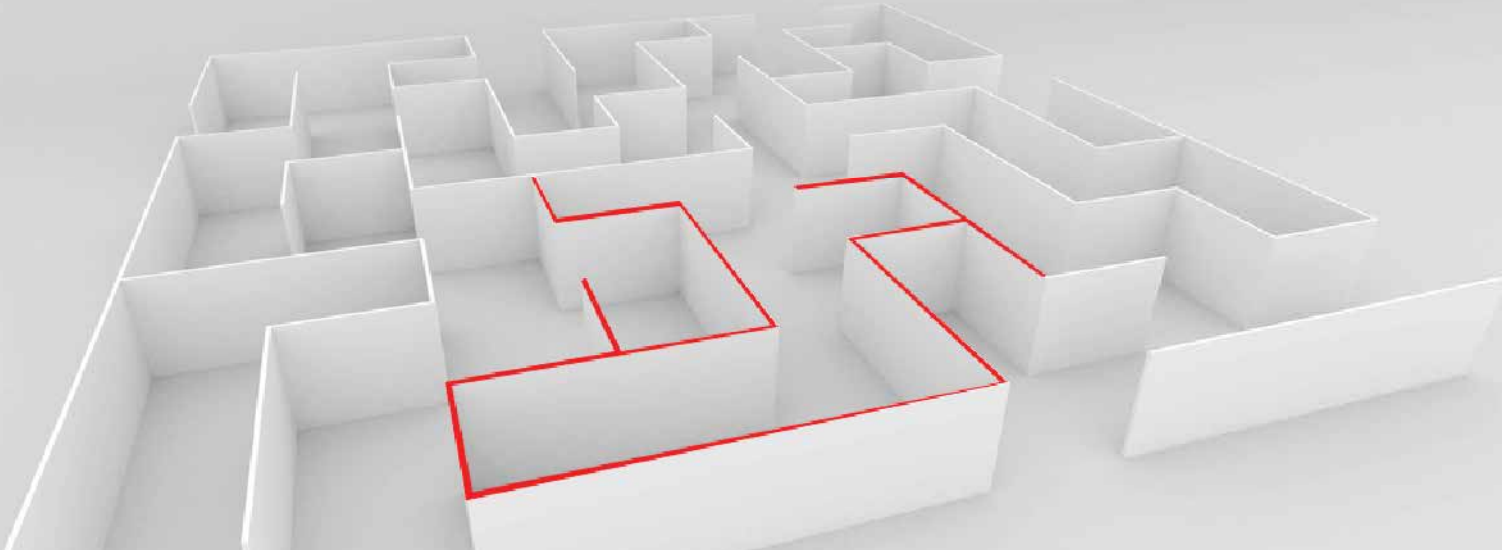


DIRECTORS' REPORT



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 Bank Limited, the first Private Sector Bank of the country, welcomes you all to the 39th Annual General Meeting (AGM) of the Bank and presents before you the Annual Report and the Audited Financial Statements for the year 2020.

Dear Shareholders,

The Board of Directors of AB Bank Limited is pleased to present before you the Directors' Report for the year ended December 31, 2020.

This Report summarizes the global and local macroeconomic trends, projections, outlook, and presents AB Bank's business highlights, retail product lines and key financial indicators of the year ended 2020.

Global Economy

During the first part of 2020, the global economy was hard-hit by the first wave of the COVID-19 pandemic. Just when the global economy was showing signs of recovery in the latter part of 2020, the second wave, propelled by new variants of the virus, swept across many parts of the world partially offsetting the positive effects of vaccine optimism.

According to IMF estimates, the global economy contracted by 3.3 percent in 2020. However, the global output is expected to recover with projected growth rates of 6 percent and 4.4 percent in 2021 and 2022 respectively.

Bangladesh Economy

Although the economy of Bangladesh has shown exceptional resilience during the pandemic, it has not been entirely immune to the adverse effects of the global contraction. In the face of the second wave, ADB recently revised down their original forecast of 6.8 percent growth rate of real GDP for the fiscal year (FY) 2020-21 to 5.6 percent. The growth of exports has dipped recently in November 2020 after a promising rise between the immediate past April and June. The adverse effect of the second wave on the business sector of Bangladesh is evident in the 16.7 percent decline in the import of capital goods and 29.2 percent decline in the import of capital machinery. Net FDI inflow also registered a negative growth of 22 percent during the July-December period of FY 2020-21.

Banking Sector

The banking sector of Bangladesh will undoubtedly play a key role in the recovery process, especially since a

major portion of the stimulus packages in Bangladesh is in the form of liquidity support through the commercial banks.

Bangladesh Bank has taken special measures to ensure adequate liquidity in the financial market. In April 2020, overnight REPO rates were lowered from 6 percent to 5.25 percent and the daily Cash Reserve Ratio (CRR) was lowered to 4.5 percent.

Excess liquidity in the banking sector has nearly doubled from BDT 103 thousand crore in January 2020 to BDT 205 thousand crore in December 2020. The excess liquidity is likely to stimulate investment on the one hand and result in lower yield on savings on the other, both on account of lowering of interest rates. In addition, banks may attempt to manage the excess liquidity through aggressive lending in risk-prone areas leading to higher volume of NPLs, creation of asset bubbles and higher inflation.

Inflation

The beginning of FY 2020-21 witnessed an inflation rate of 5.64 per cent which later peaked at 5.77 per cent in October 2020. It returned to the initial level of 5.64 percent by January 2021. This is consistent with Asian Development Bank's forecast of 5.8 percent inflation rate for the FY 2020-21. Although food inflation has been on the rise recently, non-food inflation is on the decrease with the exception of medical care and health expenses, which rose from 7.47 percent in July 2020 to 8.72 percent in January 2021.

Export and Import

Even though the economic growth of Bangladesh has been exceptional of late, it has lagged behind economies like Cambodia and Vietnam mainly because of the country's excessive reliance on Ready-made Garments (RMG) sector to stimulate export growth; evidence of this argument is found in the recent stagnation and subsequent slump in export growth. During the July-January period of FY 2020-21, total export earnings decreased by 1.1 percent. In this regard, although export of knitwear posted a positive growth of 3.8 percent, performance of woven-wear and that of leather/leather goods declined by 10.9 percent and 10.6 percent respectively.

Imports payments during the first six months of FY 2021 fell by 6.8 percent faster than that of the export earnings causing the trade deficit to narrow. In particular, import of intermediate goods declined by 8.8 percent, import of capital goods declined by 16.7 percent and import of capital machinery declined by 29.2 percent. However, import payments against food grain imports rose by 50.4 percent against a back-drop of plunging food stocks.

Remittance

Saudi Arabia, USA and UAE were the top three sources of remittance inflow during July-December 2020. Compared to July-December 2019, the workers remittance inflow

increased by 37.6 percent during July-December 2020. Due to the exceptional remittance inflow, Current Account balance was at a surplus of USD 4.3 billion as of December 2020. The robust remittance inflow has also led to an increase in the net foreign assets of commercial banks and overall rise of foreign exchange reserves.

Bangladesh's growth of remittance inflow has been significantly greater than India, Philippines, Sri Lanka and marginally greater than that of Pakistan.

BUSINESS OVERVIEW 2020

Corporate Banking

Traditionally, it is the Corporate Clientele that still constitute the main-frame of AB Bank's Loan Portfolio. The Bank, since its inception, has been providing a broad spectrum of products and services and offering Corporate Banking Solutions to the Country's ever-growing Corporate Sector.

With expertise, innovation and customization, the Bank simplifies the complexities of the financial world for the clients and helps them attain their desired objectives. The prime focus is on building and maintaining long-term mutually beneficial relationship with the clients, and become a proud partner in the respective Business areas 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's innovative and insightful support has transformed a good number of Corporate Customers who, with the passage of time, have developed 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 package 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.

2020 has been a very challenging year for the country on account of the pandemic – COVID 19. As with all other business segments, Corporate Customers were also subjected to promote and hardships of the Bank. However, it was the timely steps by Government and Bangladesh Bank manifested incentive package that helped the customers and our continuing to help the Customers the difficult time in the form of sanction of various stimulus and other incentive taken by the Government and Bangladesh Bank that helped customers to sustain the difficulties of the pandemic.

Business Highlight in 2020

Exposure in the Corporate Banking Segment accounted for BDT 23,712 Crore or 86.28% of the Banks total loan portfolio as at December 31, 2020. Exposure is largely concentrated in the following 03 (three) Sectors: a) Textile and RMG-18%, b) Steel Manufacturing Industry-12%, c) Medical Education and Health Service-5%. This amply demonstrates the Bank's involvement in such sectors which are key to our economy. The Bank continues to have long standing relationships with Country's prime names in the Corporate Sector.

