Rules, 1987 Rules 12(2) "The Financial Statements of an issuer of a

listed security shall be prepared in accordance with requirements laid down in the Schedule and the International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB)."

In compliance with the Standards, AB Bank prepared Financial Statements on Consolidated basis and Solo basis. Consolidated Financial Statements consists of consolidation of:

- AB Bank Limited
- AB Investment Limited
- AB Securities Limited
- Cash Link Bangladesh Limited
- AB International Finance Limited

Consolidated Financial positions of AB Bank Limited & its subsidiary is given below:

Consolidated Balance Sheet

Property and Assets	Amount in Crore Taka		Amount in Crore USD		Change %
	2017	2016	2017	2016	
Cash	1,778.09	1,970.77	21.50	23.83	-9.78%
Balance with other banks and FI	424.13	465.50	5.13	5.63	-8.89%
Money at call and on short notice	49.64	611.29	0.60	7.39	-91.88%
Investments	4,638.21	4,908.18	56.08	59.35	-5.50%
Loans and advances	23,763.45	22,654.65	287.35	273.94	4.89%
Fixed assets	469.92	468.10	5.68	5.66	0.39%
Other assets	586.39	638.39	7.09	7.72	-8.15%
Total Assets	31,709.84	31,716.88	383.43	383.52	-0.02%

Liabilities and Capital	Amount in Crore Taka		Amount in Crore USD		Change %
	2017	2016	2017	2016	
Liabilities					
Borrowings from other banks, financial institutions and agents	2,187.25	1,575.78	26.45	19.05	38.80%
AB Bank Subordinated Bond	600.00	650.00	7.26	7.86	(0.08)
Deposits and other accounts	23,556.21	24,539.44	284.84	296.73	-4.01%
Other liabilities	2,966.01	2,518.25	35.86	30.45	17.78%
Liabilities	29,309.47	29,283.47	354.41	354.09	0.09%

Equity attributable to equity holders of the parent company	2,399.36	2,432.42	29.01	29.41	-1.36%
Minority interest	1.01	0.99	0.01	0.01	1.96%
Total Equity	2,400.37	2,433.41	29.03	29.42	-1.36%
Total Liabilities and Shareholders' Equity	31,709.84	31,716.88	383.43	383.52	-0.02%

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Consolidated Profit & Loss Account

Particulars	Amount in Crore Taka		Amount in Crore USD		Change %
	2017	2016	2017	2016	
Operating Income					
Interest income	1,809.54	1,945.00	22.34	24.01	-6.96%
Interest paid on deposits and borrowings, etc.	(1,493.74)	(1,613.92)	(18.44)	(19.93)	7.45%
Net interest income	315.80	331.08	3.90	4.09	-4.62%
Investment income	472.61	510.59	5.83	6.30	-7.44%
Commission, exchange and brokerage	299.42	285.58	3.70	3.53	4.85%
Other operating income	17.84	16.89	0.22	0.21	5.62%
	789.88	813.06	9.75	10.04	-2.85%
Total Operating Income	1,105.68	1,144.14	13.65	14.13	-3.36%
Total operating expenses	602.09	602.11	7.43	7.43	0.00%
Profit before provision	503.58	542.03	6.22	6.69	-7.09%
Total provision	496.24	302.05	6.13	3.73	64.29%
Loss on disposal of AB Exchange (UK) Limited	-	0.44	-	-	100.00%
Profit before taxation	7.35	239.54	0.09	3.07	-96.93%
Provision for taxation	3.27	88.66	0.04	1.09	-96.32%
Net profit after taxation	4.08	150.88	0.05	1.94	-97.29%

Dividend

Board of Directors of the Bank could not recommended any dividend for the year 2017 in compliance with Bangladesh Bank directives.

Election of Directors

In accordance with the provisions of the Articles of Association of the Bank, at least one third of the Directors (other than the Managing Director) shall retire in the next Annual General Meeting. All the retiring Directors are eligible for re-election/re-nomination by the respective group of shareholders under Articles 103 and 108 of the Articles of Association of the Bank.

Board of Directors

AB Board comprises of 12 (twelve) Members including the President & Managing Director. Mr. Shishir Ranjan Bose, FCA and Prof. Dr. M. Imtiaz Hossain was included in the Board as Independent Directors in compliance with the guidelines of the Bangladesh Securities and Exchange Commission (BSEC) and by the circulars of Bangladesh Bank. Board also has three Committees in operation viz. Executive Committee, Audit Committee and Risk Management Committee. Respective Committees operate following their given TOR set by the Board or Bangladesh Bank as the case may be.

