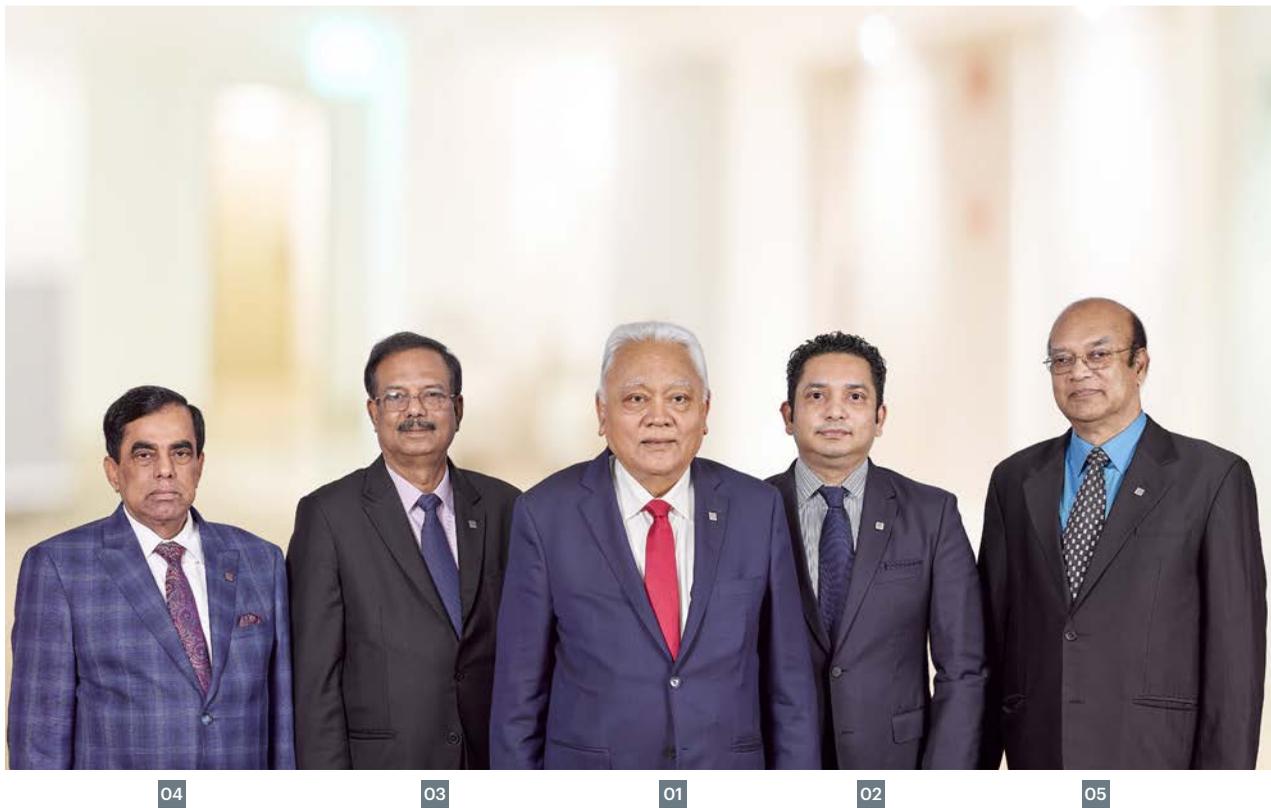




CORPORATE GOVERNANCE

Corporate governance at MTB encompasses corporate practices, compliance and stewardship of the highest order. We align and administer all our affairs with outright discipline, managing our resources to best suit our enterprise; creating an environment that adheres to corporate best practices and regulatory guidelines set forth by the authorities.

MTB EXECUTIVE COMMITTEE



Sl. No.	Name of Director	Position
01	Mr. Syed Manzur Elahi Director (Founding Chairman)	Chairman
02	Mr. Md. Hedayetullah Vice Chairman	Member
03	Mr. Md. Abdul Malek Director	Member
04	Mr. Md. Wakiluddin Director	Member
05	Mr. Q. A. F. M. Serajul Islam Director	Member

MTB BOARD AUDIT COMMITTEE



Sl. No.	Name of Director	Position
01	Mr. Anwarul Amin Independent Director	Chairman
02	Mr. Rashed Ahmed Chowdhury Director	Member
03	Mrs. Khwaja Nargis Hossain Director	Member
04	Dr. Sultan Hafeez Rahman Independent Director	Member

MTB BOARD RISK MANAGEMENT COMMITTEE



03

01

02

04

Sl. No.	Name of Director	Position
01	Dr. Arif Dowla Director	Chairman
02	Mr. Md. Hedayetullah Vice Chairman	Member
03	Mr. Md. Abdul Malek Director	Member
04	Mr. Q. A. F. M. Serajul Islam Director	Member

CHAIRMAN'S STATEMENT



M. A. ROUF, JP
Chairman

Throughout the year, we enjoyed pro-business government policies with a vibrant investment environment, which helped the bank grow its total portfolio under management (deposits & advances) by 21% in 2017. This achievement has been possible because of the hard work of our dedicated employees and support of the customers, shareholders and regulators during the journey of the bank in 2017.

Respected Shareholders,

Please accept my sincere greetings on behalf of your bank and its directors and the MTB management team.

We are working hard to reach the top with superior service standards and an array of latest financial solutions. Our goal is to create a pool of efficient, tech-savvy and well-trained professionals with the best in class products and services in their arsenal along with state-of-the-art infrastructure to generate better returns. We strongly believe that we are on the right track with a view to getting recognized as a strong customer oriented bank, delivering sustainable returns to our shareholders and contributing to the growth of country's economy in the process.

During the year, your bank made a notable growth through a sustainable process and excelled in the areas of business, service quality and delivery models. We also delivered strong operating performance and cost efficiencies, as well as solid returns. As a result, we have achieved sustainable balance in all the parameters including risk assets, the advance-deposit ratio, non-interest income, network and delivery capacity, agent banking centers, ATM booths as well as human resources. These achievements would not have been possible without your support and encouragement.

Since its incorporation, MTB's continuous effort has been to build a rigorous corporate governance framework in full conformity with the regulatory requirements, empowering the management with responsibilities according to delegation. In 2017, the bank continued to improve the governance architecture and system, enhanced the working mechanisms of the Board of Directors, and earnestly fulfilled its responsibilities for all stakeholders including shareholders, customers, employees and the society, with a view to ensuring the best practices in corporate governance.

Technology is another front, which differentiates MTB from its peer group. The global banking industry is constantly under the threat of cybercrime and our ITS Division and IT Security Department are working round-the-clock to keep our bank protected. We are conducting seminars and trainings on IT and cyber security throughout the year to keep up with the latest developments and technologies in the IT sector and to better equip ourselves to fight against the threats that sprout with these developments. Information Technology Services (ITS) Division, Information Technology Security Department and Alternate Delivery Channel (ADC) teams are playing a great role not only in the aforementioned areas but also in achieving business goals of the bank.

