

## **Certificate on Compliance with Conditions of Corporate Governance Guidelines to the Shareholders of National Bank Limited**

We were engaged by National Bank Limited (the “Company”) to provide certification whether the Company has complied with the conditions of corporate governance guidelines issued by the Bangladesh Securities and Exchange Commission in its notification number SEC/CMRRCD/2006- 158/134/Admin/44 dated 7 August 2012 and SEC/CMRRCD/2006-158/147/ Admin/48 dated 21 July 2013 (the “conditions of corporate governance guidelines”) for the year ended 31 December 2015.

### **The Company’s Responsibilities**

Those charged with governance and management of the Company are responsible for complying with the conditions of corporate governance guidelines. Those charged with the governance of the Company are also responsible for stating in the director’s report whether the Company has complied with the conditions of corporate governance guidelines.

### **Our Responsibilities**

Our responsibility is to examine the Company’s status of compliance with the conditions of corporate governance guidelines and to certify thereon in the form of an independent assurance conclusion based on the evidence obtained. For the purpose of the engagement, we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain assurance whether the Company has complied with the conditions of corporate governance guidelines.

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### **Conclusion**

In our opinion, the Company has complied with the conditions of corporate governance guidelines for the year ended 31 December 2015.

Dhaka, 15 May 2016



**Syful Shamsul Alam & Co**  
Chartered Accountants

# Compliance report under condition No. 7.00 of BSEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07.08.2012

Status of compliance with the conditions imposed by the commission's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07.08.2012 issued under section 2CC of the Securities and Exchange Ordinance 1969:

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.0	<b>Board of Directors</b>			
1.1	Board's size shall not be less than 5 and more than 20 (twenty)	✓		-
1.2	Independent Director			
1.2 (i)	Independent director: At least 1/5th of the total number of directors.	✓		-
1.2 (ii)	For the purpose of this clause "independent director" means a director:			
1.2 (ii) a)	Independent director does not hold any share or holds less than one percent (1%) shares of total paid up capital.	✓		-
1.2 (ii) b)	Independent Director is not a sponsor of the company and is not connected with the company's Sponsor Or Director Or Shareholder who holds 1% or more shares of the company (certain family members are also required to comply with this requirement).	✓		-
1.2 (ii) c)	Independent director does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies.	✓		-
1.2 (ii) d)	Independent directors are not the members, directors or officers of any stock exchange.	✓		-
1.2 (ii) e)	Independent director is not the shareholder, director or officers of any member of Stock Exchange or an Intermediary of the capital market.	✓		-
1.2 (ii) f)	Independent director is/was not the partners or executives during preceding 3 (three) years of concerned company's statutory audit firm.	✓		-
1.2 (ii) g)	Independent directors is not the independent director in more than 3 (three) listed companies.	✓		-
1.2 (ii) h)	Independent director is not convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a non-bank financial institution (NBFI).	✓		-
1.2 (ii) i)	Independent director has not been convicted for a criminal offence involving moral turpitude.	✓		-
1.2 (iii)	The independent director(s) shall be appointed by the Board of Directors and approved by the Shareholders in the Annual General Meeting (AGM).	✓		-
1.2 (iv)	The post of independent directors cannot remain vacant for more than 90 days.	✓		-
1.2 (v)	The Board shall lay down a Code of Conduct of all Board Members and Annual Compliance of the Code to be recorded.	✓		-
1.2 (vi)	The tenure of office of an Independent Director shall be for a period of 3 (three) years which may be extended for 1 (one) term only.	N/A		-