Retail Banking

AB Retail Banking Department completely reinvented itself in the year 2020. With launch of market leading products along with intense focus on performance of all sales channels, AB Retail has rewritten every sales record of AB in 2020. Maintaining the pace off continuous campaigns and innovations in products, AB Retail is moving steadfastly to establish itself as one of the top retail focused banks of Bangladesh. Even during a global pandemic, AB Retail has launched new products to specifically suit the customer needs, implemented a state of the art Contact Center to allow customers to connect with the bank without leaving home and took the products to the customers' door step through a dedicated sales team which resulted in overall positive growth. With endeavors in new business areas like "Acquiring", AB Retail is committed to progress at rapid pace through speed, innovation and diversification.

Products Launched in 2020:

'AB নিশ্চিন্ত': AB Nishchinto is a unique product in the banking industry under which the customers enjoys life insurance coverage up to BDT 80 lac from MetLife without paying any premium. The Bank bears the premium cost on behalf of customers. AB Nishchinto customers receive insurance coverage from MetLife.

'AB জন্মভূমি': A Cash Incentive of 1% is offered by AB Bank to ensure an additional income for Non-resident Bangladeshis (NRBs) in addition to Government provided 2% Cash Incentive on inward remittances (2% Bangladesh Govt. +1% AB Bank = Total 3% Cash Incentive). NRBs receive this additional income by remitting their hard earned money from any part of the world directly to his/her own or his/her Nominees Account with AB Bank.

The following Accounts have been particularly developed for expatriate Bangladeshis to suit their convenience:

- AB Jonmobhumi Savings Account
- AB Jonmobhumi MSDS Account (Monthly Savings Deposit Scheme)
- AB Jonmobhumi FD Account (Fixed Deposit Account)

"AB HEIGHT": It is a transactional deposit account with associated credit card facility and further attractive features aligning with the needs of middle and upper middle class population segment. Minimum amount required to open an Account is BDT 100,000 which can only be withdrawn at the time of Account closure.

AB stands for AB Bank Limited

H stands for Honor

E stands for Education

I stands for Insurance

G stands for Goods

H stands for Health

T stands for Travel & Trust

Retail Deposit Portfolio of the Bank as of 31st December 2020 (excluding Islamic Banking):

SL	Product / Portfolio	BDT in Crore
1.	Total Retail FD + Scheme	10,922.00
2.	Total Savings Deposits	3,478.02
	Savings	2,650.64
	AB Height	254.89
	MaxSaver	309.70
	Shampurna	262.79
3.	Other Retail Current Account	131.20
4.	Retail Deposit source by Agent Banking	83.65
	Total Retail Deposits	14,614.87

On the Assets side, exposure in Retail Banking was BDT 525.12 crore at year ending 2020, which was 1.91% of total Loan Portfolios.

AB Agent Banking

Background

Agent Banking is defined as the banking services provided (outside of regular bank branches) by engaging Agents under a valid agreement between the Bank and the selected Agent. The Agent is the owner of an outlet who conducts banking transactions on behalf of a Bank. It was introduced by Bangladesh Bank (BB) in 2013. The aim is to provide financial services to the vastly unbanked segment of the population, especially those from the geographically dispersed locations. This concept of alternative

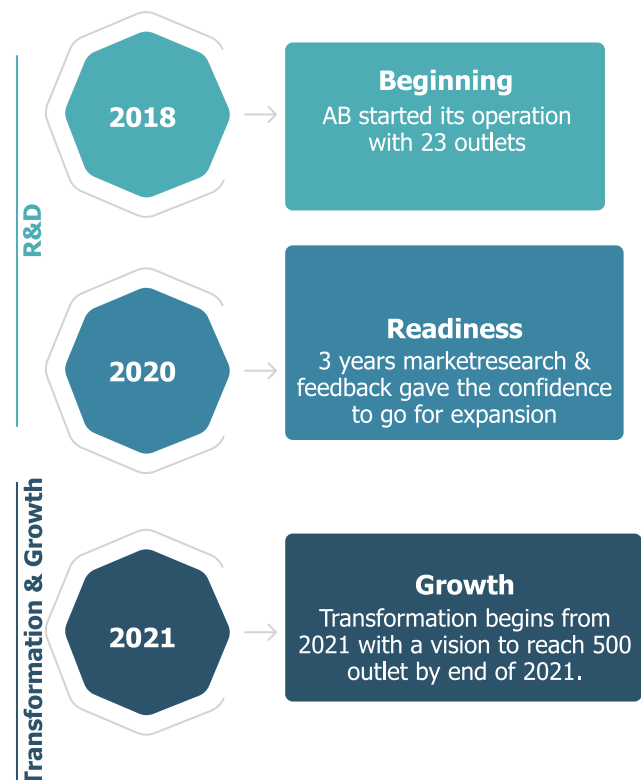
method to provide banking services is increasingly becoming an important distribution channel to reach the unbanked population of the society in addition to the existing customer base. Over the years, Agent Banking has gained popularity and proved to be very effective for developing countries.



Our Beginning

AB Agent Banking started its operation from 17th January 2018. Since its inception, the goal has been to bring the unbanked population within the fold of financial inclusion and create opportunities for entrepreneurship. The customers of Agent Banking Outlets are able to avail all basic banking services at all the Agent Outlets as well as at all the AB Bank Branches across the country. AB Bank is committed to promote Agent Banking so that the true spirit of Digital Bangladesh can be well supported by bringing the unbanked population of the nation under this unique banking platform.

Our Journey



Current Services

A/C Opening	Cash Deposit	Cash Withdrawal	Mini Bank Statement	Fund Transfer	IFR Disbursement
Debit Card & Cheque	Internet Banking	Payroll Management	RTGS	Loan	Utility Bill

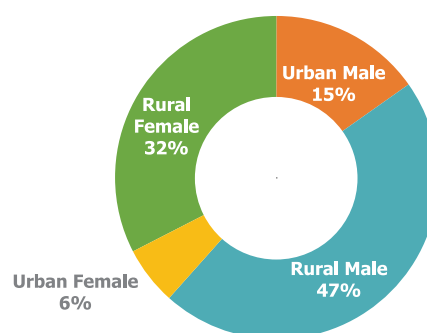
Transformation

Year 2021 has been declared as the year of transformation for AB Agent Banking. After successful completion of 3 years, AB Agent Banking is now set to expand its operation across all the Districts of the country in full swing. Total Agent Outlets have already increased to 110 which is a 48% growth in 4 months ending April 30, 2021; Total Deposit crossed BDT 100 crore for the first time and reached BDT 142 crore which is 60% increase during the same period. Current demography of the Agent Outlets covers 55% of the Districts across the country with a vision to cover more than 90% of the Districts by end 2021.

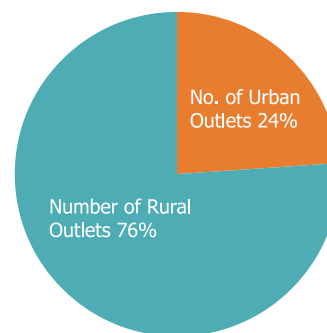
Current Business

Components	Mar, 20	Jun, 20	Sep, 20	Dec, 20	Mar, 21
Number of Accounts	18,241	18,964	21,091	23,749	26,131
Deposit Value (In Crore)	60.49	66.29	80.60	87.95	142.71