Throughout the year, we closely followed the contemporary trends and improved our services through various initiatives and technological reforms. As we envision MTB to be one of the best performing banks in Bangladesh, we have deployed cutting-edge

technology to keep our Internet banking service safe for our customers. We are moving towards a new Core Banking System, which, once implemented, will take us to a new height, where we would be able to better serve the interest of all the stakeholders. This new system will facilitate quick and convenient financial solutions, which will pave the way for better customer service.

Our concern has always been towards protecting the interest of our shareholders. While we strive to ensure superior service standard, ensuring a sustainable decent return to all shareholders, every year, remains one of our major targets. Ensuring that the business continues to focus on the returns generated for shareholders is a top priority of the board.

I take this opportunity to thank my fellow directors for the persistent and warm support they have given for the advancement of the bank, and the time and energy they have sacrificed towards that goal. It is an absolute honor for me to be part of MTB's progressive journey and I will never cease to work for the growth of this wonderful organization.

The highest recognitions go to the bank's respected customers as well as the community we serve, as they have been the key players for our growth. We have made it a priority to embed ourselves in the customer's journey to become more customer-centric. I am sure that they will continue to give us the opportunity to serve them by choosing and keeping us as their growth partner.

I am especially thankful to the regulators and policy-makers, who work relentlessly to establish a level playing ground for the financial institutions, keeping in mind the interest of the nation above all.

My sincere thanks and gratitude to the employees of the bank who continue to work to deliver our vision and the legacy for the future. The level of dedication, hard work and passion they have shown is outstanding. I convey my earnest appreciation to the team to have overcome multiple challenges during the period.

I am delighted to invite you to attend this year's Annual General Meeting to be held on May 31, 2018 at Army Golf Club, Airport Road, Dhaka Cantonment, Dhaka 1206 and look forward to welcoming you.

I wish everyone the very best for 2018.

Thank you,



M. A. ROUF, JP
Chairman

MANAGING DIRECTOR & CEO'S STATEMENT



Anis A. Khan
Managing Director & CEO

It is critical that the financial industry keeps up with the unprecedented pace at which innovation and technology are leaping forward. While technology remains at the core of our progress, it is the exact same front that is being exploited by perpetrators across the world. We will continue to invest in technology to further strengthen our defensive mechanism and will never cease to invest in our human resources to hone their skills, as we are committed to protecting the very reason of our existence - our valued customers.

Thank you for trusting MTB as your growing partner and giving me the opportunity to lead your bank for the last nine years in a row. I am committed to serving your interest in the best possible ways.

Just 18 years ago, our visionary founders laid the structure for what has become today's MTB - a bank with a clean image, excellent market reputation and an enviable structure, spanning the MTB Group across the country and with a small but strategic presence in the UK. With our vast and growing network and subsidiary companies, MTB today has an extensive array of products and services across many product lines including wholesale, SME and retail.

I am delighted to inform you that MTB, in 2017, delivered a remarkable performance, achieving consolidated operating profit of BDT 3.92 billion with a growth of 15 percent over 2016 and the bank's ROE of 18.35 percent remained impressive despite immense pressure of provision against non-performing loans and advances. In 2017, our balance sheet maintained an unyielding growth, where risk assets grew by 27.33 percent and customer liabilities by 16 percent compared to the same period of the last year. At the same time, the bank continued to maintain capital adequacy at 13.76 percent, which is well above the regulatory requirement. Such outcomes have been possible only because of the full support and trust of all the stakeholders, the Chairman and the members of the Board, our regulators, my fellow colleagues, customers, and of course, you, our valued shareholders.

As an evolving financial institution, with over 18 years of strong market existence, a sustainable growth record and superior image, today we provide simpler and smarter banking solutions to more than eight hundred thousand customers across our physical network of 111 branches, 50 agent banking centers and alternate delivery channels including- MTB Internet Banking, MTB SMS Banking, 246 ATMs with 24/7 service and around 3000 POS machines.

2017 - The Year in Review

Business Resilience

Operating in full compliance with legal and regulatory requirements by managing the core risks in the best possible manner has always remained our top priority. Over the years, MTB has sufficiently equipped itself with extensive policy guidelines on risk management and made investments in human resources and technological development to ensure compliance with prevailing acts, rules, policy guidelines and circulars issued by the government, regulatory authorities as well as the bank itself, thus establishing a compliance regime. The Board and the management has always positioned compliance as the first priority of the bank.

Focusing on the growth of the balance sheet was important in 2017. The team, with the support and guidance of the scholarly Board of Directors, achieved

22 percent in its balance sheet i.e. total asset. At MTB, we always try to create a culture of operational excellence, efficient performance and world class service delivery, which, in turn, makes us capable to respond quickly to deliver simple, fast and contextual banking in this digital age. MTB, with a loyal customer base, highly motivated employees and a solid capital and liquidity foundation, has been able to ensure a balanced and sustainable growth to deliver consistent long-term returns to the shareholders amidst a constantly and rapidly changing macroeconomic, financial, and socio-political environment.

I am excited by the prospects of our MTB Agent Banking Centers (MAB), and I must compliment the MAB Team for their hard work and smart delivery in 2017. 50 agent banking centers, in just over a year is no mean achievement. Their contribution to CASA growth, increase in remittances, delivery of SME and agri-loans, and bills collection will pave the way for a more financially inclusive bank. The agent banking centers will also make MTB a household name over time. Moreover, the establishment of MTB Air Lounge at international departure of Hazrat Shahjalal International Airport has enabled the bank to extend the retail banking reach while ensuring greater comfort and convenience for MTB customers when travelling in and out of the country. MTB is one of the five banks that have such facility among the 58 banks of the country, which has given a clear edge in branding of the bank to local and foreign passengers of different airlines.

Towards MTB3V

To justify our vision, MTB3V, of being the bank of choice, we don't consider banking as a separate activity at MTB, but as one that should be seamlessly interwoven into a customer's everyday life. To do so, we need to have a relentless focus on customers' true satisfaction. To materialize our vision to turn MTB into a truly world class bank, our state-of-the-art training institute remains busy throughout the year to train MTBians internally, and a good number of MTBians are also sent to international training and seminars. As a strong believer of empowering our employees with skills for both their professional as well as personal development, we continued to invest in new learning and development programs. In this regard, in 2017, we provided training to 1,786 employees out of the total 2,004. At the same time, we invested in our delivery channels to enrich the same with the latest tools and technologies. In 2017, the scholarly Board of the bank approved the acquisition of a sophisticated core banking solution to handle the large number of customers smoothly as well as to serve them more efficiently. With all our efforts and your continued support, we want to make MTB one of the best performing banks in Bangladesh.

