

DIRECTORS'
REPORT



AB Bank Limited Directors' Report

Bismillahir Rahmanir Rahim

Honorable Shareholders

As-salamu alaikum,

Banks play a pivotal role in the economy and the social uplift of a country. Initiatives taken by Banks and its partnership with entrepreneurs contribute positively towards the economy, business environment, creation of job opportunities, technological innovations and thereby the society as a whole.

The Board of Directors of AB, the first Private Sector Bank, welcomes you all to its 38th Annual General Meeting (AGM) of the Bank and presents before you the Annual Report and the Audited Financial Statements for the year 2019.

Dear Shareholders

The Directors' Report 2019 is prepared in accordance with Section 184 of Companies Act, 1994 and Bangladesh Securities and Exchange Commission's Notification BSEC/ CMRRCD/2006-158/207/Admin/80 dated June 03, 2018. We are pleased to place the Audited Financial Statements of the Bank for the year ended 31 December 2019 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 objective 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.

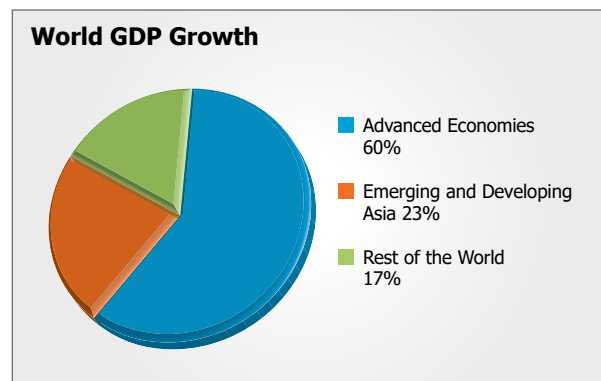
Starting in 1982, today after 38 years, we are an eponymous banking institution facing the challenges of the changing business environment - a testament to a trailblazing partnership with our Shareholders, Directors, Customers, Regulators and well-wishers. To honour and in recognition of the bondage, we have designed our 38th year mnemonic to read - 38 Years of Successful Partnership.

Global Economy

Global output growth has been witnessing a downward trend since 2017 and is likely to continue the same for an extended period. In 2019, the slowdown in some emerging economies along with worldwide trade and geopolitical tensions further reduced the global economic growth to 2.9 percent. Economic growth of advanced economies and Emerging Asia fell to 1.7 percent and 5.5 percent respectively. As the global economy is enduring some strain and supposed to remain subdued in the near term, developing economies may face some headwinds from external sectors in the short-term. Pertinently, global growth has both supply-side and demand-side implications for Bangladesh economy.



Note: p° - Projection
Source: World economic outlook, April 2020



Note: Data as of October 2019
Source: Data from IMF; FSD Staff Calculation

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The yields of all the major international 10-year government bonds had downward trends until August 2019 which started to rise thereafter. Noticeably, year-end yield rates of these bonds were much lower than the yield rates of earlier months of 2019, except the Chinese government bond. Falling interest rates make bond prices to rise and bond yields to fall. Hence, the downtrend in the yield rate may induce bondholders to sell the bond and those investors may be tempted to opt for alternative risky investments expecting higher returns.

Global crude oil price movement in the last five years which seems somewhat stable with a few exceptions. After a sharp decline near the end of 2018, the oil price started creeping up slowly in 2019 from USD 51.4 per barrel at first January to USD 63.9 per barrel in first day of April; then after little ups and downs it ended the year with a price of USD 57.5 per barrel. With the onset of COVID-19 since the early 2020, the price has been in sharp declining trend.

Apart from above, Central Banks of different countries revised down the policy rate to stimulate growth. US Federal Reserve cut its policy rate three times by 0.25 percentage point since the middle of 2019. Low global interest rates make the debt more sustainable and help to contain the rise in macroeconomic risks and market volatility.

Bangladesh Economy

Considering the dynamics of the global supply chain and increasing interconnectedness, the external sector has become a significant and integral part of the sustained economic growth and development of Bangladesh. Growing exports, substantial wage-earners' remittance, and improving the environment for foreign direct investments have been the key drivers of the economy for a long time. Therefore, any risks or externalities associated with its Balance of Payment (BoP) may eventually affect the domestic economic activities, and the overall financial stability, in general.

Bangladesh sustained a well-paced GDP growth, ending up with 8.15 percent in FY19 on the back of strong domestic demand. Domestic demand, comprising of consumption and investment, increased by 11 percent, and export and remittance rose by 10.5 percent and 9.6 percent respectively in FY19. In 2019, the private

sector credit growth edged down considerably, while the growth in the public sector was prominent. The public sector credit rose by 54.3 percent as opposed to 9.8 percent growth recorded in private sector credit.

Inflation

During the period, the annual average food inflation declined to 5.56 percent from 6.21 percent of 2018 driven by a good harvest of boro rice and waning in the prices of vegetables and fish. However, annual average non-food inflation rose to 5.64 percent at end of 2019 from 4.51 percent of 2018 largely due to strong domestic demand.

Export and Import

The aggregate export of the country grew by 7.5 percent on average in the last ten years. Bangladesh's export is largely dominated by Ready-Made Garments (RMG), which comprises woven garments and knitwear garments. The share of RMG in the total export was 84.2 percent in FY19. A combination of government policy support, flexible labor supply, technical skill development, and provision of preferential market access by the buyer groups contributed to the thriving of this sector. On the other hand, over the year import payment of goods and services increased by 8.94%.

Remittance

The country experienced continuous high growth momentum in wage earners' remittance. Despite weak global growth, inward wage earners' remittance soared up again, recording a rise of 18 percent in FY19 compared to the preceding year. Remittance from Saudi Arabia, UAE, and Kuwait, maintained an uptrend; specifically, Saudi Arabia remained a major driver in remittance source in 2019.

Banking Sector

The Banking Sector recorded a notable asset growth in 2019 backed by a significant rise in deposit growth. Private Commercial Banks (PCBs) held the major portion of earning assets of the industry. Gross Non-Performing Loan (NPL) ratio of the Banking Sector declined notably from 10.3% in 2018 to 9.3 % in 2019. At the end of December 2019, CRAR of the Banking Industry stood at

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11.6 percent against the regulatory requirement of 10 percent. The aggregate Advance-to-Deposit Ratio (ADR) of the Banking Industry decreased to 77.3 percent in 2019 from 77.6 percent in 2018. However, call money borrowing rate experienced a rising trend in the second half of the year.

BUSINESS OVERVIEW 2019

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.

Business Highlight in 2019

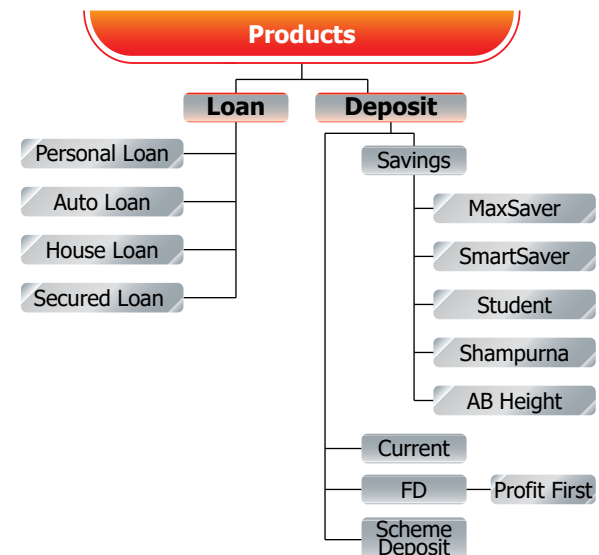
1. Textile and RMG: RMG accounts for the largest export revenue generating sector of the country. In continuation of its financial support to this most important economic sector, the Bank provided credit facilities to a number of clients in this sector which is going to further consolidate Bangladesh's capabilities in Textiles.