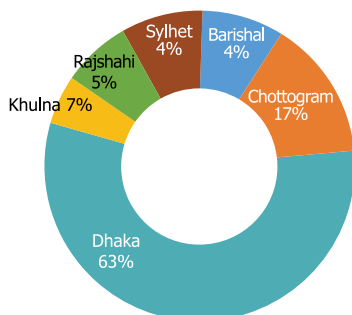
Percentage of Account



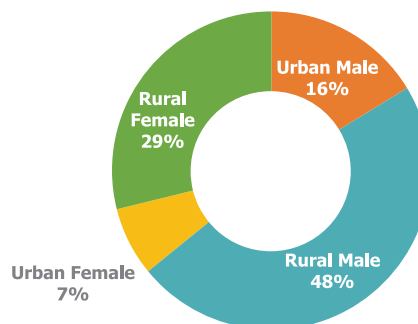
Urban and Rural Segregation of Outlets



Deposit by Division



Percentage of Deposit



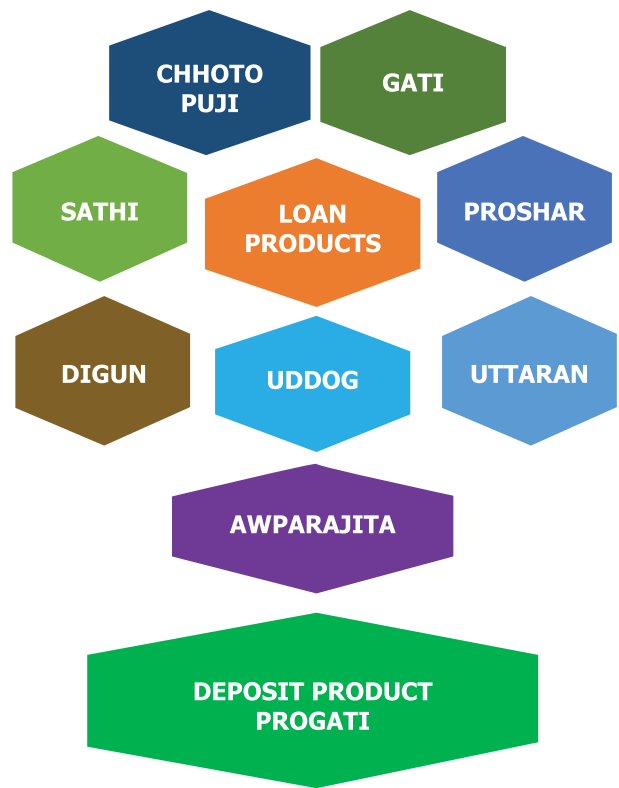
SME Banking

SME's played a vital role in helping our country graduates from being among the Least Developed Countries into being bracketed as a Developing Country. SME financing uplifts our economy in a sustainable form through diversified portfolio, financial inclusion and employment generation. AB has strengthened its SME Banking operation to effectively accommodate the financial needs of clientele in this thrust sector.

ABBL, SME Division performs the pivotal role for all SME related issues, programs, projects and is also responsible for providing best financial solutions to SME Customers of the Bank. AB is very much committed to SME Banking complying with the appropriate policy guidelines and offering customized products to its Customers thereby contributing to the growth of SME Business in the country.

Since its inception, AB Bank has been encouraging Small endeavors through providing necessary financial support. AB set examples in the field of entrepreneur creation. AB can feel rightly proud with the fact that a number of entrepreneurs who started its journey with AB's support in a small way have, over the years of nourishment, flourished into reputed large business entities.

As at year end 2020, the Banks exposure in SME Banking stand at BDT 2,916.44 crore, which was 10.61% of the Bank's total Loan Portfolios, Signifying the importance that Bank attach to this business segment.



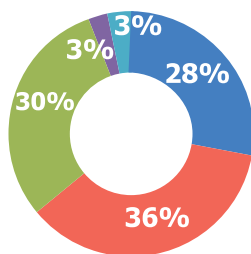
SME Products and Facilities

- OVERDRAFT
- TERM LOAN
- TERM LOAN
- LETTER OF CREDIT

- LETTER OF GUARANTEE
- TRUST RECEIPT
- INLAND BILL PURCHASES
- LOAN AGAINST ACCEPTED BILL

SME Portfolio Mix

SME Portfolio Segmentation



- Overdraft
- Term Loan
- Time Loan
- TR
- Others

SME Portfolio



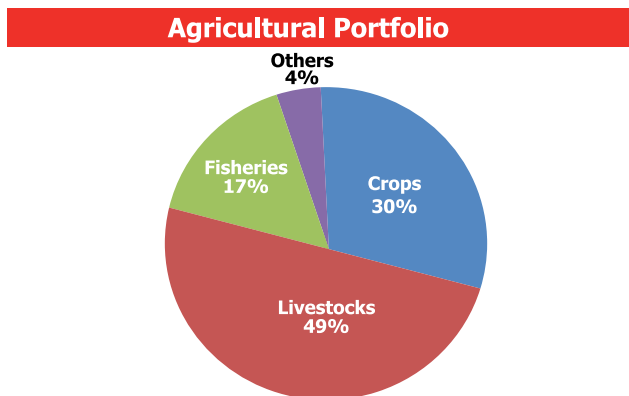
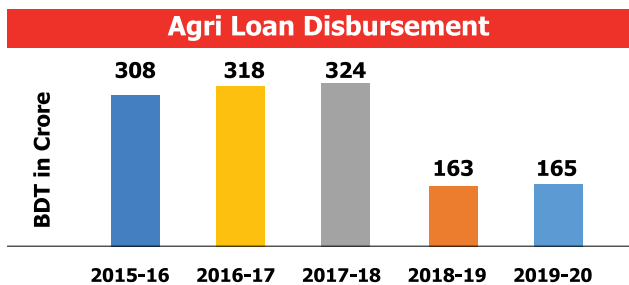
- Service
- Trading
- Manufacturing



Agricultural & Rural Credit

AB places strong emphasis on financing of the Agricultural Sector, particularly in the area of Crop Cultivation, through its own countrywide branch network as well as through renowned NGO/MFI linkages having strong network at grassroot levels.

Advances Agricultural & Rural Credit as at end 2020, amounted to BDT 329.41 crore, which was 1.20% of the Banks total Loan Portfolio.



AB Bank Alternate Delivery Channel

AB Bank Limited is a strong brand in the banking arena with a country wide network of ATMs located in 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 takes pride in introducing International Debit Cards (under the VISA network) - a first of its kind in Bangladesh. Such cardholders are facilitated to tag their Savings Account balance for meeting expenses abroad (endorsement rules apply). This brings into convenience of using one's own Account Balance during foreign travel without resorting to applying for separate Credit Cards. The product has since become immensely popular, and few other banks of Bangladesh have followed suit.

Debit Cards

A Debit Card which can be used at all AB Bank ATMs without any fee. However, subject to a nominal fee, Debit Card is also accepted at all ATMs under National Payment Switch of Bangladesh (NPSB) network across the country. AB Bank Debit Cardholders can also use their Cards at all Visa labeled POS terminals around the country for purchasing goods and services. Moreover, the Customers can also use this card to withdraw up to BDT 300,000 from Branches using Branch POS terminals.



Automated Teller Machines (ATMs)

AB Bank has the fourth largest ATM network with 254 ATMs placed across the country. Usage of AB Bank ATMs are seen to be on the rise for availing cash withdrawal and other banking services. Notably, the Bank's ATM Booths are largely frequented to avail such facilities as Collection of DESCO Bills, Online and Mobile Top-up(AB Bank Visa Debit Cards are used for the purpose).



Services available at the ATM Booths are:

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

AB Bank has also joined the National Payment Switch of Bangladesh (NPSB) which is operated by Bangladesh Bank. Through this arrangement, any Member Banks' Cardholder can withdraw cash from AB Bank's ATMs similarly, AB Bank's Cardholders can also withdraw cash from other NPSB Member Banks' ATMs. Nearly 3.87 million transactions were made through AB Bank ATMs in 2020. Interestingly, other Banks' Cardholders use AB Bank's ATMs more due to maximum availability and consistent uptime.

AB Bank is also ready with MFS integration via NPSB and will be able to serve its Customers as soon as this facility is launched by the Bangladesh Bank.

Credit Cards

AB Bank, in partnership with MasterCard, launched the World MasterCard Line of Credit Cards in 2014. The World MasterCard 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 facilitates Banking on the Mobile 24 hours a day. All that SMS Banking Customer needs to do is to send a Text message to AB Bank Short Code (16207) to avail their desired service.

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 offers and introduced Mobile App 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 the 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

In execution of the 2nd phase of AB Direct initiative, AB Bank 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, Payment, Utility Bills etc.

This version has a strong multi-layer authentication workflow for payments along 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 offering technology-based Retail Banking products. This service

was introduced primarily to facilitate AB Bank Visa Debit Cardholders enabling higher cash withdrawals through POS terminals in any AB Bank Branch.

Utility Payments

AB Bank is also managed to collect Utility bills of the undernoted customers via its Branches and SMS Banking and Internet Banking Channel:

- Dhaka Water Supply and Sewerage Authority (DHAKA WASA)
- Dhaka Electric Supply Company Limited (DESCO)
- Dhaka Power Distribution Company Limited (DPDC)
- Bangladesh Telecommunications Company Limited (BTCL)
- Titas Gas Transmission and Distribution Company Limited (TITAS GAS)
- Chattogram Water Supply and Sewerage Authority (CTG WASA)

AB Bank customers are also able to pay these Utility Bills through Internet Banking and SMS Banking avenues.