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Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.3	Qualification of Independent Director (ID)			
1.3 (i)	Independent director shall be knowledgeable individual with integrity who is able to ensure required compliance.	✓		-
1.3 (ii)	The independent director must have at least 12 (twelve) years of corporate management/ professional experiences along with other requisites.	✓		-
1.3 (iii)	In special cases above qualification may be relaxed by the Commission	✓		Mr. A K M Enamul Hoque Shameem is relaxed by the commission.
1.4	Separate Chairman and CEO and their clearly defined roles and responsibilities.	✓		-
1.5	<b>Directors Report to Shareholders</b>			
1.5 (i)	Industry outlook and possible future developments in the industry.	✓		-
1.5 (ii)	Segment-wise or product-wise performance.	✓		-
1.5 (iii)	Risks and concerns	✓		-
1.5 (iv)	Discussion on cost of goods sold, gross profit margin and net profit margin	✓		Cost of fund, operating & net profit and related ratios are provided. Details are given Highlights on the activities of the Bank.
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss	N/A		NBL does not have such gain or loss
1.5 (vi)	Basis for related party transaction- a statement of all related party transactions should be disclosed in the annual report	✓		-
1.5 (vii)	Utilization of proceeds from public issues, right issues and/ or through any others instruments.	N/A		-
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer, Direct Listing etc.	N/A		-
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	✓		-
1.5 (x)	Remuneration to directors including independent directors.	✓		-
1.5 (xi)	The financial statements prepared by the management of the company present fairly its state of affairs, the results of its operation, cash flows and changes in equity.	✓		-
1.5 (xii)	Proper books of account of the company have been maintained.	✓		-
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	✓		-

# Compliance report under condition No. 7.00 of BSEC Notification No.SEC/CMRRCD/2006-158/134/Admin/44 dated 07.08.2012

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.5 (xiv)	International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.	✓		-
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	✓		-
1.5 (xvi)	There are no significant doubts upon the company's ability to continue as a going concern.	✓		-
1.5 (xvii)	Significant deviations from the last year's operating results of the company shall be highlighted and the reasons thereof should be explained.	N/A		-
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	✓		-
1.5 (xix)	If the company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	N/A		-
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	✓		-
1.5 (xxi)	<b>The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:</b>			
1.5 (xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	✓		-
1.5 (xxi) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	✓		-
1.5 (xxi) c)	Executives (top five salaried employees of the company other than stated in 1.5(xxii)b);	✓		-
1.5 (xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	N/A		-
1.5 (xxii)	<b>In case of appointment/re-appointment of a Director the Company shall disclose the following information to the Shareholders:</b>			
1.5(xxii) a)	a brief resume of the Director;	✓		-
1.5(xxii) b)	Nature of his/her expertise in specific functional areas.	✓		-
1.5(xxii) c)	Name of companies in which the person also holds the directorship and the membership of committees of the board.	✓		-
2.0	<b>Chief Financial Officer, Head of Internal Audit &amp; Company Secretary</b>			
2.1	Appointment of CFO, Head of Internal Audit and Company Secretary and their clearly defined roles, responsibilities and duties.	✓		-
2.2	Attendance of CFO and the Company Secretary at Board of Directors meeting	✓		-
3	<b>Audit Committee:</b>			

## Compliance report under condition No. 7.00 of BSEC

Notification No.SEC/CMRRCD/2006-158/134/Admin/44 dated 07.08.2012

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
3 (i)	Audit Committee shall be the sub-committee of the Board of Directors.	✓		-
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company and in ensuring a good monitoring system within the business.	✓		-
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	✓		-
3.1	<b>Constitution of the Audit Committee</b>			
3.1 (i)	The Audit Committee shall be composed of at least 3 members.	✓		-
3.1 (ii)	Constitution of Audit Committee with Board Members including one Independent Director.	✓		-
3.1 (iii)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	✓		-
3.1 (iv)	Filling of Casual Vacancy in Committee	N/A		-
3.1 (v)	The Company Secretary shall act as the secretary of the Committee.	✓		-
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 independent director.	✓		-
3.2	<b>Chairman of the Audit Committee</b>			
3.2 (i)	Chairman of the Audit Committee shall be an Independent Director.	✓		-
3.2 (ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	✓		-
3.3	<b>Role of Audit Committee</b>			
3.3 (i)	Oversee the financial reporting process.	✓		-
3.3 (ii)	Monitor choice of accounting policies and principles.	✓		-
3.3 (iii)	Monitor Internal Control Risk management process.	✓		-
3.3 (iv)	Oversee hiring and performance of external auditors.	✓		-
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval.	✓		-
3.3 (vi)	Review along with the management, the quarterly and half yearly Financial Statements before submission to the Board for approval.	✓		-
3.3 (vii)	Review the adequacy of internal audit function.	✓		-
3.3 (viii)	Review statement of significant related party transactions submitted by the management.	✓		-
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	✓		-