- 2. Steel Manufacturing Industry:** Steel manufacturing industry is growing as one of the dominant economic sectors of the country.
- 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 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

AB Bank, the first private sector commercial bank of Bangladesh, has been continuously developing flexible and customized retail products on modern technology platform for all generations. 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 customers.

AB Bank Retail Product Line



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Business Overview of Retail Banking in 2019

The year 2019 was a remarkable year in the context of deposit growth. The overall deposit growth was Tk.3,588 crore (15.24%) over 2018. It was achieved due to introduction of new deposit product along with growth in FD and Scheme deposit.

Agent Banking

AB Bank commenced its Agent Banking Operation from January 17, 2018 with the first the agent point located at Meghula Bazar, Dohar, Dhaka. The major goal of Agent Banking is to bring the large segments of unbanked population into banking network, as well as, to contribute to the sustainable growth of the economy.

By the end of 2019, the bank has established 59 number of agent outlets in 26 districts. During 2019, Agent Banking contributed a total of Tk.42.64 crore growth over 2018.

School Banking

In order to boost the savings of students AB has a very attractive product titled "AB Minor".

AB Bank Chaumuhani Branch, as the lead bank nominated by Bangladesh Bank, has successfully organized school banking conference in Noakhali district on November 02, 2019 to impart financial literacy among the students and parents and to encourage the habit of savings for future. Moreover, almost all the branches of the Bank have conducted school banking campaign in different schools throughout the country and booked significant numbers of student accounts. By the end of 2019, the aggregate deposit in student account stands at Tk.31.09 crore with an increase of 28.15% over the year 2018.

The bank also participated in school banking conference organized by other banks in different regions.



Opening Agent Banking outlet at Uttar Sonaichari, Kumira, Sitakunda, Chattogram

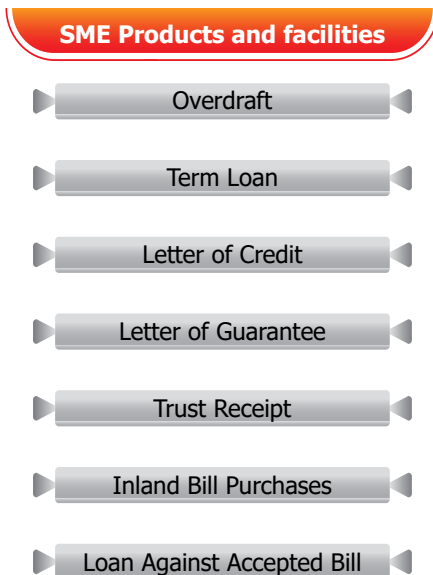
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SME Banking

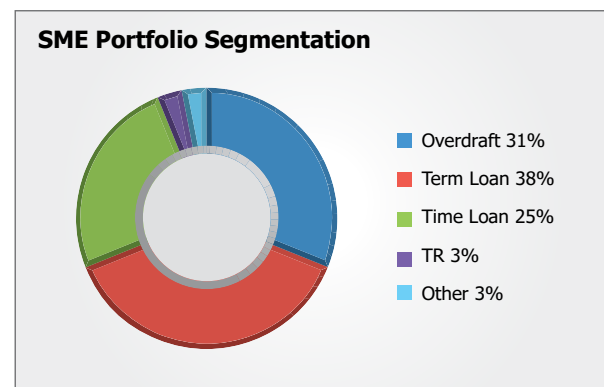
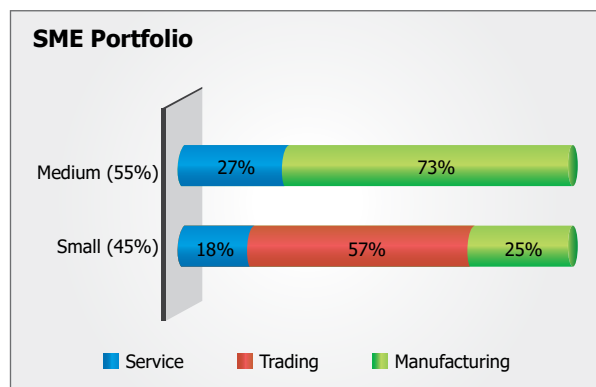
SME has already emerged as a powerful and sustainable pillar of the Bangladesh Economy. SME financing is now at the focal point of the Banking sector for its significant role in socio-economic development. Financing the SMEs has opened a door for the banks to channel their

investments in a socially desirable as well as profitable business segment. In line with the Banks' greater intention to contribute to the economic development, AB Bank is relentlessly strengthening Bank's disbursements to the SME sector. AB is one of the top ranked Banks of the country appreciated for its strong footage in SME Banking/Financing.

SME Products and facilities:

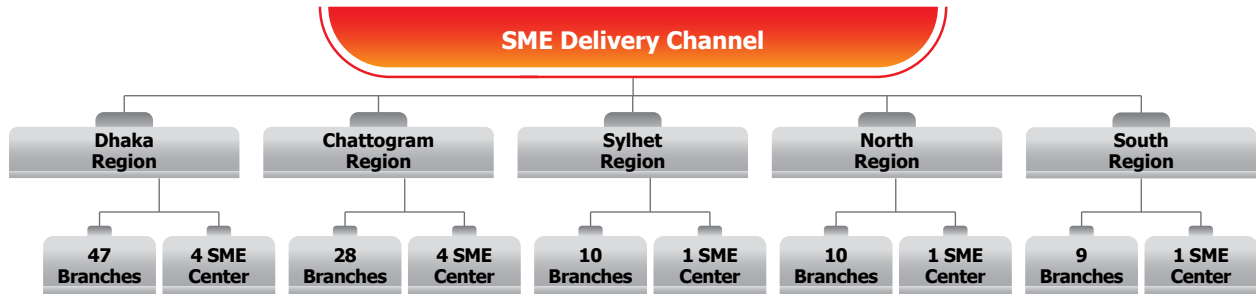


SME Portfolio Mix:



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SME Delivery Channels:



SME Events & Training Programs:

AB participated in several SME Events as organized in national level and also arranged Training

Programs on own initiatives for SME Clients awareness building.



AB Bank Limited has organized a workshop on "Skill Development on Business Operation & Financial Inclusion of Women Entrepreneurs in Banking" on August 04, 2019.

AB Bank Alternate Delivery Channel

In a row of 38 years of banking excellence, AB Bank Limited is a splendid name in the banking arena with a country wide network of ATMs located at urban and rural areas. At present, the Bank's Electronic Business (eBiz) Division is enriched with Visa Debit Cards, MasterCard Credit Cards, ATMs, SMS Banking, Branch POS and Internet Banking Mobile App with a 24-hour call center.

International Debit Cards-First-time in Bangladesh

AB Bank proudly introduced, for the first time in Bangladesh, International Debit Cards (under the VISA network). Using this card, customers can use their saving account tagged with their debit cards (after proper endorsement) outside the country just like credit cards. This brings in the convenience of using one's own account balance for foreign travel without resorting to applying for credit cards and the hassle associated with them.

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Debit Cards

With the opening of any personal account, the customer is issued with a Debit Card. At all the AB Bank ATMs, this card can be used without any transaction fee. This card is also accepted at all ATMs under the NPSB network across the country with nominal transaction fees. AB Bank Debit cardholders can also use their cards at all Visa labeled POS terminals around the country for purchasing goods and services. AB Bank account holders can withdraw up to BDT 300,000 from branches without cheque, using their VISA Debit cards from Branch POS terminals.