Call Center

The Call Center, accessed through the short code 16207, was set up by IT & eBiz Division and is currently serving a significant number of ABBL customers by way of responding to all 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, Branch locations etc. Any customer or a potential customer can access AB Bank's social media site using the URL <https://www.facebook.com/abbanklimited/>

Information Technology (IT)

AB Bank IT Division is relentlessly working to expand the horizon of AB through rolling out initiatives, up-gradations, system consolidations among others and providing a platform for facilitating best possible customer service along with enablement for execution of strategic business needs. All the ADC-related services, entire AB network infrastructure, cyber-security, core and ancillary systems are powered by IT.

The rapidly evolving banking needs have also led AB Bank to give increased focus on information technology dependent products and solutions by adapting to state of the art technology platform. This is ever so important with the COVID-19 backdrop where physical movement and interactions are greatly reduced and customers appreciate services that can be provided at the comfort of their safety zone.

Major IT activities in 2020 were:

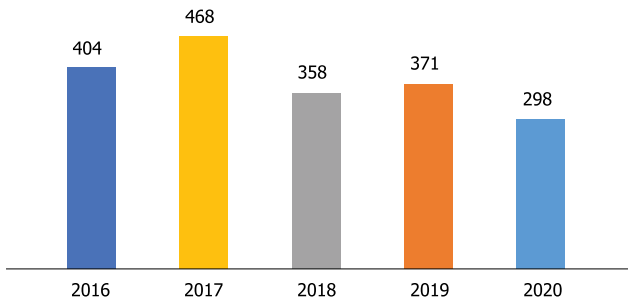
- Continuation of core banking transformation project
- Rollout of FB Teller solution gradually replacing the outdated teller software EBA
- Complete customization in FB Teller for better branch operations
- Support Mumbai CBS upgradation project
- Develop a dispute management and tracking system to improve eBiz customer service
- Implement two levels of Next Generation Firewalls (from two different top-tier OEMs) to ensure increased security
- Set up network infrastructure of new HO at SkyMark, Gulshan
- Implementation of SIEM (Security Information and Event Management)
- Complete development of AB Trade Portal (planned to go live in 2021)
- Successful launching of RemitBook – facilitating faster inward foreign remittance and integration with Exchange Houses as well as Buro Bangladesh

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 providing one-stop services to NRB's and Foreign Investors interested to invest in Capital Market in Bangladesh. IBD also plays a monitoring and supervisory role to oversee the performance of AB Investment Limited and AB Securities Limited. AB's last five years portfolio investments (Quoted shares) are shown below:



Portfolio investment in IBD (BDT in crore)



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 2020, the “AB Bank 1st Mutual Fund” has reported Net Asset Value (NAV) of BDT 10.96 per unit on the basis of current market price and BDT11.76 per unit on the basis of cost price against face value of BDT 10.00. The total Net Assets of the Fund stood at BDT 2,621 million on the basis of market price and BDT 2,812 million on the basis of cost price after considering all assets and liabilities of the Fund.

AML & CFT Compliance Division (ACCD)

One of the most important area requiring constant surveillance of financial institutions today is the area concerning Anti-Money Laundering and Combating Financing of Terrorism. The importance of combating Money Laundering and Terrorism Finance is increasing day by day. The regulators worldwide are also taking new initiatives and implementing new laws, regulations, guidelines, etc. to counter and prevent Money Laundering and terrorism financing 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, organized crime and domestic 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 Non-resident Bangladeshis (NRB) working abroad, etc. make it a prime target for criminals to commit ML & TF related crimes. Therefore, we need to be vigilant to encounter the efforts of these criminals.

AB understands that the fight against money laundering and terrorist financing is an individual as well as a collective task. AML & CFT knowledge is essential for every officer of the Bank for maintenance of safety and ethical standards.

On June 16, 2020; BFIU issued Circular No. 26 which brings clarity and clear guidance to implement AML/CFT Program in the most effective way to strengthen a Bank’s capacity to mitigate money laundering and terrorist financing risks.

AB Bank has in place the following documented Manuals and Systems/procedures to combat money laundering and terrorist financing:

- Anti money Laundering (AML) & Combating Financing of Terrorism (CFT) Policies
- Guidelines for Prevention of Trade Based Money Laundering (TBML)
- Well defined Internal Control System
- Functional Central Compliance (CC) Committee
- Staff Screening at the time of recruiting
- Arrangement of Trainings Programs for all Employees
- Customer Acceptance Policy (CAP)
- Risk Management Guidelines (RMG)
- Embargo Program & Screening Mechanism
- Prohibition of Business Relationship with Shell Banks/ Companies
- Combating Terrorist Financing (TF) & Proliferation of Financing Weapons of Mass Destruction (WMD)
- Annual Review of Correspondent Relationship
- Appropriate supervision on Agent Banking activities
- Filing of Suspicious Transactions Report/Suspicious Activity Report
- Anti-corruption & Bribery (ABC) policy
- Well defined responsibilities of Employees

Off-shore Banking Unit (OBU)

AB Bank introduced OBU operation located in EPZ Branch, CEPZ, Chattogram. Since inception OBU extended Banking facilities to a substantial number of foreign owned companies as well as Corporate resident Customers with due permission from the regulatory body. On May 31, 2016 OBU was declared as a separate branch. Subsequently, an Offshore Banking Division was created for the purpose of supervising Off-shore 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 Deposits and Advances of OBU as of 31 December 2020 was USD 156,386 and USD 72,041,892 respectively.

Department of Internal Control & Compliance (DICC)

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

- Audit & Inspection Division
- Compliance Division and
- Monitoring Division

Audit & Inspection Division conducts Risk-Based Audit and Annual Comprehensive Audit of the Branches and Departments/Divisions/Units of Head Office including Concurrent Audit on FIT Division. Special Audit of some specific issues (e.g. year-end Branches' Cash Position, Security Stock Verification etc.), Audit of Card Division and AML & CFT issues are also conducted by the Division. It also carries out investigative functions as and when warranted. The Division also summarizes the major audit findings of the Internal Audit & Inspection Teams during the course of audit and inspection and presents these before the Board Audit Committee periodically for their perusal. It also prepares the Annual Integrated Health Report of the Bank and submits the same to Bangladesh Bank after taking the approval from the Board of Directors.

Compliance Division ensures compliance of Internal, External and Bangladesh Bank (BB) Inspection Reports on Head Office, Branches and Core Risks Areas. It arranges special Board Meetings for review and discussion of the BB Comprehensive Inspection Report and maintains constant liaison with the Central Bank on compliance issues.

Monitoring Division screens operational activities of the Branches through Internal Control tools e.g. DCFCL, LDCL and QOR and summarizes the findings and reports

for submission to the Board Audit Committee. It also summarizes the decisions of Board Audit Committee (BAC) Meetings quarterly and submits the same to the Board of Directors along with the status of compliance. Monitoring Division also conducts surprise visits of Branches as and when required.

In the year 2020, DICC conducted the following audit and inspections activities:

Risk-Based Audit of Branches: 96 Branches

Annual Comprehensive Audit of Branches: 96 Branches

Annual Comprehensive Audit of Div./Dept.: 14 Div./Dept

Special Inspection of AML & CFT activities: 06 Branches & 05 Agents of ABBL

Special Investigation: 09 Numbers

Special Audit: 01 Division

Surprise Visit: 15 Branches

Operations Department

General Banking Operations

General Banking Operations (GBO) is responsible to set certain standards in delivery of products and services within a regulated framework. It continuously monitors Branch activities to mitigate risks and ensures regulatory compliance and also provides necessary support all Branches as and when required.

In 2020, the Department undertook quite a few initiatives to ensure a) superior service standards, b) effective operational controls, c) improved process flows besides taking steps for combating COVID-19 related health hazards. Some of the key initiatives are listed below:

- To improve the service quality GBO implemented the AB 360° Customer Service Program (one stop service) through which customers are designed to receive all General Banking services from a 'single desk'. The novel initiative has been introduced at 11 Branches and will be gradually rolled out at all large and mid-size Branches of the Bank by 2021.
- Arranged trainings sessions on major operational processes e.g. Account Opening & Customer Service Excellence, Effective Cash Management etc; training programs were also designed for the newly formed Customer Sales & Service Officers (CSSO) and Service Settlement Officers (SSO).
- Preventive measures have been ensured at all branches as precaution against risks of fraud related to banking operations.
- Awareness build up activities continued during the year as an on-going exercise to prevent occurrence of any operational lapses.