Rating of AB Bank Limited

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

Surveillance Rating (2017)	Long Term	Short Term
	A ₁	ST-2
Date of Rating:	June 04, 2018	
Validity Date:	December 31, 2018	

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 ST-2 category are considered to have strong capacity for timely repayment. Commercial Banks rated in this category are characterized with commendable position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.

36th Annual General Meeting

The 36th Annual General Meeting will be held on June 24, 2018 (Sunday) at the Hall-1 (Gulnaksha), International Convention City Bashundhara, Kuril Biswa Road, Purbachal Express Highway, Dhaka-1219 at 10:30 am.

Country Outlook

GDP growth is expected to moderate to 7.0% in FY2018 as consumption demand slackens despite a rebound in worker remittances. Remittance beneficiaries are likely to adopt a cautious approach to spending, repaying debt incurred in recent years of remittance declines. Private investment is nevertheless expected to edge up with support from an accommodative credit policy, and public investment will expand as the authorities seek to speed the implementation of infrastructure projects. Export performance is expected to strengthen on projected higher growth in the euro area and the US. However, net exports will not add to growth, as imports are expected to expand strongly with substantial restocking of food grains, rising fuel requirements, and a steady increase in imports of capital goods.

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Broadly favorable global growth and trade prospects are expected to continue in FY2019. With a further strengthening of exports and remittances, GDP growth that year is expected to firm to 7.2%. A marked stepping up of budget revenue mobilization could fuel a somewhat stronger advance in investment and therefore growth, but FY2019 budget policies will become known only when announced later.

On the supply side, agriculture growth is expected to moderate to 2.3% in FY2018 from 3.0% last year because it is from a higher base and prolonged flooding again hindered the planting of the wet monsoon rice crop. Industry growth is forecast to pick up slightly to 10.4%, underpinned by higher exports. Expansion in services is likely to slow to 6.4% from 6.7% in the previous year as consumer spending moderates and growth in agriculture income slows.

Inflation is expected to accelerate to average 6.1% in FY2018. Food inflation averaged just over 7% year on year in the first half because of crop losses from the flooding, but it eased from a peak of 7.9% in September 2017 to 7.1% in December with imports of food grains and the arrival in markets of a newly harvested crop. Rice prices will nevertheless remain higher than last year. Nonfood inflation has remained broadly stable, averaging 3.5% in the first half of the year, but is expected to be higher in the second half because of anticipated upward adjustments to natural gas and electricity prices, higher global oil prices, and taka depreciation.

Inflation is projected to edge up to 6.3% in FY2019 because of further increases in natural gas and electricity prices and continued taka depreciation. However, normal weather and projected stability in global oil prices should temper price pressures compared with this year.

The monetary policy statement for the second half of FY2018 (January–June 2018) focuses on monetary and prudential policies to moderate high import growth in the first half toward a sustainable trend and to contain a possible rise in inflationary expectations reflecting higher food and energy prices. The central bank kept the main policy repo rate unchanged at 6.75% and decided to intensively supervise credit flows to ensure their quality and composition appropriate for productive use, rather than resort to broader restrictions on credit. The

declining trend in government borrowing from banks allowed the central bank to adjust earlier monetary targets to accommodate slightly higher growth in credit to the private sector, at 16.8% in the second half of FY2018 after overshooting its target in the first half. A likely decline in net foreign assets will keep broad money growth a bit lower than originally projected.

Gratitude

It is the privilege of the Members of the Board of Directors of the Bank, to express appreciation and gratitude to all the valued Shareholders, Clients, Patrons and well-wishers for their continued support and co-operations over the years. The Board is also indebted to the Government of Bangladesh, Bangladesh Bank, BSEC, DSE, CSE, Registrar of Joint Stock Companies and Firms and other related entities for their continued guidance and support throughout this bracing journey of the bank.

The Board would like to place on record their deepest appreciation for the dedicated services rendered by all the employees of the bank.

AB will remain committed to its vision and also towards creation of Shareholders value. Besides, AB will also continue its unfeigned efforts in improving the lot of the common people and accelerating its contribution towards economic and social development of the country.



M. A. Awal
Chairman