Automated Teller Machines (ATMs)

AB Bank now has the fourth largest ATM network with 254 ATMs located across the country. The increase of ATMs is changing the conventional banking trend. For cash withdrawal and some other banking services, the customers are using AB Bank ATMs as their banking channel of choice. Bank already implemented the Online Bills Collection of DESCO & Mobile Top-up using AB Bank Visa debit cards in ATM. Customers presently can avail various types of services in these ATM Booths like:

- Cash Withdrawal
- Balance Inquiry
- PIN Change
- Mini Statement
- NPSB Fund Transfer

Any Visa or MasterCard cardholder around the globe can enjoy the AB Bank ATM facilities too. AB Bank has also joined in the National Payment Switch of Bangladesh (NPSB) which is operated by Bangladesh Bank. 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 3.87 million transactions



were made via AB Bank ATMs last year. Interestingly, other banks' cardholders use AB Bank's ATMs more due to high availability and consistent uptime.

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.

Discount and EMI Programs

AB Bank, in partnership with leading merchants and Service Providers, have introduced discount & 0%-interest EMI programs in the fields of Health Care, Hotels & Resorts, Airlines & Tourism, Electronics, Life Style, Dining etc. The discount programs are available in both Visa Debit and MasterCard Credit Cards whereas EMI programs are available via 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 send a text message to AB Bank short code (16207) and for their desired service requirement – no hassle, no queue and easy to use.

The AB Bank SMS service comes with the following facilities:

- Balance Inquiry
- Mini Statement
- PIN Change
- Fund Transfer
- Mobile Top Up
- Bill Payment

Internet Banking & Mobile App

To facilitate modern banking services, AB Bank revamped its Internet Banking offering and introduced Mobile App

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under the umbrella of AB Direct. Internet Banking is browser and device independent and the Mobile App is available for Android and Apple iOS.

“Banking everywhere, never at a bank” – believing in this mantra, AB Bank brings its new Internet Banking with following benefits:

- Instant access to account information and account balance
- Print or electronically save transaction history
- Transfer funds to any Bank account within Bangladesh through EFT & Instant Transfer
- Pay utility bills (e.g. Dhaka WASA, DESCO, DPDC, and others)

Corporate Internet Banking

As its 2nd phase of AB Direct initiative, AB Bank has introduced Internet Banking services for its corporate customers as well. Company and business customers can use a highly specialized version of the Internet Banking solution for real time access to their accounts for balance information and making payments using various channels i.e. BEFTN, RTGS, pay utility bills etc.

This version has a strong multi-layer authentication workflow for payments with payment delegation hierarchy. This version also supports bulk payment processing for salary disbursements, etc. Customers can also view transaction histories and download them in Excel format for further automated consumption at their end.

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 Visa Debit cardholders for the higher cash withdrawal facility through POS terminals in any AB Bank Branches.

Utility Payments

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

- Dhaka Water and Swerage 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 (TITAS GAS)
- Chittagong Water and Swerage Authority (CTG WASA)

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

Call Center

The Call Center accessed through the short code 16207 established by IT & eBiz Division is serving a high number of ABBL customers for any electronic banking related queries.

Social Media Presence

AB Bank has a Facebook Page to promote its products and services. It is also used to respond to various customer enquiries on different types of AB Bank products and services e.g. Internet Banking, ATM Locations, and branch locations. Any customer or a potential customer can access AB Bank's Social media site using the URL- <https://www.facebook.com/abbanklimited/>

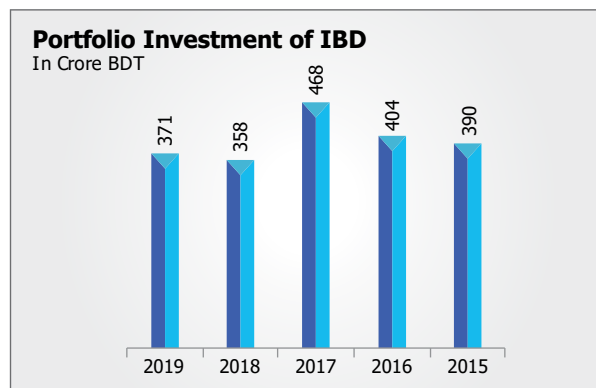
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Information Technology (IT)

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.

1st Mutual Fund

At the end of 2019, the "AB Bank 1st Mutual Fund" has reported Net Asset Value (NAV) of Tk. 9.98 per unit on the basis of current market price and Tk. 11.40 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. 2,385.62 million on the basis of market price and Tk. 2,725.20 million on the basis of cost price after considering all assets and liabilities of the Fund.

Anti-Money Laundering and Combating The Financing Of Terrorism (AML & CFT)

One of the most important areas of compliance for financial institutions today is Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT). The importance of combating Money Laundering and Terrorism is increasing day by day. The regulators worldwide are also taking new initiatives and implementing new laws, regulations etc. to counter and prevent these crimes. Financial institutions across the world are being used as conduits for channeling these criminal activities and therefore, governments, regulators and law enforcement agencies depend on financial institutions like ours to identify and prevent these from occurring.

In recent times, Bangladesh has been experiencing crimes related to drug smuggling, human trafficking and terrorism. Criminals associated with these crimes are employing new and advanced methods to avoid detection.

Money Laundering and Terrorism has far reaching consequences for any country. Bangladesh's growing economic activity, increasing imports and exports, increasing remittances from Bangladeshi working abroad etc. make it a prime target for criminals to commit ML & TF related crimes. Therefore, we need to be vigilant to counter the efforts of these criminals.

AB Bank's firm commitment for prevention of money laundering and combating financing terrorism is driven by its desire to uphold the integrity of the financial system, to protect its reputation and to safeguard the interests of all its stakeholders as well as shareholders.

AB has formulated a clear policy and guidelines on Anti-Money Laundering & Combating Financing of Terrorism (AML & CFT) which must be complied with by employees of the Bank. We have recently reviewed and revised our AML & CFT Policies to be more current and in line with 5 (Five) new guidelines introduced by BFIU [viz. Guidelines on Suspicious Transaction Report (STR), Politically Exposed Person (PEP) s, Beneficial Owner (BO), Terrorist Financing (TF) & Proliferation of Financing (PF), of WMD (Weapon of Mass Destruction) and Prevention of Trade Based Money Laundering (TBML)].

Awareness programs for its Senior Executives were arranged by AB Bank Training Academy. Senior Officials

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from Bangladesh Financial Intelligence Unit (BFIU) conducted sessions and discussed weaknesses of the Bank on AML & CFT so that Bank could initiate corrective measures. A number of actions were taken by the Bank as a result of which AB is now in a much stronger position to counter Money Laundering and Terrorism Financing (ML & TF) risks.

AB is committed to not to establish or maintained correspondent relationships with any Shell Bank/ Company or any Bank which allows transactions in "payable through" accounts. Special attention given while establishing and maintaining Correspondent Banking business. Adequate measures implemented as per AML & CFT Policy and BFIU instructions. Special safeguards taken for business relationships with customers from non-cooperative jurisdictions countries or other financial institutions deemed high risk. Reviewed all the KYC by applying due diligence of Correspondent Bank to identify the existence of any Shell Bank.

Awareness of officials of AB is essential to combat money laundering & terrorist financing threats. Training to all employees on these areas is mandatory as per AML & CFT Policy and BFIU instructions. In 2019 we imparted trainings and refresher trainings to 509 employees of the Bank. We are committed to carry on employee training programs so that employees have adequate knowledge and remain updated on AML & CFT procedures as well as any changes/amendments. These trainings will recap employees' knowledge and responsibilities in prevention of money laundering and combating terrorist financing. Our plan is to hold fresh and refresher Job Specific Training for AB officials in 2020 as well.

We have given sufficient emphasis on prevention of Trade Based Money Laundering (TBML). As a result of that we have reviewed and revised the chapter in our AML & CFT Policy in accordance with the Guidelines for Prevention of Trade Based Money Laundering (TBML) as issued by BFIU on December 10, 2019. We arranged 02(two) separate training programs on Prevention of Trade Based Money Laundering (TBML) for employees of our Authorized Dealer (AD) Branches, Financial Institution (FI) Division and Department of Internal Control & Compliance.