Commitment to Citizenship and Sustainability

2017 witnessed dramatic changes in the global political and economic arena. The macroeconomic conditions of Bangladesh also went through significant changes including a decline in remittances inflow, import payment pressure over export earnings and volatility in the foreign exchange market, especially in the last quarter of 2017. We addressed difficulties and challenges with improvements and innovation, accelerated business structure adjustment, optimized systems and processes, and thus ensured sustained and steady development. We devoted a great deal of energy towards the development of inclusive finance and provided more focus on retail and SME segment. Accordingly, we attained a significant growth of 72 percent in SME and 49 percent in retail business during 2017 with the support of our dedicated business units and branches.

Our competitive capabilities to operate as a compliant organization has picked up pace with a multitude of leadership and talent development efforts that we underwent. Hence, I am excited about the prospects of MTB's continued success for the future.

In 2017, MTB:

- Successfully reached its target of opening 50 agent banking centers across the country.
- Ended the year with 111 strategically located branches, 246 MTB 24/7 ATMs and around 3000 POS machines.
- Earned the milestone of achieving the highest operating profit of BDT 3.92 billion in the 18 years' history of MTB with a growth of 15% over 2016.

“Protect and Surge” – The Theme of 2017

In 2017, MTB's theme was “Protect and Surge”. Innovative technologies including latest payment systems have enabled us to reach and serve our customers in more ways than ever. Technology has opened up avenues to further protect our investments. Then again, it is the technology which is being utilized by criminals all over the world to infiltrate financial and other institutions for their unlawful personal gains. We remained vigilant at all times and kept ourselves familiar with the changes, both in technology and the ways the perpetrators infiltrate and further strengthened our defensive mechanism to protect the bank, its products, services and delivery channels from being exploited by scammers, money launderers and terrorist financiers.

During the year, we introduced the latest EMV chip based cards, enhanced system capabilities to further secure Internet and SMS banking services for our customers. Moreover, we have an IT Security Department, which shows our commitment when it comes to protecting our valued customers and their bank.

2018 – MTB Resurgent

2018 will be a significant year for MTB and the overall banking industry as the composition of the industry is undergoing an inevitable change. With the inclusion of 3 new banks, the total number of banks is now 57. Considering the size of our country and economy, the number most certainly makes the industry more competitive and regressive. Still, I am confident that we, with all our combined effort, can overcome all the obstacles and will achieve the goals of the organization. While we have ended 2017 on a positive note, we are not going to be complacent and will leave no stone unturned to continue the growth trajectory in the year to come.

In 2018, the theme for the bank is MTB Resurgent with an aim to turn around against all odds and secure a sustainable growth of the bank. With the target in mind, we will be more attentive in achieving our business targets by focusing more in retail and SME business, ensuring financial inclusion through agent banking and we will concentrate on improving our risk assets portfolio. At the same time, using our people and network, we will optimize cost efficiency through improving the deposit mix like previous years. More focus will also be given on fee based and commission earning in the year of “MTB Resurgent”.

Driving Innovation / Digital Initiatives

The future is in digitalization. Market-leading digital innovation to maximize our customer satisfaction remains one of our priorities. In our aspiration to become the “Digital Bank of Choice”, we continued to deliver high-quality service and innovative products through our well-managed digital channels. Our efforts to make day-to-day banking simpler and more accessible via digital means are paying off good dividend to us in return. In 2018, we are going to introduce a new Core Banking System (CBS) for us to have an edge over our competitors and stay clearly ahead with better service provided to our customers with proper time management, accuracy and simpler financial solutions.

Moving Forward Together

The year 2017 was exciting and as we go through 2018, we want to convey our promise to our customers of moving forward together, which encapsulates and reinforces our value proposition, which means empowering our customers to advance towards their ambitions, goals and dreams in every stage of their lives. We want to inculcate a culture of providing the right solutions that are simple yet innovative, ahead of the curve, and competitively priced. Basically, it is a promise to deliver solutions to the needs and wants of our customers, wherever and whenever that may be.

In the past years, the bank made strenuous efforts to mitigate risks and thus maintained stable asset quality. As we step into 2018 with some caution, we remain

watchful over asset quality concerns that could prolong during the year. We reaffirm the commitment to upholding the highest standards of compliance and risk management, whilst also endeavoring to provide superior customer experience.

Final Remarks & Recognitions

MTB's elevated growth in 2017 is attributed to its growing reputation as a compliant bank, timely strategy and customer centric culture supported by good governance.

I take this opportunity to thank all our stakeholders - government, regulators, customers, and communities - for the overall support you have extended towards MTB in enabling us to make our strides towards living our aspirations of "One of the best performing banks in Bangladesh".

On behalf of the management, I would like to express my sincere thanks to our honorable Board of Directors for their guidance and constant support. We will forge ahead and repay their trust and support with better business performance and by working hard towards our strategic goals.

I also convey my heartfelt gratitude to all MTBians for their dedication, passion and tireless contributions in helping to build MTB into a stronger organization that can weather through challenging circumstances.

Finally, let me reaffirm the commitment of the management and staff of MTB to continue to do our best to deliver value to you.

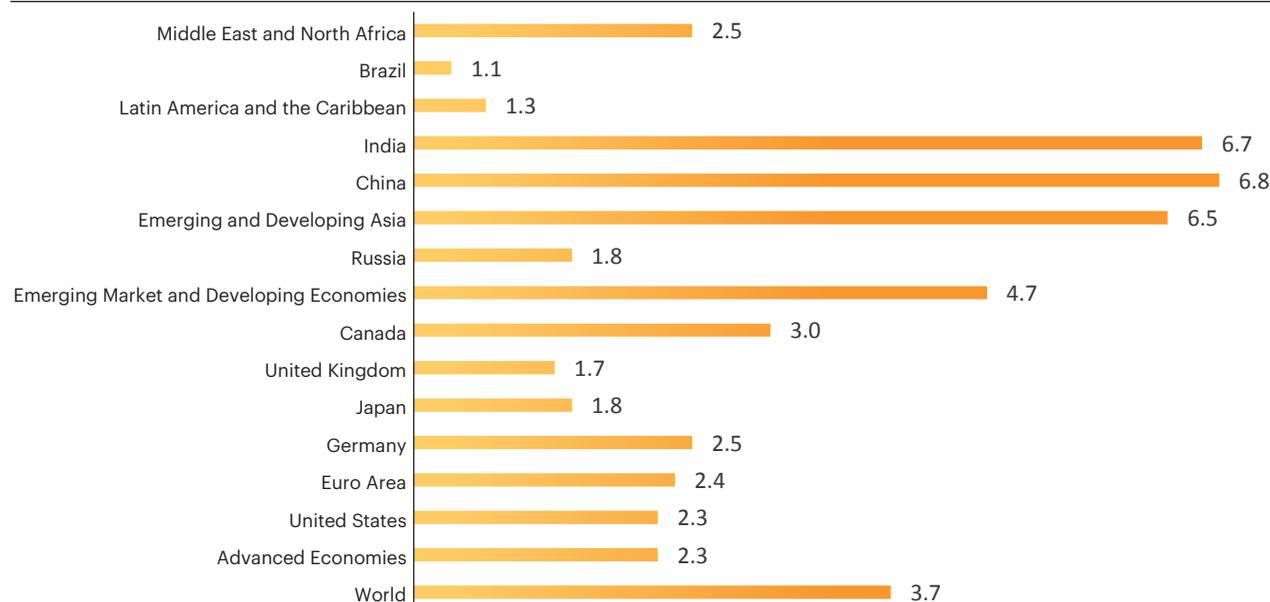
Global Economy

The engine of global prosperity accelerated significantly during 2017 and managed to outperform the expectations by a margin. Consequently, jobs got created, fortunes were lifted and fears of popular discontent were mitigated. As a whole, the year 2017 can be characterized by a near-perfect combination of steady global growth, low inflation, and accommodative monetary policies. Almost all of the world's major economies were in some phase of

