AB Bank

AB BANK LIMITED.

DIRECTORS CODE OF CONDUCT

THIS CODE OF CONDUCT FOR THE BOARD OF DIRECTORS OF AB BANK LIMITED
WAS APPROVED IN THE 517TH MEETING (Agend No. 2.10)
HELD ON JANUARY 30, 2013

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DIRECTORS CODE OF CONDUCT

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Enclosure:

- S.R.O No. 149-Law/95- Securities & Exchange Commission Act-1995
- BAS-24
- BAS-19
- Bangladesh Bank Director's Guideline (Issued by Bangladesh Bank)

Approved on: January30, 2013.

AB Bank

CODE OF CONDUCT FOR BOARD OF DIRECTORS

1. Preamble

This Code of Conduct attempts to set forth the guiding principles on which Members of the Board of Directors of the Bank shall operate and conduct its business with its multitudinous stakeholders, government and regulatory agencies, media, and anyone else with whom it is connected.

It recognizes that the Bank is a trustee and custodian of public money and in order to fulfill its fiduciary obligations and responsibilities, it has to maintain and continue to enjoy the trust and confidence of the public at large. The Bank is conscious of the reputation it carries amongst its customers and the public at large and shall endeavor to do all it can to sustain and improve upon the same in its discharge of duties and obligations.

2. Application of Code

*This **Code of Conduct** (hereafter **"the Code"**) applies upon the Members of the Board of Directors to their Alternates (during the Alternate Directorship). It sets out the rules applicable in matters of professional ethics and behavior.*

3. The Code envisages & expects that the Directors ensures

1) To adhere to honest & ethical Conduct, including proper and ethical procedures in dealing with actual or apparent conflicts of interest between personal and professional relationships.

2) To make full, fair, accurate, sensible, timely and meaningful disclosures in the periodic report required to be filed by the Bank with Government and regulatory agencies.

3) Compliance with applicable law, rules and regulations including policies set forth by the Bank with special emphasis on its social responsibilities, environment risk management, and management of all other risks in the overall.

4) To address matters relating to misuse or misapplication of the Bank's assets and resources.

5) Maintenance of the highest level of confidentiality and fair dealing within and outside the Bank.

4. Basic standards of conduct

Members of the Board of Directors shall discharge their duties professionally, with due diligence and efficiency and to the best of their abilities. In discharging their duties to the Bank, Members of the Board of Directors shall, in particular, endeavor to:

- ❖ comply with applicable laws and regulations and also with Bank rules, policies and guidelines;
- ❖ only act in the interest of the Bank, without allowing themselves to be influenced by personal interests or relationships;
- ❖ avoid any situation which may give rise to a conflict of interest;
- ❖ respect the obligation of confidentiality in respect of information received in the course of their duties and shall continue to be bound by this obligation as far as practicable.
- ❖ make use of the Bank's name and resources only in the interest of the Bank.

5. Conflicts of Interest

5.1 The term "**conflict of interest**" pertains to situations in which personal, financial or other consideration(s) may compromise, or have the appearance of compromising the professional judgment of Directors.

A conflict of interest exists where the interests or benefits of Directors or of people or entities related to them conflicts with the interests or benefits of the Bank. This Code does not attempt to describe all possible conflicts of interest which could develop. Some of the common conflicts from which directors must refrain, are set out below.

5.1.1 Approving Loans to, or guarantees of the obligations of, a director, or a member of his or her family. **Family being defines as "family" shall include the wife, husband, father and mother, sons and daughters, brothers and sisters of any person and all those who are dependant on such persons" (as per Section 14A(6) of Bank Companies Act, 1991).**

5.1.2 Engaging in any activity that interferes with the performance or discharge of responsibilities towards the Bank or is otherwise in conflict with the interest or prejudicial to the Bank.

5.1.3 Conducting the Bank's business with relatives, family members as defined in the Bank Company Act 1991 or with a business in which a close relative is associated in any significant role (Management / Shareholding). If there are any transactions proposed with such related parties within the knowledge of Directors, he/she must report the same to the Board.

5.1.4 Accepting any gift or favour that would create an obligation on their part towards the giver and impair the Director's ability to deal with the giver in an impartial manner. **Any such gift if has to be accepted to avoid unpleasantries then the same must be disclosed to the Board as soon as is practically possible.**

5.1.5 Personal gifts including Lunch/dinner not considered to exert influence in decision making relating to the Board Members may not need to be reported under this Code.

5.1.6 Directors not to entertain any client or any person in whatever manner /form which may compromise their role as Member of the Board.

5.1.7 Gift of material value which seem to prejudice Board Members role in any decision making shall be avoided.

5.2 Relationship of Company with third-parties.

Directors may not engage in any conduct or activities that are inconsistent with the Bank's best interests or that disrupt or impair the Bank's relationship with any person or entity with which the Bank has or proposes to enter into a business or contractual relationship.