AB has special focus over its border territory branches. Because, these Branches have threats to be alert against routing transactions related to drug and human

trafficking and smuggling and also terrorist financing. During 2019 AML & CFT Compliance Division has reviewed transactions, KYC and documentations of 1638 accounts of border territory Branch have been updated. In addition, CAMLCO and Deputy CAMLCO visited several border territory branches during 2019 to practically see the awareness among officials and update them with latest knowledge of circular and guidance on AML/CFT.

Significant number of Suspicious Transactions Report (STR)/ Suspicious Activity Report (SAR) was filed with the regulatory authority (BFIU) during this year (2019). Diversified areas were covered while filing STR/SAR with BFIU. That indicates the intensity of monitoring and analysis of customers' transactions.

Off-shore Banking Unit (OBU)

AB Bank introduced OBU operation located in EPZ Branch, CEPZ, Chattogram. Since inception in April 28, 2010 OBU has been able to finance many foreign owned companies as well as corporate resident customers with due permission from the regulatory body. In May 31, 2016 OBU was declared as a separate branch. Afterwards, an Offshore Banking Division has been created during this year for the purpose of supervising Offshore Banking Operations of the Bank. A dedicated Branch Anti Money Laundering Compliance Officer (BAMCLO) has been assigned to OBU to comply with Anti Money Laundering Policies and relevant regulations. Enhanced screening mechanism has been established for screening customers and transactions of OBU in compliance with OFAC, UN, EU and UK provided sanctions lists. Total Deposit and LDOs of OBU as of 31 December, 2019 was USD194,423 and USD73,761,249 respectively.

Department of Internal Control & Compliance (DICC)

The Department of Internal Control & Compliance (DICC) is comprised of 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 on the Branches

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& Departments/Divisions/Subsidiaries/Units of Head Office. Special Audits on some specific issues like year-end Branches Cash Position, Security Stock Verification, SME Division & Card Division are also conducted by the Department. It prepares the Integrated Annual Health Report of the Bank.

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

Compliance Division ensures compliance of internal, external and Bangladesh Bank Inspection Reports on Head Office, Branches & Core Risks Areas. It arranges special Board Meeting for review & discussion of the BB comprehensive inspection report and maintains constant liaison with the Central Bank regarding compliance issues.

The DICC conducted the following audit and inspections during 2019:

Risk-Based Audit on Branches	: 105 Branches
Annual Comprehensive Audit on Branches	: 105 Branches
Annual Comprehensive Audit on Div./Dept.	: 11 Divisions/Departments
Annual Comprehensive Audit on Subsidiaries	: 02 Subsidiaries
Special Investigation	: 16 Numbers
Special Audit	: 02 Divisions
Surprise Visit	: 22 Branches

Operations Department

General Banking Operations is dedicated to overall back-office operations management of the Bank. It ensures service standard, quality improvement, improves process flow through re-engineering, simplifying & standardizing processes and also continuously monitors Branch activities to mitigate risks, improves operational controls, regulatory compliance, internal and external compliances and other functions.

In addition, to the routine functions the Division has successfully supervised and monitored other different events.

The key initiatives completed by this Division during 2019 were as follows:

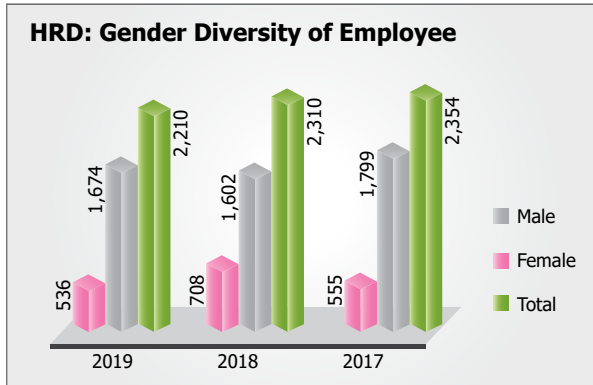
- Arranged trainings and workshops on major operational processes like Account Opening, Effective Cash Management and Customer Service Excellence for different Branch officials.
- Conducted Mystery Shoppers Survey and Customer Satisfaction Survey in selected branches.
- Arranged Customer Awareness Program in different branches to familiarize our customers with AB Products and Services as well as banking norms and practices and to mitigate information and communication gap between the customers and the Bank.
- Prepared guidelines on - Operational process for releasing funds of Deceased Accounts, procedure for activation of Dormant Accounts, efficient Cash Management and detection and disposal of Forged Notes.
- Preventive measures have been introduced to all branches as precaution against fraud risk related to banking operations.
- Introduced Revised Locker Break Open Policy.
- Visited branches to monitor banking operations, branding, cleanliness and general banking activities and took necessary steps to improve Branch operations, service quality and branding issues.
- To create awareness of fake notes among general public, displayed actual bank notes and their special security features through videos at different important public places and road intersections, and installed Fake Note Detection Booths at cattle markets during Eid-ul-Adha.
- Taken initiative to introduce green banking by sending e-statements to the customers.
- To save cost and ensure green banking, introduced digital forms and registers for different banking services also discontinued some forms and registers.

Department of Human Resource Management & Development

The Human Resources (HR) Department provides an overall policy direction on its employee management. It does so by providing policies and processes that attract,

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develop, retain, and engage a well-trained and diverse workforce by providing a secure and equal opportunity work environment for all its employees.



HR continuously works with other departments to develop and align organizational goals through performance management processes, maintenance of healthy employee relations and ensuring systematic, internal communications among employees across all the 105 branches in order to keep the employees informed on all pertinent matters.

Treasury Functions

Strategic function of Treasury is risk management such as 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 internal policies and guidelines of Bangladesh Bank. Functions of Treasury Division are divided among ALM Desk, Fixed Income Desk, Money Market Desk, Foreign Exchange Desk and Primary Dealership Desk. Core responsibility of Treasury Operations is maintenance of statutory requirements i.e. CRR, SLR and NOP limits. In the process of liquidity risk management Treasury arranges fund both in Local Currency and Foreign Currency. 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 underwrites 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. Treasury has been performing consistently well over last couple of years with respect to contribution to bank's profitability. Prudent Money

Market, Foreign Exchange and Primary Dealership operations contribute significantly in interest, exchange and investment earnings of the Bank.

Highlights of 2019:

- Interest income on Money Market Product stood at BDT 287.00 million in 2019 compared to BDT 449.10 million in 2018.
- Investment income decreased to BDT 2,484.80 million in 2019 compared to BDT 3,721.90 million in 2018.
- Income from Foreign exchange decreased to BDT 467.30 million in 2019 compared to BDT 649.90 million in 2018.

Financial Institutions

AB Bank's Financial Institutions (FI) Division is mainly engaged in expanding and maintaining correspondent banking relationships with local and foreign Banks, Financial Institutions and Exchange Houses. AB's foreign correspondent relationship covers most of the important Banks and Financial Institutions in the world. AB Bank's Correspondent Banking Platform is comprised of 360 correspondents. This strong platform helps expanding international trade business of AB Bank Limited and providing better customer service to its customers.

International Trade

During 2019, Import and export business of AB Bank has experienced negative growth compared to previous year.

Import Business has decreased by 47.08% to Taka 4,737 Crore in 2019 from Taka 8,952 Crore in 2018. Import business of AB covers areas like industrial raw materials, food items, chemicals, medicines, textiles, capital machineries etc.

Export Business has also experienced a negative growth of 24.97% in the year 2019 compared to the previous year. Total Export was Taka 5,511 Crore at the end of the year 2019 which was Taka 7,345 Crore in 2018. Export business was concentrated in frozen fish, readymade garments, knitwear and other indigenous products.