expansion, leading to a self-accommodative global acceleration and the most synchronized global upturn in at least several years. The primary driver of the pickup in global activity was China's reacceleration during the 18 month-period prior to December 2017, which stimulated a turnaround in global industrial production, exports, commodity industries, and the profits of multinational corporations.

The International Monetary Fund in its World Economic Outlook, published in January, 2018 reported healthy

IMF Growth Estimates for 2017



growth for most parts of the world. Overall, the global economy is reported to have grown by 3.7% in 2017, which was only 3.2% for the preceding year.

During 2017, some 120 economies that constitute around three quarters of world GDP, experienced a pickup in growth on year-on-year terms that can easily

be termed as the most synchronized global growth upsurge since 2010. During the last few months of last year, economies around the world experienced pickup in investment, particularly among advanced economies, while in Asia, countries encountered increased manufacturing output.

Inflation Scenario

Most surprisingly, during 2017, the acceleration in global growth did not cause a bigger pickup in inflation. Although the inflation dynamics in many countries in the first half of 2017 were impacted by the steep year-on-year rise in energy prices relative to the lows seen in early 2016, this transitory impact got largely evaporated by mid-year.

In 2017, the overall inflationary condition remained stronger in the Eurozone. However, it managed to cool down during the closing months mainly due to a softer rise in energy prices and food prices. In Japan, inflation edged above zero, while in the United Kingdom and the United States headline inflation exceeded the central bank targets of 2% for at least part of 2017. By contrast, price pressures eased in many large developing economies and economies in transition. This created space for several countries in South America, parts of Africa and the Commonwealth of Independent States (CIS) to cut interest rates in 2017, easing monetary conditions and providing more support to economic activity.

Movement in commodity markets during 2017

- An unprecedented oil-production-cut arrangement with OPEC helped lift oil. Brent crude oil started the year at \$55 per barrel level and closed the year trading around the \$66 per barrel threshold.
- Gold prices trended higher (up by more than 2%) throughout the year as the Fed raised interest rates three times and inflation ticked above the critical 2% mark.
- Better-than-expected economic growth in China, along with labor issues in Chile and Indonesia, helped copper prices rise more than 25% for 2017.
- Agricultural commodities like London sugar and U.S. corn lagged this year as a rising U.S. dollar and inflation discouraged investors.

Monetary Policy

During 2017, the monetary conditions remained broadly accommodative throughout the globe. Interest rates continued to diverge between the euro area, Japan and the United States, reflecting differences in the timing and pace of economic cycle.

In the United States, the Federal Reserve gradually hiked its benchmark interest rate from a near-zero level. In 2017, the Fed increased the interest rate thrice, which is likely to cause higher rates on consumer loans, some mortgages, credit cards and other loans. This indicates the central bank's confidence over the strength of the economy.

The Bank of England in November of 2017 raised its main rate by a quarter point, its first hike in a decade, to keep a lid on inflation. Prices had been rising sharply due to the pound's sharp fall after the June 2016 vote

for Brexit. The pound's drop simultaneously pushed up import costs, notably of food and energy, and weighed on economic growth by reducing living standards as price surge started to outpace wage growth.

Meanwhile the European Central Bank (ECB) kept its main interest rate at zero although the euro zone banks were well prepared for sharp changes in interest rates.

In Asia, the Bank of Japan also maintained its short-term interest rate at minus 0.1 percent and the target for the 10-year government bond yield at zero percent during 2017. Whereas, China's central bank raised interest rates for its Medium-term Lending Facility (MLF) and reverse repos. The seven-day reverse repurchase rate was revised to 2.5% while the 28-day reverse repurchase rate was increased to 2.8%

Global Banking Industry

The financial position of the banking sector in developed countries continued to improve during 2017. For instance, global systemically important banks (G-SIBs) strengthened their balance sheets with additional capital injections, while liquidity also rose due to declining loan-to-deposit ratios and less reliance on short-term funding.

By the end of 2017, the global banking sector managed to attain a much better shape than it used to be at the start of the global financial crisis 10 years ago. According to EY's 'Global Banking Outlook 2018' survey, the largest banks in the world substantially improved their capital position. Resilience has been supported by the development of recovery and resolution plans as mandated by regulators globally. The progress the banks made in strengthening their balance sheets is reflected in their expectations for financial performance.

Global Capital Markets

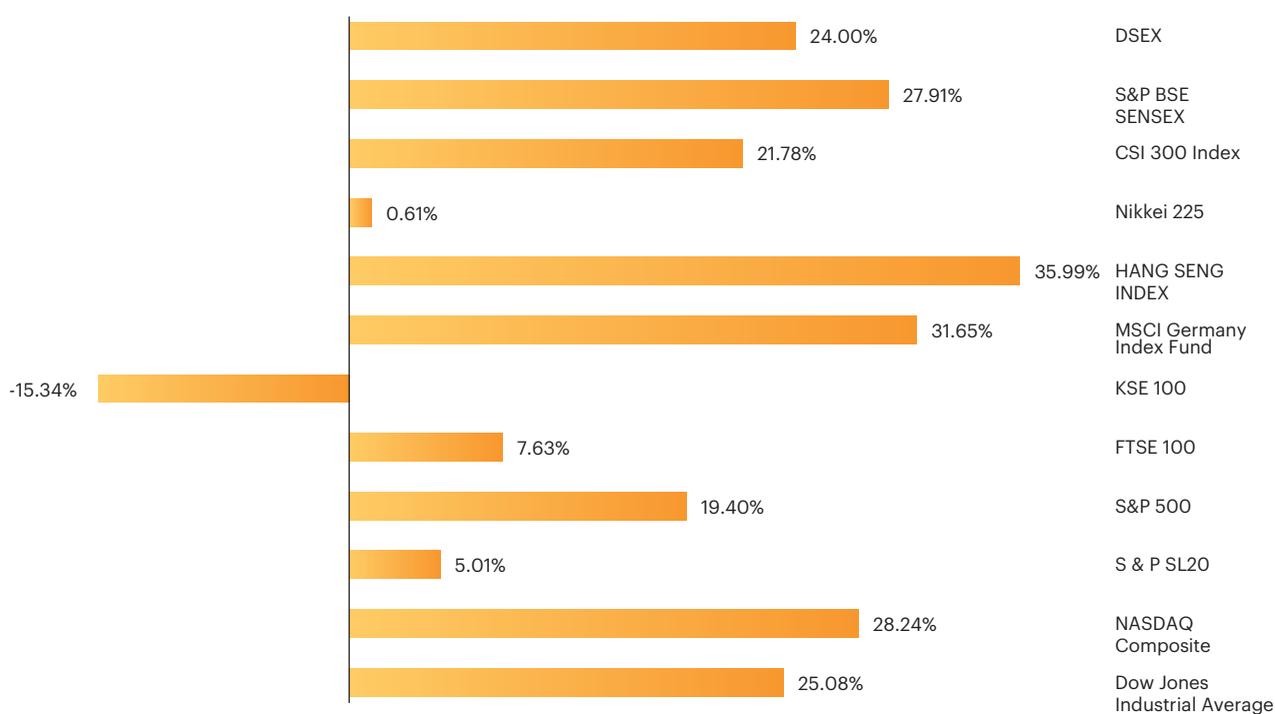
World stock markets began the year flat footed, amid preparations for missile tests in North Korea and following a widely condemned executive order from America's new president banning travel from seven muslim-majority countries. However, as time passed by so did the anxieties and global equity markets posted a positive year of returns in 2017.