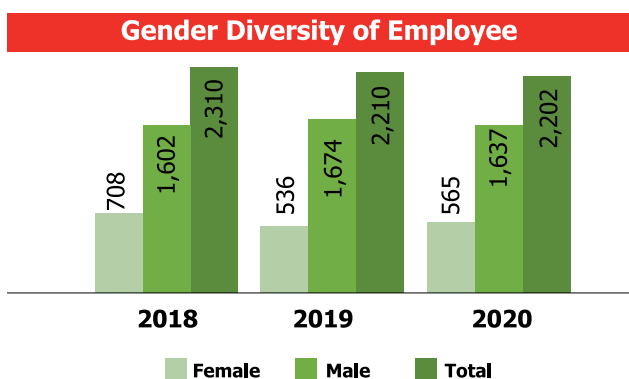
Covid-19 pandemic initiatives:

- A Central Rapid Response Team was formed at Head Office and also at each Region to respond to any emergency health related issue of any employee.
- Commenced delivering limited banking services from March 29, 2020. In line with Bangladesh Bank regulations, a limited number of branches were kept open and a list of such branches was circulated and updated on daily basis on ABBL website and Facebook page for Customers' convenience. SMS Notifications in this regard were sent to Customers. SMS were also sent to Customers advising them to make use of ATMs, Cards and Internet Banking as alternative channels to avail banking services during lockdown period.
- Arranged Cash Pick up service from our Customers' residence/office within Dhaka City.

Department of Human Resource Management & Development

AB HR ensures that the Bank's employees are equipped with the necessary competencies and commitment to serve our Customers and that, to its support, the appropriate culture and climate are in place. HR formulates strategies to develop core competencies of our employees, valuing their perceptions and enabling them to engage and contribute positively to our Bank's success.

AB Bank has created a diverse workforce which provides a secure and equal opportunity work environment for all its employees.



Human Resources Strategies

- Foster High Performance Work culture by effective Performance Management System & Job allocation delegation, constant focus on serving Customers in each and every horizon.

- Implement HR Systems and Practices.
- Create awareness of our competitive advantage, working with teams from different backgrounds as an integrated AB Family.
- Increase performance along with training and development.
- Employee Motivation through Reward and Recognition (Promotion, Increment, Incentives, etc.) on the basis of Performance, Employee Engagement Events, skill and competency development.
- Develop a work environment in which employees will choose to be motivated / contributing,
- Manpower planning through right-sizing and Assessment Strategy aligned with mission, goals, and organizational objectives and strategic plans and budgets.
- Identifying high-value talent as well as succession planning as a key element of business continuity strategy.

Financial Institutions & Treasury

The strategic function of any Treasury Division is effective management of such risks as Liquidity Risk, Interest Rate Risk and Foreign Exchange Risk. Being an integrated Treasury unit, AB Bank Treasury is engaged in managing these risks within the laid down different 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 (PD) desk. Core responsibility of Treasury operations is the maintenance of statutory requirements i.e. CRR, SLR and Liquidity Ratios. 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 Bank's risk appetite. As a Primary Dealer, AB Bank performs its responsibility as an underwriter to 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 the last couple of years with respect to contribution to Bank's bottom line.

Highlights of 2020

- Interest Income on Money Market Products stood at BDT 279.80 million in 2020 compared to BDT 457.20 million in 2019.

- Investment Income increased to BDT 5,969.50 million in 2020 from BDT 2,484.80 million in 2019.
- Income from Foreign Exchange decreased to BDT 270.00 million in 2020 compared to BDT 415.60 million in 2019.

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 centres around 334 Correspondents which covers most of the important Banks and Financial Institutions in the world. This strong platform helps expand the Bank's international trade business and provide better customer service to its Customers.

International Trade

During 2020, Import and Export business of AB Bank has experienced negative growth compared to previous year mainly due to COVID-19 related disruptions.

Import Business has decreased by 31.07% to BDT 3,265 crore in 2020 from BDT 4,737 crore in 2019. Items of Import were mainly industrial raw materials, food items, chemicals, medicines, textiles, capital machinery etc.

Export Business has also experienced a negative growth 15.08% in the year 2020 compared to the previous year. Total Export was BDT 4,680 crore in 2020 as against BDT 5,511 crore in 2019. Items of Export were mainly frozen fish, readymade garments, knitwear and other indigenous products.

FI Marketing

FI Marketing Team facilitates trade business activities originating with different Banks in Bangladesh. FI Marketing Team procures foreign trade related business i.e. Reimbursement Authorities/Payment Instructions, Advising of Documentary Credits and Adding Confirmation to L/Cs of different Banks in Bangladesh on behalf of ABIFL, Hong Kong and AB Mumbai Branch. During the year 2020, our FI Marketing Team collected a good number of Reimbursement Authorities/Payment Instructions and provided support towards to our Mumbai Branch, India and ABIFL, Hongkong enable them to Advise a significant number of L/Cs from different Commercial Banks in Bangladesh.

Remittance Initiatives

AB has introduced a state-of-the-art API enabled remittance software to Augment the Bank's remittance operation. AB has strengthened its existing remittance

relationship with various exchange houses. AB is maintaining its focus on preserving its high standard of 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 Bank continues to remain as a major source of its foreign currency. Bank is also trying to broaden its base through solicitation of indigenous export clients. Total remittance at the end of the year 2020 was USD 215 million compared to USD 270 million in 2019.

Overseas Operations

Mumbai Branch

Since its inception AB Bank Mumbai Branch, has remained engaged in handling of Letters of Credit and documents of export from India to Bangladesh in addition to Retail Banking activities. The Branch also provides Advising, Confirmation, Negotiation and Bill Discounting facilities to its Customers.

At present, our Mumbai Branch is maintaining VOSTRO accounts of 44 Bangladeshi Banks. Mumbai Branch's Operating Profit for the year-end of 2020 was INR 21.33 Million.

Highlights of Mumbai Branch Business

INR in Million

Particulars	2020	2019	2018
Total Assets	2,914.70	2,576.59	2,548.48
Total Loans and Advances	468.00	566.93	750.24
Total Deposits	1,827.52	1,451.26	1,437.48
CRAR – Overall	36.65%	36.51%	33.05%
CRAR – Tier 1	36.25%	36.30%	32.76%
CRAR – Tier 2	0.40%	0.21%	0.28%
Fee based income to Total income	82.24%	82.73%	82.99%
Return on Total Assets	1.50%	3.60%	3.86%

Operating results of Mumbai Branch

INR in Million

Particulars	2020	2019	2018
Operating Profit	21.33	159.28	178.3
Profit after Tax (PAT)	41.14*	92.15	87.65
Return on Assets (%)	1.50	3.60	3.86
Return on Equity (%)	4.15	9.59	9.30

*Reversal of excess tax provision of INR 19.41 million.



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 segment with clearly defined tools for risk management in line with exposure, purpose, type, industry etc. A uniform Credit processing matrix is in place which has been disseminated to the Branch level. 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 safeguards the total asset book of the Bank. This department is focused in complying with all post-approval credit processes relating to Corporate SME and Retail loans which includes documentation, monitoring transactions and reporting. In carrying out its responsibilities it keeps continuous liaison with Business, Risk Management and senior Branch Managers and of course with the Senior Management and the Board.

The Division helps the bank to manage the level of credit risk exposure by segregating its functions under three broad heads - Credit Administration, Monitoring and handling of classified loans. 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.

Department of Accounts & Finance (A&F)

Department of Accounts & Finance works towards achieving high standards befitting 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 that Corporate Social Responsibility (CSR) is the first and foremost means to contribute to the society for improving the quality of lives of people, particularly for that who are underprivileged and less fortunate in terms of basic needs such as food, health, education etc. 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. 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 responded to the crying needs of the society and to stood beside the affected ones in times of national crisis.

In 2020, the Bank contributed BDT 17.01 crore as a part of its Corporate Social Responsibility.

Risk Management Division (RMD)

Risk Management acts as one of the main operational activities in every sphere of operations for any bank. It is the fundamental to any bank that it should ensure its profitability and soundness. It also serves as an essential auxiliary tool to board strategic plans towards achieving bank's overall objectives. AB Bank recognizes the need for risk management to facilitate strategic and operational planning. In accordance with the spirit of Bangladesh Bank guidelines, Risk Management Division (RMD) is equipped with adequate resources and infrastructure. The principal objective of this Department 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 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 of 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 Trigger (MAT), Comprehensive Risk Rating (CRR) with a view to enhancing the level of understanding on risk management, its importance and its application.