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FI Marketing

FI Marketing Team facilitates trade business activities originating from the different Banks in Bangladesh. FI Marketing Team procures foreign trade related business i.e. Reimbursement Authorities/Payment Instructions, advising of documentary credits and confirmation to L/Cs of different Banks in Bangladesh on behalf of ABIFL, Hong Kong and AB Mumbai Branch. During the year 2019, our FI Marketing Team has collected a good number of Reimbursement Authorities/Payment Instructions and provided support in advising a significant number of L/Cs from different Commercial Banks in Bangladesh to our Mumbai Branch India and ABIFL, Hong Kong.

Remittance Initiative

AB has introduced state-of-the-art API enabled remittance software for excellence in remittance operation of the Bank. AB has strengthened its existing remittance relationship with various exchange houses in 2019. AB is focusing on excellence in customer service through the existing Branch network and agents. A dedicated "Remittance Hub" backed by advanced technology platform helps expanding the Bank's service to the doorstep of the 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 2019 was USD 270 million compared to USD 330 million in 2018.

Overseas Operations

Mumbai Branch

AB Bank Limited, Mumbai Branch is the only Bangladeshi Bank's Branch in Mumbai to cater Indo-Bangla Trade. Since its inception in the year 1996, it is engaged in handling of Letter of Credit and document of export from India to Bangladesh in addition to retail banking activities. The branch also provides confirmation, negotiation and discounting services to its customers.

At present, our Mumbai Branch is maintaining VOSTRO accounts of 43 Bangladeshi Banks. Mumbai Branch's Operating Profit at the year-end of 2019 was INR 159.28 million.

Highlights of Mumbai Branch Business

Indian Rupee in Million

Particulars	2019	2018	2017
Total Assets	2576.59	2,548.48	2,346.11
Total Loans and Advances	566.93	750.24	593.14
Total Deposits	1451.26	1,437.48	1,189.18
CRAR – Overall	36.51%	33.05%	36.52%
CRAR – Tier I	36.30%	32.76%	36.22%
CRAR – Tier II	0.21%	0.28%	0.30%
Fee based income to Total income	82.73%	82.99%	81.54%
Return on Total Assets	3.60%	3.86%	3.34%

Operating results of Mumbai Branch in 2019

Indian Rupee in Million

Particulars	2019	2018	2017
Operating Profit	159.28	178.67	156.24
Profit After Tax (PAT)	92.15	87.65	78.33
Return on Assets (%)	3.60	3.86	3.34
Return on Equity (%)	9.59	9.30	8.94

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 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 defined 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 regularly 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

AB Bank Limited Directors' Report

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 relevant MIS to Management and the Board for facilitating strategic decisions.

Corporate Social Responsibility (CSR)

AB believes Corporate Social Responsibility (CSR) is the first and foremost meant 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. CSR is a self-regulating business model that helps a company be socially accountable - to itself, its stakeholders, and the public. AB Bank feels obligated towards the community in which it operates. It has long been active in a wide range socially responsible initiatives. The Bank promotes the country's rich heritage of arts, culture and sports. The Bank always responds to the crying needs of the society and to stand beside the affected ones in times of national crisis. 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 also.

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 strategic plans towards achieving bank's overall objectives. As per Bangladesh Bank guidelines, AB Bank is having effective Risk Management Division (RMD) equipped with adequate resources and infrastructure. The fundamental objective of this Department is to protect the organization from unexpected losses caused by unfavorable downgrade in



AB Bank's Dengue Prevention and Environment Protection Program

AB Bank Limited Directors' Report

financial areas and reputational issues through early flag rising, and there-by to ensure sustainability in growth. The RMD is constantly considering and applying 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.

RMD has been performing an effective role in leading the Supervisory Review Process and holding SRP-SREP dialogue on ICAAP. RMD also provides 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 issues focusing on Management Action Triger (MAT), Comprehensive Risk Rating (CRR) with a view to enhance the level of understanding on risk management, its importance and its application.

AB Subsidiaries

AB International Finance Limited (ABIFL), Hong Kong, a wholly owned subsidiary of AB Bank Limited has started its operation in the year of 1995. ABIFL is primarily engaged in advising, adding confirmation to documentary credits, negotiation and discounting of bills under Letter of Credit. ABIFL's performance in 2019 is presented below:

Particulars	2019	2018	2017
Profit After Tax (PAT)-HKD Million	10.18	9.569	7.803
Return on Assets (%)	9.82	10.22	8.89
Return on Equity (%)	53.56	53.72	46.13
Earnings Per Share (EPS)-HKD	101.76	95.69	78.03

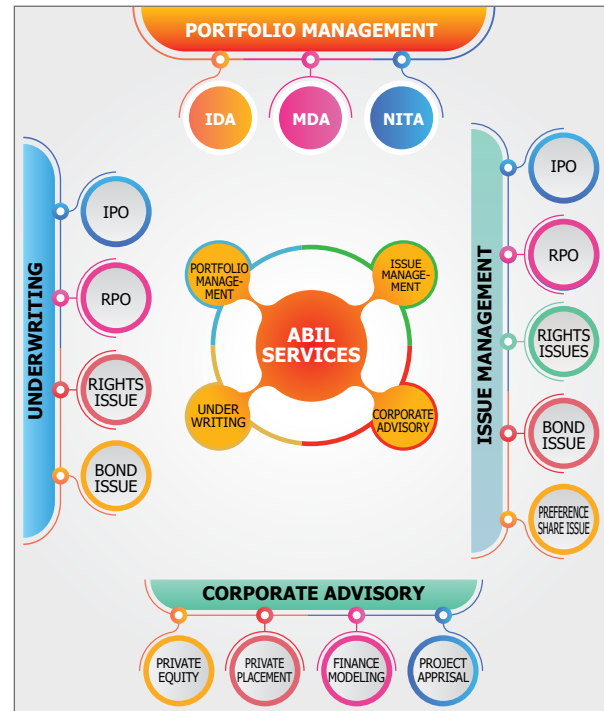
AB Investment Limited

After incorporation on 24th day of December 2009 AB Investment Limited (ABIL), a wholly owned subsidiary company of AB Bank Limited, started its operation on the 10th day of March, 2010.

The number of clients of AB Investment Limited is about 2,388 and it comprises of Local Individual & Institutional clients along with NRBs and Foreign Individuals. ABIL has 7 (seven) panel brokers to perform trading of its clients and of own portfolio. Total portfolio of ABIL was more than Tk. 7.11 billion in 2018 which is 0.18% of the total market

capitalization. Currently, ABIL operates from its Head Office in Dhaka and two branch offices in Chittagong & Sylhet.

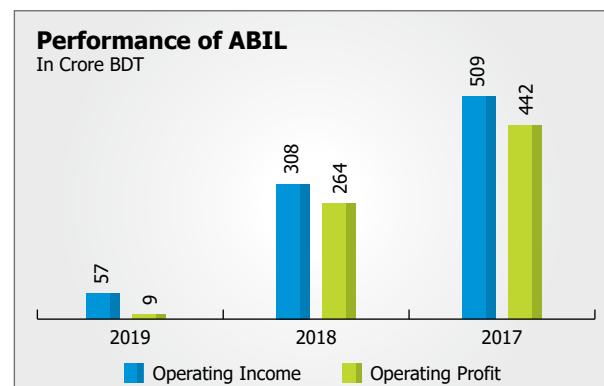
ABIL provides the following services:



Performance of ABIL

Particulars	2019	2018	2017
Number of Clients (in number)	2349	2388	2425
Margin Loan provided to Clients (mn)	6752	6781	6670
Operating Income (mn)	57	308	509
Operating Profit (mn)	9	264	442
Net Profit (mn)	(57.5)	17	3
Earnings Per Share-EPS (Tk.)	(0.089)	0.027	*.004
Face Value (Tk.)	10	10	10

*Restated EPS



AB Bank Limited Directors' Report

AB Securities Limited (ABSL)

After incorporation on 24th day of December 2009, AB Securities Limited (ABSL), a wholly owned 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 3,000 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 operating from its Head Office in Dhaka and two branch offices in Chittagong & Sylhet. In the year 2019, total turnover of ABSL was around Tk. 18.32 billion.