# Compliance report under condition No. 7.00 of BSEC

Notification No.SEC/CMRRCD/2006-158/134/Admin/44 dated 07.08.2012

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
3.3 (x)	When money is raised through Initial Public Offering (IPO)/ Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc.), on a quarterly basis, as a part of their quarterly declaration of financial results.	N/A		-
3.4.	Reporting of the Audit Committee			
3.4.1	<b>Reporting to the Board of Directors</b>			
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors;	✓		-
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:			No such case
3.4.1(ii) a)	Report on conflicts of Interests;			No such Conflicts
3.4.1(ii) b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;			No Such Fraud or irregularities
3.4.1(ii) c)	Suspected infringement of laws, including securities related laws, rules and regulations;			No such infringement of laws
3.4.1(ii) d)	Any other matter which shall be disclosed to the Board of Directors immediately;			No such case
3.4.2	Reporting of anything having material financial impact to the Commission.			No such case
3.5	Reporting to the Shareholders and General Investors.	✓		-
4	External/Statutory Auditors should not be engaged in:			
4 (i)	Appraisal or valuation services or fairness opinions.	✓		-
4 (ii)	Financial information systems design and implementation.	✓		-
4 (iii)	Book-keeping or other services related to the accounting records or financial statements.	✓		-
4 (iv)	Broker-dealer services.	✓		-
4 (v)	Actuarial services.	✓		-
4 (vi)	Internal audit services.	✓		-
4 (vii)	Any other service that the Audit Committee determines.	✓		-
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that Company.	✓		-
4 (ix)	Audit/certification services on compliance of corporate governance as required under clause (i) of condition no. 7.	✓		-

## Compliance report under condition No. 7.00 of BSEC

Notification No.SEC/CMRRCD/2006-158/134/Admin/44 dated 07.08.2012

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
5	<b>Subsidiary Company</b>			
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	✓		-
5 (ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	✓		NBL have seven subsidiaries. NBL Securities Ltd & NBL Capital & Equity Management Ltd situated in Bangladesh. Other five subsidiaries are outside of the country. Out of seven subsidiaries, two subsidiaries complied with this condition.
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	✓		-
5 (iv)	The Minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the Subsidiary Company also.	✓		-
5 (v)	The Audit Committee of the holding company shall also review the Financial Statements, in particular the investments made by the Subsidiary Company.	✓		-
6	<b>Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO):</b>			
6 (i)	They have reviewed financial Statements for the year and that to the best of their knowledge and belief:			
6 (i) a)	These financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.			
6 (i) b)	These financial statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	✓		-
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	✓		-
7	<b>Reporting and Compliance of Corporate Governance:</b>			
7 (i)	The company shall obtain a Certificate from a Professional Accountant / Secretary (CA/CMA/CS) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	✓		-
7 (ii)	The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.	✓		-

## Compliance of Section 1.5 (xx):

Board Meeting held during the year 2015 and attended by each Director:

Sl. No.	Composition of the Board	No. of meetings in 2015		Remarks
		Held	Attended	
01	Mr. Zainul Haque Sikder	17	15	
02	Mrs. Monowara Sikder	17	14	
03	Ms. Parveen Haque Sikder	17	16	
04	Alhaj Khalilur Rahman	17	10	
05	Mr. Moazzam Hossain	17	14	
06	Mr. Rick Haque Sikder	17	07	
07	Mr. Ron Haque Sikder	17	14	
08	Mr. Zakaria Taher	17	05	
09	Mr. Mabroor Hossain	17	10	
10	Mr. Salim Rahman	17	02	Resign from the Board of directors on 19.01.2016
11	Mr. Md. Anwar Hussain	17	15	
12	Md. Md. Mahbubur Rahman Khan	17	14	
13	Mr. A K M Enamul Hoque Shameem	17	13	

**Note:** Directors who could not attend the meetings were granted leave of absence by the Board.

## Compliance of Section 1.5 (xxi): The Pattern of Shareholding:

- (i) Parent/ Subsidiary/ Associated companies and other related parties: Yes
- (ii) Directors, Managing Director, Company Secretary, Chief of Financial Administration, Head of Internal Control & Compliance and their Spouses:

01. Directors	Shares held	Name of the Spouses	Shares held
Mr. Zainul Haque Sikder	34,354,529	Mrs. Monowara Sikder	34,354,476
Mrs. Monowara Sikder	34,354,476	Mr. Zainul Haque Sikder	34,354,529
Ms. Parveen Haque Sikder	34,354,536	Mr. Salahuddin Khan	1,783,891
Alhaj Khalilur Rahman	86,853,253	Late Delowara Begum	NIL
Mr. Moazzam Hossain	73,343,184	Mrs. Ilya R. Hossain	9,436,468
Mr. Rick Haque Sikder	34,354,514	-	NIL
Mr. Ron Haque Sikder	34,354,514	-	NIL
Mr. Zakaria Taher	36,853,928	Mrs. Nazneen Ahmed	110,000
Mr. Mabroor Hossain	34,365,025	Mrs. Nadia Munawar Siddique	NIL
Mr. Md. Anwar Hussain	3,994,785	Mrs. Nazma Begum	NIL
Mr. Md. Mahbubur Rahman Khan	-	Mrs. Salina Mahbub	NIL
Mr. A K M Enamul Hoque Shameem	-	Mrs. Tahmina Khatun	197,165
02. Managing Director - Mr. A F M Shariful Islam			NIL
03. Company Secretary - Mr. M A Wadud			NIL
04. Head of Financial Administration - Mr. Krishna Kamal Ghose			199
05. Head of Internal Control & Compliance - Mr. Md. Moniruzzaman			NIL



(iii) Executives (Top six salaried employees of the company other than Directors, Managing Director, Company Secretary, Chief Financial Officer, Head of Internal Control and Compliance):

01. Additional Managing Director - Mr. Choudhury Moshtaq Ahmed	NIL
02. Additional Managing Director - Mr. Md. Badiul Alam	8,445
03. Deputy Managing Director - Mr. A S M Bulbul	6,418
04. Deputy Managing Director - Mr. Wasif Ali Khan	27,548
05. Deputy Managing Director - Mr. Abdus Sobhan Khan	11
06. Deputy Managing Director - Mr. Shah Syed Abdul Bari	NIL

(iv) Shareholders holding ten percent (10%) or more voting interest in the company: Nil.

## Audit Committee

Sl. No.	Composition of Audit Committee	No of meetings in 2015	
		Held	Attended
01	Mr. Md. Anwar Hussain, Chairman	5	5
02	Mr. Mabroor Hossain, Member	5	0
03	Mr. Md. Mahbubur Rahman Khan, Member	5	5

## Risk Management Committee

Sl. No.	Composition of Risk Management Committee	No of meetings in 2015	
		Held	Attended
01	Ms. Parveen Haque Sikder, Chairperson	4	4
02	Mr. Ron Haque Sikder, Member	4	3
03	Mr. Md. Anwar Hussain, Member	4	3