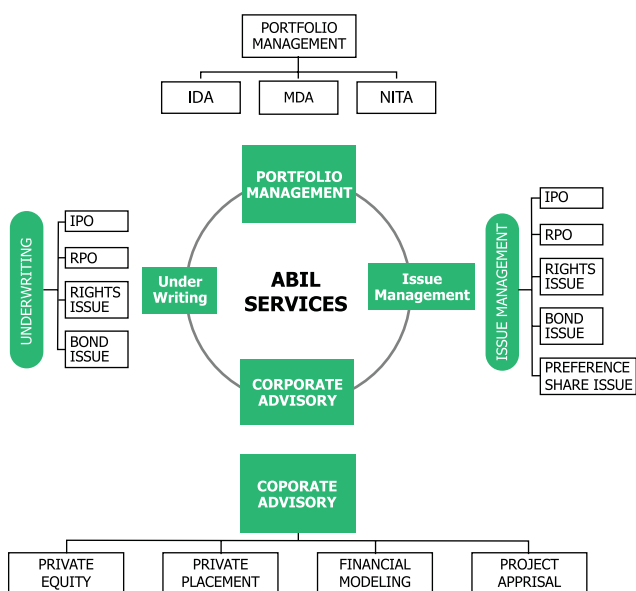
AB Subsidiaries

AB International Finance Limited (ABIFL), Hong Kong, a wholly owned subsidiary of AB Bank Limited started its operation in 1995. ABIFL is primarily engaged in Advising, Adding Confirmation to Documentary Credits, Negotiating and Discounting of Bills under Letters of Credit etc. ABIFL's performance in 2020 is presented below:

Particulars	2020	2019	2018
Profit after Tax (PAT)-HKD Million	6.84	10.18	9.57
Return on Assets (%)	6.38	9.82	10.22
Return on Equity (%)	38.81	53.56	53.72
Earnings per Share-HKD	68.45	101.76	95.69

AB Investment Limited

AB Investment Limited (ABIL), a wholly owned subsidiary company of AB Bank Limited, was incorporated on 24th December 2009 and it started its operation on 10th March, 2010. ABIL provides the following services:



The number of clients of AB Investment Limited is 2,326 and it comprises of Local Individual & Institutional clients along with NRBs and Foreign Individuals. ABIL has 7(seven) panel brokers to conduct trading on behalf its clients and also to manage its own portfolio. Total portfolio of ABIL was more than Tk. 6.35 billion in 2020 which is 0.14% of total market capitalization. Currently, ABIL operates from its Head Office in Dhaka and two branch offices in Chittagong & Sylhet.

Performance of ABIL

Particulars	2020	2019	2018
Number of Clients (in number)	2,326	2,349	2,388
Margin Loan provided to Clients (BDT in million)	6,957	6,752	6,781
Operating Income (BDT in million)	175	57	308
Operating Profit (BDT in million)	100	9	264
Net Profit (BDT in million)	(4)	(58)	17
Earnings Per Share (BDT)	(0.006)	(0.089)	0.027

*Restated EPS

AB Securities Limited (ABSL)

AB Securities Limited (ABSL), a wholly owned subsidiary company of AB Bank Limited, was incorporated on 24th December 2009 and started its operation on 2nd August, 2010. ABSL is a corporate TREC Holder of both Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited (CSE).

The number of clients of ABSL is 3,117 and it comprises of Local Individual & Institutional clients 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 2020, total turnover of ABSL was approximately BDT 46.29 billion.

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	2020	2019	2018
Number of Clients	3,117	2,942	3,385
Margin Loan provided to Clients (BDT in mn)	919	931	882
Operating Income (BDT in mn)	130	28	125
Operating Profit (BDT in mn)	70	(20)	80
Earnings Per Share-EPS (BDT)	0.16	0.01	0.15
Total Turnover-Trade (BDT in bn)	46	18	20

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 clients.

Performance of Cashlink

BDT in lac

Particulars	2020	2019	2018
Total Operating Income	40.31	135.55	36.89
Total Operating Expense	4.19	4.53	5.08
Profit After Tax	24.38	127.37	31.82
Total Shareholder's Equity	769.04	744.66	617.29
Total Asset	856.41	823.94	791.88

Arab Bangladesh Bank Foundation (ABBF)

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

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 2020, as with other sectors, The Banking Sector as a whole experienced adverse effect of COVID 19 pandemic. Within these challenging economic and business environment, the Bank registered following financials:

BDT in crore

Particulars	Consolidated		Change %	Solo		Change %
	2020	2019		2020	2019	
Interest Income/Profit on Investments	2,442.69	2,695.42	-9%	2,429.15	2,671.55	-9%
Interest Paid/Profit on Deposits and Borrowings, etc.	2,017.16	1,886.85	7%	2,013.46	1,884.68	7%
Net Interest Income	425.53	808.57	-47%	415.68	786.87	-47%
Other Income	825.90	496.84	66%	798.95	501.53	59%
Operating Expenses	586.21	658.29	-11%	567.93	643.43	-12%
Operating Profit	665.22	647.11	3%	646.70	644.97	0.27%
Provisions for Loans & Others	531.99	510.85	4%	514.49	514.05	0.09%
Profit before Taxation	133.23	136.26	-2%	132.21	130.92	1%
Provisions for Tax	93.80	123.93	-24%	93.07	114.14	-18%
Profit after Tax	39.43	12.33	220%	39.14	16.77	133%
Earnings Per Share (BDT)	0.50	0.15	0.34	0.49	0.21	0.28

From April 2020, Loan Interest Rate caps were fixed by Bangladesh Bank. As a result, the Bank registered a negative growth in Net Interest Income. However, the Bank was able to increase Investment Income by more than 102% than the previous year, which has contributed to the Other Income segment. Operating Expenses of the Bank also decreased appreciably by 12% in the same period. These resulted in the Bank posting in 2020, a profit after Tax of BDT 39.43 crore and BDT 39.14 crore on Consolidated & Solo basis respectively. The three-fold increase in the Consolidated figure is commendable against the background of the pandemic.

Asset Quality:

BDT in crore

Particulars	Consolidated		Change %	Solo		Change %
	2020	2019		2020	2019	
Total Loans and Advances	28,290.09	26,438.50	7.00%	27,482.99	25,651.25	7.14%
Unclassified	23,674.63	21,749.45	8.85%	22,867.53	20,962.20	9.09%
Standard	22,010.99	20,185.80	9.04%	21,203.89	19,398.55	9.31%
Special Mention Account	1,663.64	1,563.65	6.39%	1,663.64	1,563.65	6.39%
Classified	4,615.46	4,689.05	-1.57%	4,615.46	4,689.05	-1.57%
Sub-standard	234.57	221.97	5.67%	234.57	221.97	5.67%
Doubtful	309.68	325.47	-4.85%	309.68	325.47	-4.85%
Bad Loss	4,071.21	4,141.61	-1.70%	4,071.21	4,141.61	-1.70%

Though classified loans have been reduced by 1.49% in 2020, the main challenge of the Bank remains the same - maintaining the quality of its assets. At the end of 2020, classified loan position of the Bank was 16.79%, which affects the profitability of the Bank adversely. Prime focus set by the Board to improve the asset quality, recover classified and written off loans and restructure the loan portfolio in order to improve the profitability.