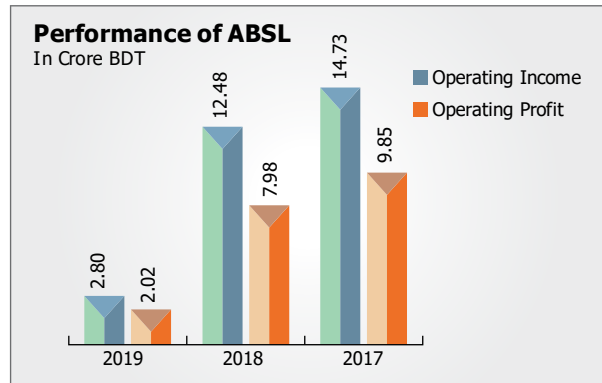
Services of ABSL



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.

Performance of ABSL

Particulars	2019	2018	2017
Number of Clients	2,942	3,385	3,238
Margin Loan Disbursed (Million Tk.)	930.53	881.89	926.45
Operating Income (Million Tk.)	27.59	124.75	147.39
Operating Profit (Million Tk.)	(20.21)	79.76	98.48
Earnings Per Share (Tk.)	0.01	.15	.25
Total Turnover –Trade (Billion Tk.)	18.32	20.07	38.86



Cashlink Bangladesh Limited (CBL)

CBL is a subsidiary of AB Bank Limited. CBL 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

Amount in Lac Taka

Particulars	2019	2018	2017
Total Operating Income	135.55	36.89	33.19
Total Operating Expense	4.53	5.08	5.49
Profit After Tax (PAT)	127.37	31.82	18.41
Total Shareholder's Equity	744.66	617.29	585.48
Total Asset	823.94	791.88	763.33

Arab Bangladesh Bank Foundation (ABBF)

Arab Bangladesh Bank Foundation (ABBF) is a platform for philanthropic activities of the Bank.

AB Bank Limited Directors' Report

Financial Performance Highlights:

As one of the most highly regulated industries in the world, investors have some level of assurance in the soundness of the banking system. As a result, investors can focus most of their efforts on how a bank will perform in different economic environments. In 2019, the banking sector witnessed some unsavory developments through major indicators such as rise of non-performing loans, lower capital adequacy and the overall lack of stable policy in the sector. Amid a challenging economic and business environment, which prevailed throughout 2019, AB registered following financials:

BDT in crore

Particulars	Consolidated		Change	Solo		Change
	2019	2018	%	2019	2018	%
Interest Income/Profit on Investments	2,695.42	1,981.09	36%	2,671.55	1,946.75	37%
Interest paid/profit on deposits and borrowings, etc.	1,886.85	1,758.04	7%	1,884.68	1,755.74	7%
Net Interest Income	808.57	223.04	263%	786.87	191.01	312%
Other Income	496.84	692.29	-28%	501.53	673.77	-26%
Operating Expenses	658.29	571.40	15%	643.43	557.27	15%
Operating Profit	647.11	343.94	88%	644.97	307.51	110%
Provisions for loans & others	510.85	273.63	87%	514.05	251.91	104%
Profit Before Taxation	136.26	70.31	94%	130.92	55.60	135%
Provisions for Tax	123.93	65.99	88%	114.14	53.77	112%
Profit After Tax	12.33	4.32	185%	16.77	1.83	817%
Earnings Per Share-EPS (BDT)	0.16	0.06	0.10	0.22	0.02	0.20

Net interest income of the Bank increased in both consolidated and solo basis. Interest paid on deposits and borrowings have 7% growth in 2019. Operating expense increased by 15% mainly for loan loss charges BDT 111 crore in 2019 but fee based income reduced by 26% in 2019. In 2019, Bank was able to maintain Profit after Tax of BDT 12.33 crore and BDT 16.77 crore only on consolidated and solo basis respectively.

Asset Quality:

BDT in crore

Particulars	Consolidated		Change	Solo		Change
	2019	2018	%	2019	2018	%
Total Loans and Advances	26,438.50	24,918.53	6.10%	25,651.25	24,107.01	6.41%
Unclassified	21,749.45	16,945.75	28.35%	20,962.20	16,134.23	29.92%
Standard	20,185.80	13,952.23	44.68%	19,398.55	13,140.71	47.62%
Special Mention Account	1,563.65	2,993.52	-47.77%	1,563.65	2,993.52	-47.77%
Classified	4,689.05	7,972.78	-41.19%	4,689.05	7,972.78	-41.19%
Sub-standard	221.97	414.56	-46.46%	221.97	414.56	-46.46%
Doubtful	325.47	380.91	-14.56%	325.47	380.91	-14.56%
Bad Loss	4,141.61	7,177.31	-42.30%	4,141.61	7,177.31	-42.30%

Main challenge of the Bank is to maintain its quality of assets. At the end of 2019 Bank reduced 41% classified loan through recovery/rescheduling. 2020's prime focus has been set by the Board to improve the asset quality, recovering classified and written off loans, restructuring loan portfolio in order to improve the profitability.

AB Bank Limited Directors' Report

Capital Position:

BDT in crore

Particulars	Consolidated		Change	Solo		Change
	2019	2018	%	2019	2018	%
Risk Weighted Assets (RWA)	33,421.14	33,303.67	0.35%	33,137.52	32,958.30	0.54%
Credit Risk	30,292.97	30,039.36	0.84%	30,131.81	29,860.81	0.91%
Market Risk	806.09	696.53	15.73%	692.12	611.65	13.16%
Operational Risk	2,322.09	2,567.78	-9.57%	2,313.59	2,485.85	-6.93%
Regulatory Requirement	12.50%	11.875%		12.50%	11.875%	
Capital Requirement	4,177.64	3,954.81		4,142.19	3,913.80	
Capital Maintained	3,539.83	3,490.93	1.40%	3,354.71	3,304.61	1.52%
Tier-I	1,981.36	2,033.81	-2.58%	1,871.16	1,919.42	-2.51%
Tier-II	1,558.48	1,457.13	6.96%	1,483.55	1,385.20	7.10%
Capital Surplus/ (deficit)	(637.81)	(463.88)		(787.48)	(609.19)	
Capital to Risk Weighted Asset Ratio (CRAR)	10.59%	10.48%		10.12%	10.03%	
Tier-I	5.93%	6.11%		5.65%	5.82%	
Tier-II	4.66%	4.38%		4.47%	4.20%	

At the end of 2019 Bank was able to maintain CRAR @10.59% and 10.12% on consolidated and solo basis respectively against 12.50% (10% minimum and 2.50% capital conservation buffer) regulatory requirement. Risk Weighted Assets (RWA) of the Bank increased near about 1%, where capital increased approximately 2%. Bank is trying to increase its capital by issuing Tier-I and Tier-II equivalent instruments and as well by reducing RWA.