The FTSE 100 was to settle for a broadly shallow upward trajectory over the year, while markets in the US bounded on to new record highs. The S&P 500 Index recorded a 19.40% total return and small cap stocks, as measured by the Russell 2000 Index, returned 14.65%, both above their long-term average return. The Dow Jones Index raced 25% higher in 2017, getting even closer to 25,000 and making the year its best since 2013. The booming stock market was the result of resurgent economic growth and blockbuster corporate profits.

Japanese equities soared to their highest levels in more than 20 years, boosted by a weak yen and record corporate profits. China's stock markets also headed higher, aided by reports of strong growth in domestic consumption. India's stock market continued to drive higher too, belying a slowdown in underlying

economic growth after the withdrawal from circulation of high value bank notes in 2016. On the contrary, the Pakistan Stock Exchange's performance was the worst in the world during 2017 as KSE-100 Index posted an absolute negative return of 15.34%.

Movement of Major Stock Indices



In the euro zone, the MSCI Europe and MSCI EMU indices made strong gains in 2017, returning 10.2% and 12.5% respectively. The economic backdrop remained very encouraging. The buoyant mood was supported further by a rise in shareholder activism in Europe, as well as merger & acquisition activities and share buybacks.

Growth Prospects for 2018

At the very beginning of 2018, the mood is pretty good from a business point of view due to the synchronous growth of last year. Currently, the global economy is said to be operating at or near full capacity. The prevailing economic momentum is expected to continue for the next few years. Consequently, the International Monetary Fund (IMF) has set the global forecast for 2018 to be 3.9%, supported by an improved outlook for advanced economies. Additionally, the US tax policy reform is anticipated to enhance global output via temporary improvements in the US domestic growth combined with favorable demand spill overs for its trading partners. Nonetheless, risks

to the global growth are broadly balanced in the near term and skewed to the downside in the medium term as threats remain from higher inflationary pressures, build-up of financial vulnerabilities and the tightening of global financing terms.

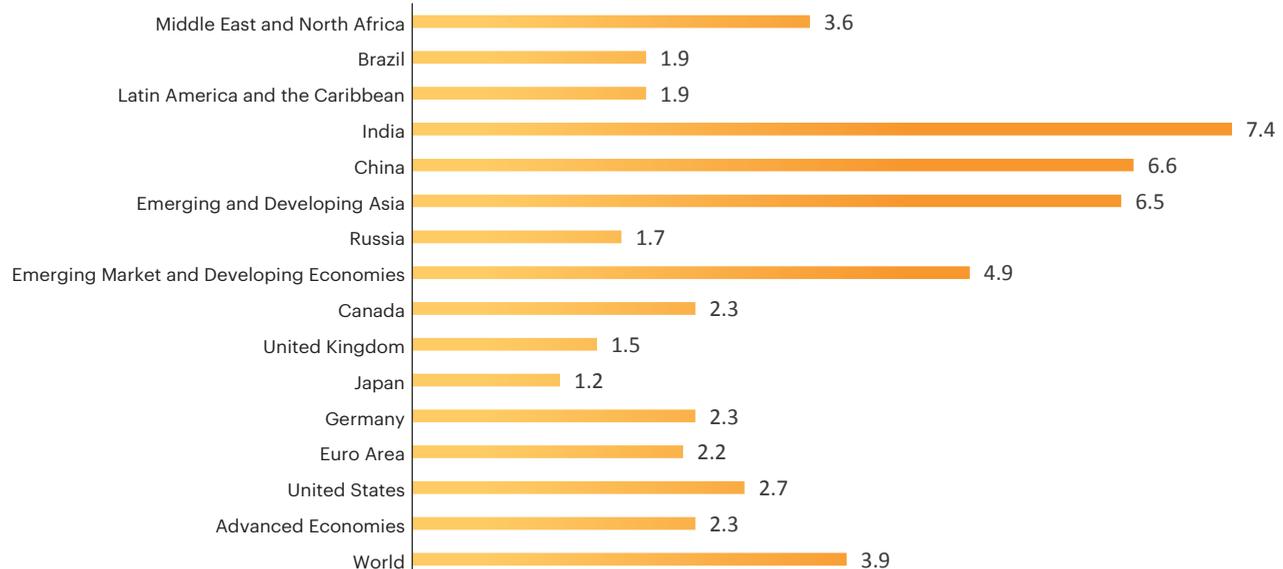
Growth rates for many of the euro area economies have been marked up, especially for Germany, Italy, and the Netherlands, reflecting the stronger momentum in domestic demand and higher external demand.

Emerging and developing Asia is expected to grow at around 6.5% during 2018. The region continues to account for over half of world growth.

In Latin America, the recovery is expected to strengthen, with growth of 1.9% in 2018 and 2.6% in 2019.

The growth pickup in Sub-Saharan Africa is broadly anticipated to rise modestly from 2.7% in 2017 to 3.3% in 2018. Growth in South Africa is now expected to remain below 1.0% in 2018 as a result of increased political uncertainty.

IMF Growth Projections for 2018



Bangladesh Economy

Bangladesh has become a growth-generating factor for Asia with its consistent economic growth over the last decade. 2017 has been a mixed year of achievements and challenges for Bangladesh. Though some macro indicators reflected positive trends, the overall strength of the economy was weakening due to a number of developments toward the second half of the year. One of the major achievements of the economy has been a 7.28 percent economic growth in FY 2016-17, breaking the six percent cycle that continued for a decade or so. Consequently, the World Bank painted a brighter picture for Bangladesh's economy for the next two fiscal years as well. The growing optimism is based on hopes from strong domestic demand, exports, investment and remittance. Further, the higher growth is expected to be driven by a rebound in agriculture sector and an enhanced contribution from real sector as well. With a booming population of more than 160 million, Bangladesh now offers a great market to the region and beyond in terms of investment, productivity and consumption.