Capital Position:

BDT in crore

Particulars	Consolidated		Change %	Solo		Change %
	2020	2019		2020	2019	
Risk Weighted Assets	34,461.71	33,421.14	3.11%	34,105.67	33,137.52	2.92%
Credit Risk	31,751.21	30,292.97	4.81%	31,556.50	30,131.81	4.73%
Market Risk	835.96	806.09	3.71%	726.80	692.12	5.01%
Operational Risk	1,874.54	2,322.09	-19.27%	1,822.36	2,313.59	-21.23%
Regulatory Requirement	12.50%	12.50%		12.50%	12.50%	
Capital Requirement	4,307.71	4,177.64		4,263.21	4,142.19	
Capital Maintained	3,905.10	3,539.83	10.32%	3,696.60	3,354.71	10.19%
Tier-1	2,067.39	1,981.36	4.34%	1,957.01	1,871.16	4.59%
Tier-2	1,837.70	1,558.48	17.92%	1,739.59	1,483.55	17.26%
Capital deficit	(402.62)	(637.81)		(566.61)	(787.48)	
Capital to Risk Weighted Asset Ratio (CRAR)	11.33%	10.59%		10.84%	10.12%	
Tier-1	6.00%	5.93%		5.74%	5.65%	
Tier-2	5.33%	4.66%		5.10%	4.48%	

At the end of 2020, the Bank was able to maintain CRAR at 11.33% and 10.84% on Consolidated and Solo basis respectively against the Regulatory requirement of 12.50% (10% minimum and 2.50% Capital Conservation Buffer). Risk Weighted Assets of the Bank increased by 3.11%, whereas Capital increased approximately by 10.32%. The Bank is aiming to strengthen its capital base by issuing Tier-I Capital through Rights Issue and Perpetual Bond. Simultaneously, the Bank is also moving towards reducing the Risk Weighted Assets level.

Cash Flow Position

BDT in crore

Particulars	Consolidated		Change %	Solo		Change %
	2020	2019		2020	2019	
Net cash flow from/(used in) operating activities	(367.19)	2,864.75	-112.82%	(382.93)	2,870.27	-113.34%
Net cash flow from/(used in) investing activities	(178.80)	(1,855.22)	90.39%	(194.24)	(1,846.35)	89.48%
Net cash flow from/(used in) financing activities	366.02	(139.92)	361.59%	366.02	(139.92)	361.59%
Net decrease in cash	(179.97)	869.60	-120.63%	(211.15)	884.00	-123.89%
Net Operating Cash Flow Per Share (NOCFPS) (BDT)	(4.61)	35.99	-40.60	(4.81)	36.06	(40.87)

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.

Key Ratio

Particulars	2020	2019
Capital to Risk Weighted Assets Ratio	10.84%	10.12%
Loan Deposit Ratio	85.26%	84.28%
Cost Income Ratio	46.76%	41.35%
CL Ratio	16.79%	18.28%
Return on Investment (ROI)	10.34%	6.07%
Return on Assets (ROA)	0.10%	0.05%
Return on Equity (ROE)	1.65%	0.74%
Assets Utilization Ratio	78.62%	77.80%
Operating Profit Per Employee (Lac/Taka)	29.37	29.18

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:

- Parent / Subsidiary / Associated Companies and other related parties: **Not Applicable**
- 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, 2020;

Name of the Directors, CEO, CS, CFO and HIAC	Status	No. of Shares	%	Name of the Spouses	No. of Shares	%
Mr. Muhammad A. (Rumeel) Ali Nominated by Pacific Traders Ltd.	Chairman	79,480,564	9.9845%	Ms. Tamara R. Ali	-	-
Mr. Feroz Ahmed	Director	15,730,196	2.0749%	Ms. Salvana Ahmed	325,960	0.0409%
Mr. Shajir Ahmed Nominated by Hexagon Chemical Complex Ltd	Director	21,804,184	2.7391%	Ms. Fahmida Islam	-	-
Mr. Khairul Alam Choudhury Nominated by Pacific Industries Ltd	Director	77,865,692	9.7817%	Ms. Mariya Rakhi Chowdhury	-	-
Mr. Shafiqul Alam	Independent Director	-	-	Ms. Najma Shafiq	-	-

Name of the Directors, CEO, CS, CFO and HIAC	Status	No. of Shares	%	Name of the Spouses	No. of Shares	%
Mr. Kaiser A. Chowdhury	Ex-Independent Director	-	-	Ms. Nadira Chowdhury	-	-
Mr. Tarique Afzal	President & Managing Director	-	-	Ms. Ornita Afzal	-	-
Mr. K.M. Mohiuddin Ahmed	Chief Financial Officer	-	-	Dr. Khairun Nessa	-	-
Mr. Munir Ahmed	Head of Internal Control and Compliance (In-charge)	-	-	Ms. Tahmina Begum	-	-
Mr. Md. Jasim Uddin, ACS	Company Secretary (In-charge)	-	-	Ms. Jannatul Bakia	-	-

- Bangladesh Bank on January 20, 2021 approved the reappointment of Mr. Md. Maqsubul Huq Khan, Director, nominated by Emkay Holdings Limited.
 - Mr. Kaiser A. Chowdhury resigned in the Bank's 702nd Board Meeting held on January 18, 2021.
 - As on January 20, 2021 Sponsor & Directors total shareholding - 31.67% 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. No	Employee Name	Designation	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

Dividend

The Board in its 708th Meeting held on April 27, 2021, recommended 5.00% Stock Dividend to all the Shareholders which is subject to Shareholders approval in the 39th Annual General Meeting scheduled to be held on Thursday, June 10, 2021 through Digital Platform. The Record date has been set at May 19, 2021 (Wednesday)

Board has recommended a Stock Dividend in order to strengthen the Capital base of the Bank which would go towards supporting the Bank's business growth and further comply with the dictates of Bangladesh Bank DOS Circular No: 01 dated February 07, 2021 on Dividend Policy for Banks for the year 2020.

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

In Compliance with BSEC Directives dated January 14, 2021, year wise break-up of Unpaid Dividend as on December 31, 2020 are provided below:

Sl.No.	Year	Amount in Taka
1	2014	144,402.76
2	2015	97,290.09
3	2016	114,373.84
4	2019	97,619.53
Total		453,686.22



Board of Directors

At present, AB Bank's Board comprise of 7 (seven) members including the President and Managing Director. The Board also has three Committees in operation viz. Executive Committee, 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". The Committees operate on the basis of respective TOR's set by the Board or Bangladesh Bank as the case may be.

Present composition of the Board as on May 25, 2021 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 Hexagon Chemical Complex Limited
4. Mr. Khairul Alam Choudhury, Director, nominated by Pacific Industries Limited
5. Mr. Shafiqul Alam, Independent Director*
6. Mr. Md. Maqsubul Huq Khan, Director, nominated by Emkay Holdings Limited**
7. Mr. Tarique Afzal, President and Managing Director

*Bangladesh Bank, in terms of Letter No: BRPD(R-2)651/9(1) DL/2020-7137 dated September 07, 2020, approved the appointment of Mr. Shafiqul Alam as an Independent Director and his brief Resume is as under:

Mr. Shafiqul Alam joined AB Bank as an Independent Director with effect from September 7, 2020. Mr. Alam, a seasoned banker having 40 years of banking experience, served in different Senior Management positions in local and multinational banks. He obtained his M.Sc degree from the University of Dhaka. Mr. Alam started his career with ANZ Grindlays Bank (Bangladesh) in 1980, in which institution he continued until 2001. He served Prime Bank Limited, First Security Islami Bank Limited and United Commercial Bank Limited holding senior positions and during 2013-2019 he served Jamuna Bank Limited as its Managing Director & CEO.

**Bangladesh Bank, in terms of Letter No: BRPD(R-2)651/9(1) DL/2021-752 dated January 20, 2021, approved the appointment of Mr. Md. Maqsubul Huq Khan as Director and his brief resume is as under:

Mr. 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. Prior to holding this position he had served Bureau Veritas, a renowned French multinational conglomerate for about a decade. He has a successful professional career in Operations, Compliance and Legal Affairs. He also worked as the Head of International Trade Division (ITD) of a multinational organization (BVQI) which is the global leader in Quality Assurance, Health, Safety and Environmental Solutions.

Maqsubul holds an International Diploma in Supply Chain Management from ITC-UNCTAD/WTO, Geneva. Prior to obtaining Bachelor of Laws (LLB) and Masters in Business Administration (MBA), he completed the Certified Supply Chain Professional (CSCP) course from American Production and Inventory Control Society (APICS).

Mr. Md. Maqsubul Huq Khan is also the Member of the Audit Committee and the Risk Management Committee of the Bank. He does not hold Directorship in any other Company.

Subsequently to the 38th Annual General Meeting, Mr. Kaiser A. Chowdhury, Independent Director, resigned from the Board in cognizance of Bangladesh Bank Letter regarding the appointment of Independent Directors and Board approved the same on January 18, 2021.