Cash Flow Position:

BDT in crore

Particulars	Consolidated		Change	Solo		Change
	2019	2018	%	2019	2018	%
Net Cash Flow from/(used in) Operating Activities	2,864.75	(692.67)	513.58%	2,870.27	(683.09)	520.19%
Net Cash Flow from/(used in) Operating Activities	(1,855.22)	214.15	-966.32%	(1,846.35)	226.47	-915.27%
Net Cash Flow from/(used in) Financing Activities	(139.92)	264.90	-152.82%	(139.92)	264.90	152.82%
Net Increase/Decrease in cash	869.60	(213.63)	-507.08%	884.00	(191.72)	561.09%
Net Operating Cash Flow Per Share (NOCFPS) (BDT)	37.79	(9.14)	46.92	37.86	(9.01)	46.87

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. Changes in operating assets and liabilities i.e. changes in loans, deposits and short term borrowing mainly affected the cash flow from operating activities. Net Operating Cash Flow Per Share increased compare to the corresponding previous year.

Key Ratio

Particulars	2019	2018
Capital to Risk Weighted Assets Ratio (CRAR)	10.12%	10.03%
Loan Deposit Ratio (LDR)	84.28%	91.09%
Cost Income Ratio	41.35%	64.44%
CL Ratio	18.28%	33.07%
Return on Investment (ROI)	6.07%	9.58%
Return on Assets (ROA)	0.05%	0.01%
Return on Equity (ROE)	0.74%	0.08%
Assets Utilization Ratio	77.80%	66.61%
Operating Profit Per Employee (Lac/Taka)	29.18	13.31

AB Bank Limited Directors' Report

Shareholding Pattern

Shareholding pattern of the Bank is disclosed as below following the requirements of Section 1.5 (xxiii) of BSEC Corporate Governance Code No. BSEC/CMRRCD/2006-158/207/Admin/80, dated 03 June 2018:

- a) Parent / Subsidiary / Associated Companies and other related parties: Not Applicable
- b) Shares held by Directors including nominating Individual and Institutions, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit and their Spouses and Minor Children are as follows: status as of December 31, 2019

Name of the Directors, CEO, CS, CFO and HIAC	Status	No. of Shares	%	Name of the Spouses	No. of Shares	%
Mr. Muhammad A. (Rume) Ali Nominated by Pacific Traders Ltd.	Chairman	75,696,901	9.9845%	Ms. Tamara R. Ali	-	-
Mr. Feroz Ahmed	Director	15,730,196	2.0749%	Ms. Salvana Ahmed	310,497	0.0410%
Mr. Shajir Ahmed Nominated by Mr. Salim Ahmed	Director	17,907,293	2.3620%	Ms. Fahmida Islam	-	-
Mr. Khairul Alam Choudhury Nominated by Pacific Industries Ltd.	Director	74,157,802	9.7817%	Ms. Mariya Rakhi Chowdhury	-	-
Mr. Kaiser A. Chowdhury	Independent Director	-	-	Ms. Nadira Chowdhury	-	-
Mr. Tarique Afzal	President & Managing Director	-	-	Ms. Ornita Afzal	-	-
Mr. Manzurul Ahsan FCS	Company Secretary	-	-	Ms. Indrani Joan Ahmed	-	-
Mr. K.M. Mohiuddin Ahmed	Chief Financial Officer	-	-	Dr. Khairun Nessa	-	-
Mr. Md. Ebtadul Islam	Head of Internal Control and Compliance	-	-	Ms. Selima Begum	-	-

- Bangladesh Bank on June 28, 2020 approved appointment of Mr. Md. Maqsubul Huq Khan, Director, nominated by Emkay Holdings Limited.
 - As on June 28, 2020 Sponsor & Directors total shareholding - 31.29% of the total shares of the Bank.
- 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.	Name	Status	No. of Shares
1	Mr. Sajjad Hussain	Additional Managing Director	-
2	Mr. Reazul Islam	Deputy Managing Director	-
3	Mr. Mahmudul Alam	Deputy Managing Director	-
4	Mr. Abdur Rahman	Deputy Managing Director	-
5	Mr. Syed Mizanur Rahman	Sr. Executive Vice President	-

- d) Shareholders holding ten percent or more voting interest in the company: NIL

AB Bank Limited Directors' Report

Dividend

Board in its 691st Meeting held on June 29, 2020 recommended 5.00% Stock Dividend to all the Shareholders which is subject to Shareholders approval in the 38th Annual General Meeting scheduled to be held on September 2, 2020, Wednesday through Digital Platform. August 10, 2020, Monday, set as Record Date.

Board recommended Stock Dividend to strengthen capital base of the Bank to support business growth and compliance of Bangladesh Bank DOS circular no:03 dated May 11, 2020 on Dividend Policy for Banks for the year 2019.

In compliance with Code no:1.5 (XXI) of the Corporate Governance Code -2018 issued by Bangladesh Securities and Exchange Commission, Board confirms that no bonus share or stock dividend has been declared as interim dividend.

Board of Directors

At present, AB Board comprises 7 (seven) members including President and Managing Director. Board also has two Committees in operation viz. Audit Committee and Risk Management Committee in compliance with Bangladesh Bank BRPD circular no: 11 dated October 27, 2013 on Formation & Responsibilities of Board of Directors of a Bank Company. Respective Committees operate following their given TOR set by the Board or Bangladesh Bank as the case may be.

Present composition of the Board is as below:

1. Mr. Muhammad A. (Rume) Ali, Chairman, nominated by Pacific Traders Limited
2. Mr. Feroz Ahmed, Director
3. Mr. Shajir Ahmed, Director, nominated by Mr. Salim Ahmed
4. Mr. Khairul Alam Choudhury, Director, nominated by Pacific Industries Limited
5. Mr. Kaiser A. Chowdhury, Independent Director
6. Mr. Md. Maqsubul Huq Khan, Director, nominated by Emkay Holdings Limited*

7. Mr. Tarique Afzal, President and Managing Director

*Bangladesh Bank by letter no: BRPD(R-2)651/9(1) DL/2020-4377 dated June 28, 2020 approved appointment of Mr. Md. Maqsubul Huq Khan and we enclose below his brief resume:

Maqsubul H. Khan is a Supply Chain and Compliance professional. Currently he is working as General Manager, Supply Chain & Commercial Division of Millennium Automotive Group which deals with importation and/or assembling of brand new Nissan, Jaguar, Land Rover, Hyundai and Ssangyong vehicles in Bangladesh. Prior to joining Millennium Automotive Group, he worked for Bureau Veritas, a renowned French multi-national conglomerate for a long time. He has a long professional career in Operations, Compliance and Legal Affairs. He also worked as Head of International Trade Division (ITD) of a multi-national organization which is the global leader in Quality Assurance, Health, Safety and Environmental Solutions. He has achieved International Diploma in Supply Chain Management from ITC-UNCTAD/WTO, Geneva. He also completed Certified Supply Chain Professional (CSCP) course from American Production and Inventory Control Society (APICS). Before that he obtained Masters in Business Administration (MBA) and Bachelor of Laws (LLB).

Mr. Md. Maqsubul Huq Khan has not been included in any Committee of the Board. Also he does not hold directorship in any other company.

After 37th Annual General Meeting, Mr. Ziaul Hasan Siddiqui, Independent Director, resigned from the Board on personal ground and Board approved the same on August 21, 2019.