The year 2018 will be a turning point for Bangladesh in many ways. Bangladesh recently fulfilled the UN's current criteria to graduate from a 'least developed country' to a 'developing country'. It has also recently advanced from a low-income country to a low-middle income country on the World Bank's scale.

It will also continue its efforts toward becoming a middle-income country. Additionally, it will continue to implement the sustainable development goals (SDGs). These will hinge on a number of factors such as accelerated resource mobilization, higher investment, efficiency in infrastructure implementation, skilled human resources and strong institutional set up.

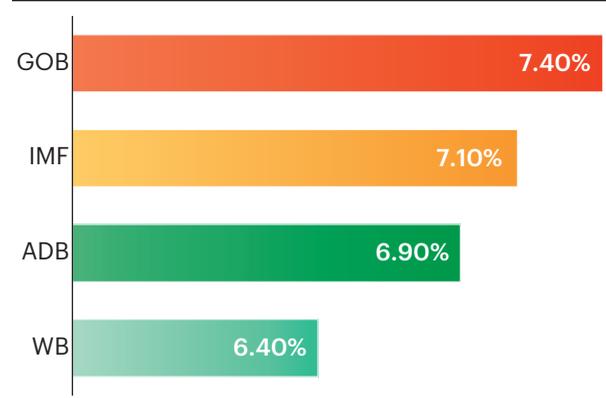
Gross Domestic Product (GDP)

The amazing growth story of Bangladesh continued with macroeconomic indicators showing positive trends during 2017. The economy managed to maintain the above 7% growth trajectory that started last year, breaking the cycle of 6% growth that persisted for the last decade or so. Out of the 45 least developed countries (LDCs) in the world, Bangladesh was one of the only five countries that attained a GDP growth rate over 7% in 2017. Like in previous years, the major boost for growth came from the industrial and service sectors.

Despite Asian Development Bank's (ADB) forecast of 6.9% growth, Bangladesh managed to attain a staggering 7.28% growth during 2017 that was well in line with the target set by the government.

Bangladesh government targeted economic growth at 7.40% for the FY 2017-18. Among the international agencies, International Monetary Fund (IMF) said that Bangladesh's economy would grow by 7.1% during 2017-18. ADB forecasted the growth to be 6.9% while the World Bank said it would be 6.4%.

Forecasted GDP Growth Rate for 2017-18

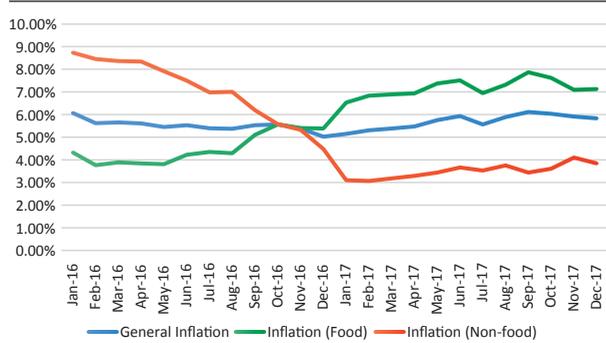


Inflation

The point to point general inflation decreased by 0.08 percentage point and stood at 5.83% in December 2017 from 5.91% in November 2017 as non-food inflation eased to a comfortable level. However, food inflation increased to 7.13% in November from 7.09% in October.

As per Bangladesh Bank's statistics, twelve month average inflation at the end of December 2017 was reported to be 5.70% that was well below the government's budget target of 6.0%. During the same month of the previous year, the twelve-month average inflation was 5.51%.

Point to Point Inflation-Movement

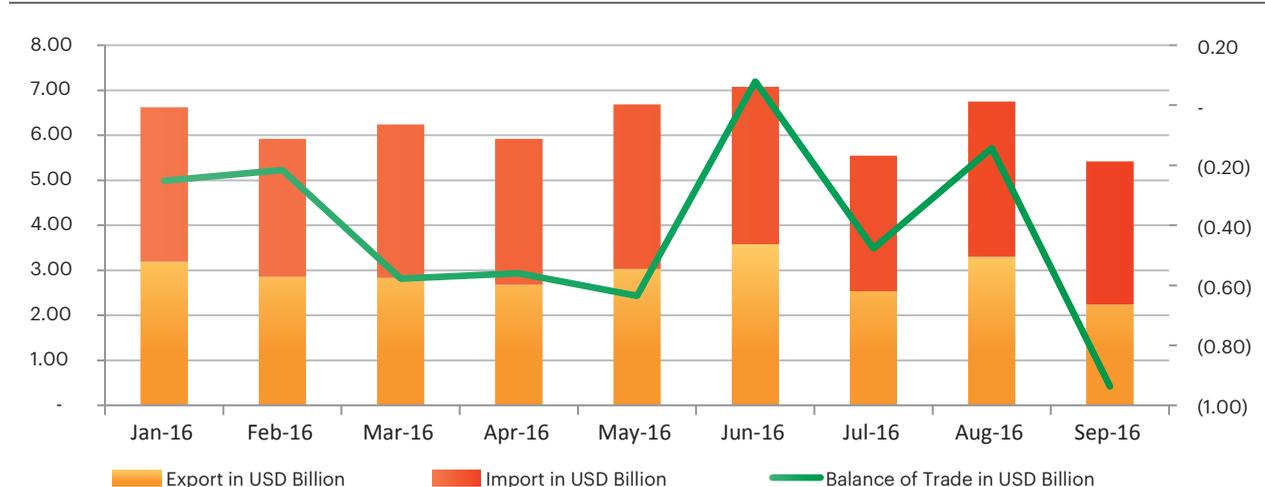


External Sector

Bangladesh's foreign exchange reserves was reported to be USD 33.23 billion at the end of December 2017, up by 3.55% from December last year. With the current reserve it is possible to serve the import payments for over nine months. The forex reserve managed to cross the milestone of USD 33 billion mark for the first time during June 2017. Within a period of 17 years the country's reserve grew by 33 times.

Meanwhile, the current account deficit widened almost eight times and was reported to be USD 4.76

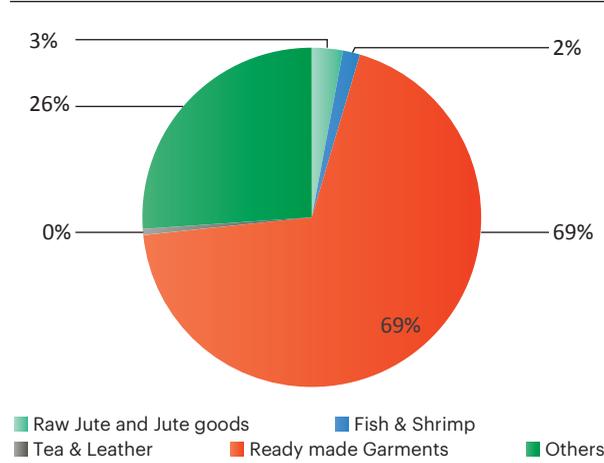
Imports & Exports



billion for July and December 2017, which was USD 0.54 billion in the deficit a year earlier, according to data from the central bank. Trade gap of USD 8.63 billion can be held mainly responsible for the large current-account shortfall.