5.3 Compensation from non-company sources.
Directors may not accept compensation, in any form, for services performed for the Bank from any source other than the Bank, **as allowed under Banks rule / Central Banks Guidelines / SEC rules etc.**

6. Related Party and Connected Party

6.1 A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether price is charged.

6.2 Parties are related if they are

6.2.1 Members of the Bank's Board of Directors, its external Auditors, Advisers, a Senior Manager or one of his deputies and equivalent.

6.2.2 Relatives (as defined in the Banking Companies Act of 1991) of the above, or where there is a vested interest between the two parties **(Ref: Sl.no. 5.1.1 above).**

6.2.3 Any Natural person or entity that directly or indirectly owns a material percentage of the Bank's voting shares and relatives of the Natural person.

6.2.4 Subsidiaries or other affiliates of the Bank.

6.2.5 Any entity in which the Bank directly or indirectly owns a sufficient percentage of the shares to enable the Bank to influence its operations.

6.3 Connected Party: These are parties with whom the Bank is doing business and who are technically separate entities but where:

6.3.1 One party has direct or indirect control of the other party.

6.3.2 The parties are subject to common control from the same source.

6.3.3 One party has influence over the financial and operating policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests.

6.3.4 The parties, in entering a transaction are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

6.3.5 Connected party transactions should be treated in the same manner as related party transaction.

6.4 The following are examples of transactions that are disclosed if they are with a related party: **(see paragraph 34B of BAS 19 - attached)**

6.4.1 purchases or sales of goods (finished or unfinished);

6.4.2 purchases or sales of property and other assets;

6.4.3 rendering or receiving of services;
6.4.4 transfers of research and development;
6.4.5 transfers under license agreements;

6.4.6 transfers under finance arrangements (including loans and equity contributions in cash or in kind);

6.4.7 provision of guarantees or collateral; and

6.4.8 Settlement of liabilities on behalf of the entity or by the entity on behalf of another party.

6.5 Participation by a parent or subsidiary in a define d benefit plan that shares risks between group entities is a transaction between related parties.

6.6 Disclosers for related party transactions shall be made on terms equivalents to those that prevail in arm's length transactions are made only if such terms can be substantiated.

6.7 If such a related party transaction is unavoidable, they must fully disclose the nature of the related party transaction to the appropriate authority. Any dealings with a related party must be conducted in such a way that no preferential treatment is given to that party.

6.8 In the case of any other transaction or situation giving rise to conflicts of interests, the appropriate authority should after due deliberations decide on its impact.

7. Personal Investment / Insider Trading

To protect the integrity of the Bank and its subsidiaries and affiliates, it is essential that Director conduct personal trading as per the rule under SEC guidelines, in an appropriate manner that withstands public scrutiny and does not create even the appearance of impropriety. **Please refer to the SEC Notification dated 24th August, 2995 on inside Trading attached herewith.**

7.1 Business Interests

If any Member of the Board of Directors considers investing in securities issued by the Bank's customer, supplier or competitor, they should ensure that these investments do not compromise their responsibilities to the Bank.

8. Compliance with Laws, Rules and Regulations

Directors shall comply, and oversee compliance by employees, officers and other directors of the Company, with laws, rules and regulations applicable to the Bank.

9. Encouraging the Reporting of Any Possible Illegal or Unethical Behavior

Directors should provide oversight with respect to policies and procedures adopted by the Bank which : (a) promote ethical behavior; (b) encourage employees to talk to Supervisors, Managers and other appropriate personnel when in doubt about the best course of action in a particular situation; (c) encourage employees to report violations of laws, rules, regulations or the Bank's Code of Conduct for employees to appropriate personnel; and (d) inform employees that the Bank will not allow retaliation for reports made in good faith.

10. Compliance Procedures

Directors should communicate any suspected violations of this Code promptly to the Board. Violations will be investigated by the Board or by a person or persons designated by the Board, and appropriate action will be taken in the event of any violations of the Code.

11. Fair Dealing

Directors shall endeavor to deal fairly with the Bank's customers, suppliers, competitors and employees. **"Fair dealing"** means the avoidance of unfair advantage through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice.

12. <u>Good Corporate Governance Practices</u>

Each Member of the Board of Directors of the Bank should adhere to the following so as to ensure compliance with good Corporate Governance practices :

- Attend Board meetings regularly and participate in the deliberations and discussions effectively.
- Study the Board papers thoroughly and enquire about follow-up reports on definite time schedule.
- Involve actively in the matter of formulation of general policies.
- Be familiar with the Board objectives of the Bank and the policies laid down by the Government and the various laws and legislations.

Ensure confidentially of the Bank's agenda papers, notes and Minutes.

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