Board Meeting/Committees Meeting and Attendance

Board Meeting

19 (nineteen) Board Meeting held during the year 2019. Below is the table of Directors' attendance in the meeting based on their tenure (appointment, retirement and resignation):

AB Bank Limited Directors' Report

Name of Directors	Designation	Number of Meeting	
		Held	Attended
Mr. Muhammad A. (Rume) Ali (From 07.03.2019 to 26.06.2019 and from 04.08.2019 to onward)	Chairman	14	14
Mr. Feroz Ahmed	Director	19	16
Mr. Shajir Ahmed	Director	19	13
Mr. Khairul Alam Choudhury	Director	19	17
Mr. Kaiser A. Chowdhury	Independent Director	19	19
Mr. Asish Baran Sarkar (Up to 26.06.2019)	Ex-Director	11	11
Mr. Syed Golam Kibria (Up to 27.02.2019)	Ex-Director	04	03
Mr. Shishir Ranjan Bose FCA (Up to 27.02.2019)	Ex-Independent Director	04	02
Mr. Moshtaque Ahmed Chowdhury (Up to 26.06.2019)	Ex-Director	11	10
Mr. Syed Afzal Hasan Uddin (Up to 29.07.2019)	Ex-Director	12	07
Mr. Ziaul Hasan Siddiqui (From 30.05.2019 to 21.08.2019)	Ex-Independent Director	04	02
Mr. Tarique Afzal	President and Managing Director	19	16

Audit Committee Meeting

Six Meeting of the Audit Committee were held during the year 2019. Below is the table of directors' attendance in the meeting based on their tenure (appointment, retirement, and resignation):

Name of Directors	Status	Number of Meeting	
		Held	Attended
Mr. Kaiser A. Chowdhury (From 20.04.2019)	Chairman	04	04
Mr. Shajir Ahmed (From 15.09.2019)	Member	01	01
Mr. Khairul Alam Choudhury	Member	06	06
Mr. Shishir Ranjan Bose, FCA (Up to 27.02.2019)	Ex-Chairman	02	02
Mr. Syed Golam Kibria (Up to 27.02.2019)	Ex-Member	02	02
Mr. Moshtaque Ahmed Chowdhury (From 20.04.2019 to 26.06.2019)	Ex-Member	02	02

Risk Management Committee Meeting

Three Meeting of the Risk Management Committee were held during the year 2019. Below is the table of directors' attendance in the meeting based on their tenure (appointment, retirement, and resignation):

Name of Directors	Status	Number of Meeting	
		Held	Attended
Mr. Kaiser A. Chowdhury	Chairman	03	03
Mr. Shajir Ahmed	Member	03	03
Mr. Syed Afzal Hasan Uddin (Up to 29.07.2019)	Ex-Member	01	01

Remuneration paid to Directors

During the year 2019 total remuneration paid to the Directors including Independent Director was Tk.12,73,200.00 (Taka twelve lakh seventy-three thousand two hundred). In 2018 it was Tk.19,84,800.00 (Taka nineteen lakh eighty-four thousand eight hundred).

Election of Directors

Bangladesh Bank on June 28, 2020 approved appointment of Mr. Md. Maqsdul Huq Khan, Director nominated by Emkay Holdings Limited who will retire in the ensuing 38th Annual General Meeting in compliance with regulation 86 of Schedule-I of the Company Act 1994. Mr. Khan is also eligible for reappointment if nominated by Emkay Holdings Limited.

According to the articles of the Articles of Association of the Bank and regulation 79 of Schedule-I of the Company

AB Bank Limited Directors' Report

Act 1994, at each Annual General Meeting, at least one third of the Directors other than the President & Managing Director to retire. Mr. Shajir Ahmed, Director nominated by Mr. Salim Ahmed will retire in the ensuing 38th Annual General Meeting and eligible for reappointment. Hexagon Chemical Complex Ltd, [BOID no:1204860014961430, holding 2.74% shares of the Bank] nominated Mr. Shajir Ahmed as their representative to be appointed as Director in the 38th Annual General Meeting of the Bank.

Resignation of Director

Shareholders in the 37th Annual General Meeting held on June 26, 2019 approved appointment of Mr. Ziaul Hasan Siddiqui, Independent Director. Subsequently on August 21, 2020 Mr. Siddique resigned from the Board on personal purpose.

Protection to Minority Shareholders

AB Bank operates in accordance with the Articles of Association of the Bank and all applicable laws and regulations of the land, to ensure the best interest of all shareholders including minor shareholders. Bank is committed to ensure sound governance practices based on integrity, openness, fairness, professionalism and accountability in building confidence among stakeholders. The Bank strongly believes in equitable treatment of every shareholder. Any complaint received at the AGM or through the year from any shareholder is resolved on a priority basis, even as we are committed to address grievances/queries within the timeframe.

Related Party Transaction Disclosure

A party is related to the company if:

- i. directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the company; has an interest in the company that gives it significant influence over the company; or has joint control over the company;
- ii. the party is an associate;
- iii. the party is a joint venture;
- iv. the party is a member of the key management personnel of the Company or its parent;

- v. the party is a close member of the family of any individual referred to in (i) or (iv);
 - vi. the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
 - vii. the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the company.
- a) Significant contracts where the Bank is a party and wherein Directors have interest:

Name of contract	Name of the party	Name of Director and related by	Relationship
Lease agreement with AB Bank Limited	Elite International Ltd.	Feroz Ahmed	Common Director

- b) Related party transactions:

Name of related party	Relationship	Nature of transaction	Amount in BDT
Elite International Ltd.	Common Director	Office Rent	2,484,000

- c. Loans/placement given to subsidiary of the Bank:

Sl.	Name of Party	Connection with party	Nature of transaction	Amount in BDT
01	AB Investment Limited	99.99% owned Subsidiary	Loans and advances	737,042,618
02	AB Securities Limited	99.91% owned Subsidiary	Loans and advances	174,502,576
03	AB International Finance Limited	Fully owned (100%) Subsidiary	Placement through OBU	849,000,000
Total loans/placement to subsidiary				1,760,545,194

Credit Rating

AB Bank Limited rated by ARGUS Credit Rating Services Limited (ACRSL) based on the financials of the Bank up to December 31, 2018 (audited), Q3FY19 (unaudited) and other relevant quantitative as well as qualitative

AB Bank Limited Directors' Report

information up to the date of rating declaration i.e. December 19, 2019. The summary of their ratings are given below:

Surveillance Rating	Long Term	Short Term
	A+	ST-2
Date of Reporting	December 19, 2019	
Validity of Reporting	December 19, 2020	

Long Term: Commercial Banks rated 'A+' have High Credit Quality and low expectation of credit risk. It indicates the obligor has strong capacity to meet its financial obligations but may be vulnerable to adverse economic conditions compared to obligors with higher credit ratings.

Short Term: Commercial Banks rated ST-2 category are considered to have High Certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

38th Annual General Meeting

Shareholders whose names appeared in the Register of Members of the Bank or the Depository System on the Record Date i.e. August 10, 2020, Monday, shall be eligible to attend the AGM and the Dividend.

The 38th Annual General Meeting will be held on September 2, 2020 (Wednesday) through Digital Platform at 04:00 pm.

A Member entitled to attend and vote at the Annual General Meeting, can appoint a proxy to attend and on a poll to vote on it/his/her behalf. Proxy Form duly stamped must be deposited at the Bank's Registered Office or through email at cs@abbl.com at least forty-eight hours before the time fixed for the meeting otherwise Proxy Form will not be treated as valid.

Country Outlook

The economy is likely to have contracted in the second half of FY 2020 (July 2019–June 2020) as strict domestic containment measures in March–

May curtailed business activity and suppressed private consumption. Furthermore, tepid external demand—particularly for garments and textiles—resulted in tumbling exports in the same period, with unemployment set to spike markedly. More recently, following the easing of the nationwide lockdown at the end of May, conditions appear to be upgrading. Exports for June were only marginally lower than in the year prior. However, flooding as a result of heavy rains in the north of the country is causing significant damage to infrastructure and displacing millions of people. However, government and Bangladesh Bank trying to overcome the overall situation by launching several stimuli packages for exporters and local businesses.

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 unwavering support and co-operations extended 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. The Board also takes this opportunity to recognize and appreciate the effort and dedication of the frontliners including bankers who are risking their lives for a greater cause during this pandemic.

AB will remain committed to its vision and also towards creation of Shareholders' value. The Bank will also continue its efforts in improving the lot of the teeming millions and accelerating its contribution towards economic and social development of the country.



Muhammad A. (Rume) Ali
Chairman