Exports

Category-wise Share of Total Exports 2017



Export earnings recorded a growth of only 3.01% and recorded to be USD 35.95 billion for 2017. The export items that registered a positive growth during 2017 include ready-made garments, jute goods, fish & shrimps and others. On the other hand, raw jute, leather and fertilizer experienced a negative growth during 2017 compared to the same period of the previous year.

Imports

The actual import in terms of settlement of letters of credit (LCs) rose to USD 46.35 billion during 2017 from USD 42.36 billion of 2016. On the other hand, opening of LCs, generally known as import orders, rose by 44.3% to USD 65.35 billion during 2017 from

USD 45.29 billion of 2016. The overall imports increased during the period mainly due to higher import of capital machinery and industrial raw material as implementation of the different ongoing infrastructure development projects are undergoing across the country. Higher import for capacity building in textile, leather, jute, garment, pharmaceutical, ship building and energy and power sectors contributed to the rise in overall capital machinery imports.

Remittance

Remittance is the second highest source of foreign currency earning in Bangladesh next to exports of readymade garments (RMG). The inflow of remittances came slightly down by 0.56% to USD 13.53 billion during 2017 from USD 13.61 billion of 2016. Lower development activities in the Gulf Cooperation Council economies due to drop in global oil prices are seen as a major cause behind the plunge, alongside a rising trend in sending hard-earned money by expatriate Bangladeshis using informal channels. However, the central bank took several initiatives to improve the scenario.

Fiscal Management

Total tax revenue collection (NBR & non-NBR) during July-December, 2017 stood at BDT 972.25 billion which was higher by BDT 142.95 billion or 17.24% against the collection of BDT 829.29 billion during July-December, 2016.

NBR tax revenue collection during July-December, 2017 stood at BDT 934.40 billion which was higher by BDT 132.43 billion or 16.51% against the collection of BDT 801.97 billion during July-December, 2016.

Capital Market Scenario

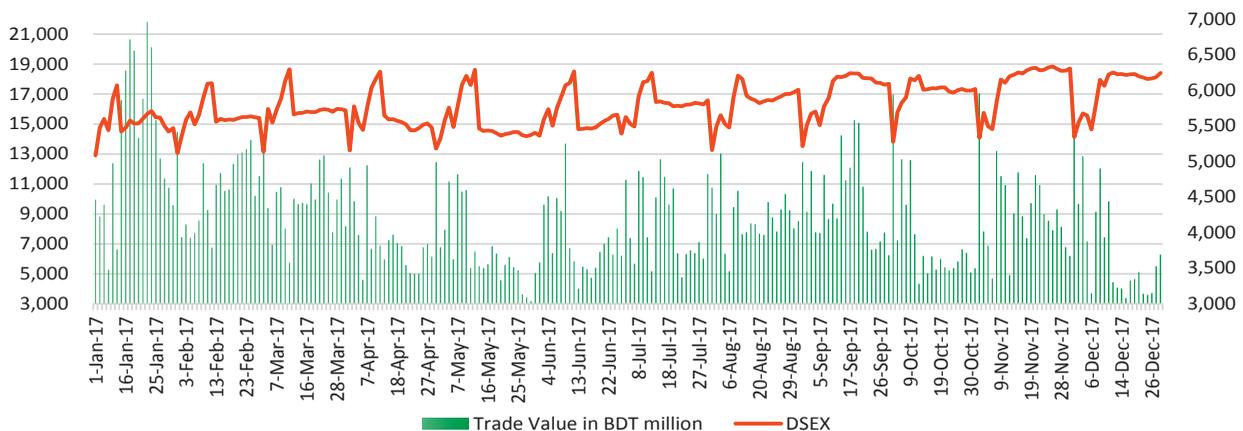
Following the catastrophic collapse of 2010, the Bangladesh stock market managed to exhibit strong signs of revival during the trading sessions of 2016 that bolstered further during 2017, except the last quarter of the year. Favorable macro-economic indicators, as well as the prevailing positive trends in the capital market continued to attract investors to take positions

on available undervalued stocks from different sectors, particularly power, engineering and banking.

Overall improved macroeconomic and political situation led the local and global investors to have high hopes regarding the returns associated with the market. Price level in the market improved gradually during the trading sessions of 2017 with little elements of fluctuation. The benchmark index, DSEX started the year from 5,000 level mark. It gained momentum gradually to cross the 6,000 level mark during the end of August 2017 and hovered over the said mark till the close of the year. Average daily turnover improved significantly and was reported to be BDT 8.7 billion for the trading sessions of the year, the highest since the crash of 2010. The market capitalization increased by 23.9% to BDT 4,229 billion, which was BDT 3,412 billion the year earlier. As a whole, the price level and participation both were on the rise and investors started to be optimistic during 2017.

On a year on year basis, the benchmark measure DSEX, gained 24.0% to stand at 6,244 point at the end of December 28, 2017. Average daily turnover went up by 76.9% compared to the same period of last year. Throughout the year, the major sectors exhibited mixed performance. Spontaneous participation backed by hopes and excitement coupled with steady capital market trends continued to attract the sideline investors to inject fresh funds into stocks, taking the market turnover, on 23rd January 2017, to BDT 21.8 billion, the highest single-day turnover since July 2011. Given the current condition of the market, more attention should be given towards strengthening the foothold of mutual funds since they are the major institutional investors. This will result in a decrease in the propensity of taking short term profits and the market would head towards long term stability.

In an attempt to stimulate the capital market, the Bangladesh Securities and Exchange Commission eased a number of conditions including the minimum capital requirement for becoming a market maker for listed securities. The minimum capital requirement for becoming a market maker has been lowered to BDT 100 million from BDT 500 million proposed in the draft rules.



Banking Sector Scenario

A sound banking sector is the key to a sustained economic development for any country. It facilitates the financial mechanisms between borrowers and lenders, helps expedite capital accumulation, and ensures use of resources into productive sectors. The Bangladeshi banking sector experienced several ups and downs to reach to its current position that has been termed as stable by the international rating agency Moody's mainly due to the healthy operating environment, and despite legacy asset quality issues and tighter liquidity conditions.

Among the eight state-owned banks, 40 privately-owned banks and nine foreign-owned banks, nonperforming loans (NPLs) stood at BDT 804 billion as of September 2017, according to Bangladesh Bank (BB) figures. The amount is 10.67 percent of all outstanding loans. Like previous years, state banks were again the worst performers last year as NPL of the eight state-owned banks stood at BDT 441 billion or 55 percent of the total. However, at end of the year, the NPL slightly reduced to 9.31 percent.