Board Meeting/Committees Meeting and Attendance

Board Meeting

17 (seventeen) Board Meetings were held during the year 2020. Below is the Table showing details of attendance of Directors in the Meetings during their respective tenure:

Name of Directors	Designation	Number of Meeting	
		Held	Attended
Mr. Muhammad A. (Rume) Ali	Chairman	17	17
Mr. Feroz Ahmed	Director	17	15
Mr. Shajir Ahmed	Director	16	15
Mr. Khairul Alam Choudhury	Director	17	17
Mr. Kaiser A. Chowdhury*	Ex-Independent Director	17	17
Mr. Shafiqul Alam**	Independent Director	08	08
Mr. Md. Maqsubul Huq Khan***	Director	03	03
Mr. Khairul Alam Choudhury	Director	17	17
Mr. Tarique Afzal	President and Managing Director	17	17

Total number of Board Meetings held = 17 (seventeen)

*Mr. Kaiser A. Chowdhury, Independent Director resigned in the 702nd Board Meeting held on January 18, 2021.

** Mr. Shafiqul Alam was appointed as an Independent Director on September 07, 2020.

*** Mr. Md. Maqsubul Huq Khan was appointed as a Director on June 28, 2020 and resigned in the 38th AGM held on September 02, 2020 and was re-appointed as Director in the 702nd Board Meeting held on January 18, 2021.

Audit Committee Meeting

09 (Nine) Meeting of the Audit Committee were held during the year 2020. Below is the Table showing details of attendance of Directors in the Meetings during their respective tenure:

Name of Directors	Status	Number of Meeting	
		Held	Attended
Mr. Kaiser A. Chowdhury* (Up to 18.01.2021)	Ex-Chairman	09	09
Mr. Shajir Ahmed	Member	09	09
Mr. Shafiqul Alam ** (From 13.10.2020)	Member	04	04
Mr. Khairul Alam Choudhury (Up to 18.08.2020)	Member	05	05

Total number of Audit Committee Meetings held = 09 (Nine)

* Mr. Kaiser A. Chowdhury, Independent Director resigned in the 702nd Board Meeting held on January 18, 2021.

** Mr. Shafiqul Alam was elected as Member of the Committee in the 695th Board Meeting held on October 13, 2020. He was also elected as Chairman of the Committee in the 703rd Board Meeting held on January 28, 2021.



Risk Management Committee Meeting

04 (Four) Meetings of the Risk Management Committee were held during the year 2020. Below is the Table showing details of attendance of Directors in the Meetings during their respective tenure:

Name of Directors	Status	Number of Meeting	
		Held	Attended
Mr. Shafiqul Alam* (From 13.10.2020)	Chairman	02	02
Mr. Kaiser A. Chowdhury**	Ex-Chairman	04	04
Mr. Feroz Ahmed (From 10.10.2020)	Member	02	02
Mr. Shajir Ahmed (Up to 02.09.2020)	Member	02	02

Total number of Risk Management Committee Meetings held = 4 (four)

* Mr. Shafiqul Alam was appointed as Independent Director on September 07, 2020 and elected as the Chairman of the Committee in the 695th Board Meeting held on October 13, 2020.

** Mr. Kaiser A. Chowdhury, Independent Director resigned in the 702nd Board Meeting held on January 18, 2021

Remuneration paid to Directors

During the year 2020, total remuneration paid to the Directors including Independent Director was Tk.866, 800.00 (Taka eight lakh sixty-six thousand eight hundred only). In 2019, it was Tk.12,73,200.00 (Taka twelve lakh seventy three thousand two hundred only).

Election of Directors

Bangladesh Bank on January 20, 2021 approved the appointment of Mr. Md. Maqsubul Huq Khan, Director nominated by Emkay Holdings Limited who will retire in the ensuing 39th 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 Association of the Bank and Regulation 79 of Schedule-I of the Companies Act 1994, at each Annual General Meeting, at least one third of the Directors other than the President & Managing Director shall retire. Mr. Feroz Ahmed, Director and Mr. Khairul Alam Choudhury nominated by Pacific Industries Limited will retire in the ensuing 39th Annual General Meeting and eligible for reappointment. Mr. Feroz Ahmed submitted his intention for re-appointment and Pacific Industries Limited has nominated Mr. Khairul Alam Choudhury as their representative to be re-appointed as Director in the 39th Annual General Meeting of the Bank.

Mr. Shafiqul Alam, Independent Director, appointed by the Board and subsequently Bangladesh Securities and Exchange Commission and Bangladesh Bank has accorded their consent on August 26, 2020 and September 07, 2020 respectively. His appointment will be placed to the shareholders of ensuing 39th AGM of the Bank for approval in compliance with Corporate Governance Code of BSEC.

Resignation of Director

In cognizance of Bangladesh Bank Letter regarding appointment of Independent Directors Mr. Kaiser A. Chowdhury resigned from the Board on January 18, 2021.

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 Minority Shareholders. The Bank 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 a timeframe.

Related Party Transaction Disclosure

A party is related to the company if

- directly or indirectly through one or more intermediaries, the Party controls, or 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;
- the Party is an Associate;
- the Party is a Joint Venture;
- the Party is a member of the key management personnel of the Company or its Parent;
- the Party is a close member of the family of any individual referred to in (i) or (iv);
- 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
- 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 Mohakhali and Savar Branch of AB Bank Limited	Pacific Industries Ltd	Mr. Khairul Alam Choudhury	Nominated Director of Pacific Industries Ltd in the Board of AB Bank
Lease agreement with ABBL	Elite International Ltd	Mr. Feroz Ahmed	Common Director

Related party transactions:

Name of related party	Relationship	Nature of transaction	Amount in BDT
Pacific Industries Ltd	Nominated Director of Pacific Industries Ltd in the Board of AB Bank	Office Rent	15,270,390
Elite International Ltd.	Common Director	Office Rent	2,484,000

Loans/placement given to subsidiary of the Bank:

Sl.	Name of the party	Connection with party	Nature of transaction	Amount in BDT
01	AB Investment Limited	99.99% owned Subsidiary	Loans and Advances	755,898,828
02	AB Securities Limited	99.91% owned Subsidiary	Loans and Advances	167,548,156
03	AB International Finance Limited	Fully owned (100%) Subsidiary	Placement through OBU	964,604,550
Total loans/placement to subsidiary				1,888,051,534

Credit Rating

AB Bank was rated by ARGUS Credit Rating Services Limited (ACRSL) based on the financials of the Bank up to December 31, 2019 (audited) as well as for the period ended September 30, 2020 (unaudited) and other relevant quantitative and qualitative information up to the date of rating declaration i.e. December 09, 2020.

The summary of their ratings are given below:

Credit Rating	Current	Previous
Long-Term *	AA-	A+
Short-Term	ST-2	ST-2
Date of Rating	December 09, 2020	
Date of Validity	December 08, 2021	

* AA-: equivalent Bangladesh Bank Rating Grade 1

A+: equivalent Bangladesh Bank Rating Grade 2



Rating Description:

AA-	Investment grade. Very high credit quality and minimal expectation of credit risk. When assigned this rating indicates the obligor has very strong capacity to meet its financial obligations and is unlikely to be impacted adversely by foreseeable events.
ST-2	High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

39th 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. May 19, 2021, Wednesday, shall be eligible to attend the Annual General Meeting (AGM) and also shall be entitled to receive the Dividend.

The 39th Annual General Meeting is scheduled to be held on June 10, 2021 (Thursday) through Digital Platform at 04:00 p.m.

A Member entitled to attend and vote at the Annual General Meeting, can appoint a Proxy to attend and, in the event of a poll, vote on its/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

Despite the onslaught of the second wave of the ensuing pandemic, the Bangladesh economy is showing some positive signs. Remittance inflow increased by 33.5 per cent between July 2020 and February 2021. Foreign exchange reserves have also grown to a record US\$44 billion by the end of February 2021. The Current Account balance posted a healthy positive balance of US\$4.3 billion as on 2020.

Government of Bangladesh forecasts that the country's economy would grow by 7.40 percent in the current fiscal year (FY21). World Bank predicts the growth will be supported by a recovery in manufacturing, a rebound in construction sector by accelerating public investment, and robust service sector growth. Nonetheless, inclusive growth is going to be a major challenge as benefits of the stimulus packages are likelier to be concentrated mostly among large corporations rather than the small-medium enterprises, blue-collar workers and the middle class.

Gratitude

It is the privilege of the Members of the Board of Directors, to express its appreciation and gratitude to all the valued Sponsors and General Shareholders, Clients, Patrons and well-wishers for their unwavering support and co-operation extended to the Bank 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 declared Vision & Mission Statement and also towards creation of Shareholders' Value. The Bank will also continue its endeavors to improve the lot of the teeming millions and accelerate its efforts to make positive contributions towards economic and social development of the country.

Muhammad A. (Rume) Ali
Chairman