Consequently, reforms have been undertaken with objectives such as increasing the capital adequacy of banks under Basel III regime, streamlining guidelines for rescheduling of various types of loans, tightening provisions for non-performing loans, strengthening disclosure requirements and improved accounting systems. These have undoubtedly improved the soundness of the sector. Consequently, operating profit for most of the scheduled banks increased significantly during 2017. Relatively calm political situation, moderate rise in export earnings and significant rise in import payments in 2017 compared with those in the previous year also had a positive impact on the banks' performance.

As a whole, the banking sector indicators exhibited mixed performance during 2017. The challenges that the sector encountered during the year was ensuring cyber security, dealing with the pressure of non-performing loans and maintaining optimum level of liquidity. Until the first half of 2017, banks were piled up with excess liquidity. The government and central bank kept on making relentless efforts to make the situation more investment friendly, and consequently, the crisis was almost resolved. Lending rates were also being revised downward. But, from end of third quarter of 2017, most of the banks struggled to maintain the prescribed Advance-Deposit ratio (AD ratio). The deposit crunch in private commercial banks was caused mainly due to withdrawal of government deposits from the private banks and excessive investment in government saving certificates, sanchayapatras, by the household depositors. The overall cost of deposits experienced upward adjustment because of the banks' aggressive attempts to pursuit deposits. Moreover, the foreign exchange market was volatile during the year and the remittance inflow declined compared to last year. On the other hand, the industry credit growth was good at around 18%, following last year's trend. However, the central bank declared contractionary monetary policy and targeted lower credit growth, around 16%, against

the actual growth of 18% for the period January to July of 2017. As a whole, the overall banking sector got impacted significantly due to rising pressure of non-performing loans, downward revision of lending rates and upward adjustment of deposit rates.

Banks' Deposits

Total deposit of the scheduled banks was reported to be BDT 9,262 billion at the end of December 2017, increased by BDT 859 billion (10.2%) from BDT 8,403 billion of December 2016. Time deposits registered a growth of BDT 726 billion or 9.7% and demand deposits also registered a growth of BDT 133 billion or 14.7% in December 2017 over December 2016.

MTB's deposits registered an increase of BDT 10 billion or 7.9% from BDT 131 billion in December 2016 to BDT 141 billion in December 2017.

Banks' Advances

Banks' advances recorded an increase of BDT 1,313 billion or 18.4% to be BDT 8,444 billion at the end of December 2017 compared to BDT 7,131 billion of December 2016. Whereas, MTB's advances registered an increase of BDT 31 billion or 27.3% from BDT 114 billion in December 2016 to BDT 145 billion in December 2017.

Banks' Profitability

Profit of most of the private commercial banks rose considerably in 2017 mainly due to rampant credit disbursements by the banks, despite a sharp cut in the lending rates and growth in borrowing rates during the latter part of the year.

However, as the default loans skyrocketed due to aggressive lending by most of the banks, the profit after tax is expected to take a hit in final count due to increased need for keeping provisions against the defaulted loans.

MTB's operating profit stood at BDT 3,673 million during 2017 experiencing an impressive growth of 14.47% compared to BDT 3,209 million in 2016. Whereas, the consolidated operating profit for MTB at the end of 2017 was reported to be BDT 3,916 million that is 15% more than what it achieved during 2016.

Money Market

Interbank call money market experienced volatility during 2017 due to change in liquidity position in the overall market. Since the banks were having excess liquidity during the initial part, call money rate hovered around the lower zone, and eventually the rates experienced upward adjustments during the later part. At the end of December 2017, deals were getting settled at 3.92%. Whereas, during the initial months of the year, the same deals were getting settled at 3.54%. Interest rates on treasury bills and bonds fluctuated significantly throughout the entire 2017. 91 days cut-off got hit to as low as 2.89% during May 2017 to rise as high as 4.0% during October 2017. The Repo and Reverse Repo rates were kept unchanged at 6.75%

and 4.75% respectively during 2017 in an attempt to contain inflation and boost economic growth.

Interest Rate Spread

The spread between the weighted average advances and the deposit rates of all banks decreased during 2016 with little fluctuations. The spread between weighted average advances and deposit rates came down to 4.44% in December 2017 from 4.71% of December 2016. On a year on year basis, both interest expense on deposit and interest income on advances experienced a drop. Interest on deposit decreased by 0.31 percentage point to 4.91% in December 2017 from 5.22% of December 2016. Whereas, interest on advances decreased to 9.35% during December 2017 from 9.93% of December 2016.

Overall, a declining trend of interest rate spread in the country's banking sector was observed till November of 2017, as the commercial banks slashed their interest rates more on lending than on deposits in an attempt to stimulate the loan growth. That eventually created a gap between deposit and credit growths and in turn banks started offering higher interest rates on deposits to collect more funds during the closing months of the year.

Primary Dealer Operation

Primary dealers operate in an attempt to establish a sound, efficient and vibrant 'secondary market for the government securities' by active participation of market makers, operators and the market participants. A total of 12 leading commercial and three non-banking financing institutions (NBFIs) are working as primary dealers in treasury bills and government bonds while other banks and NBFIs did not require to involve their funds in related operations. However, during 2017, interest rates on the government treasury bills and bonds remained volatile. Till the first half of the year the rate moved downward as most of the scheduled banks rushed to invest their excess liquidity in the government tools. However, the rates kept on getting stronger during the last half as the banks were done with their oversupply of cash.

Non-Performing Loan (NPL) Management

Non-Performing Loan (NPL) is a critical challenge for the banking sector of Bangladesh, and most of the banks are struggling to address the problem. The banking system is still burdened with an alarming amount of non-performing loans (NPLs) that make funds costlier and banks' operations riskier. The SCBs (State Owned Commercial Banks) and SBs (Specialized Banks) continue to have high level of NPLs mainly due to substantial loans provided by them on considerations other than commercial criteria.

The NPL of the banking sector increased to 9.31 percent (BDT 743 billion) of the total outstanding loans of BDT 7,980 billion at the end of December 2017 that was BDT 621 billion (9.23%) at the end of December 2016. The major reasons behind rising NPL are extending loans based on political consideration, taking mortgage or collateral against loans at inflated prices, use of loan money in unproductive sectors, non-supervision and

post disbursement monitoring of loans and inadequate actions to realize loans even after they default.

However, at the end of 2017, the non-performing loans for MTB stood at BDT 6,268 million that is 4.30 percentage of the total loans outstanding. This is one of the lowest in the industry and impressive against the industry average of 9.31 percentage.

Implementation of Monetary Policy

The main objective of Bangladesh Bank's Monetary Policy Statement (MPS) for the first half (H1) of the FY 18 is maintaining price stability while supporting growth and employment.

The aim of the policy is to support the 7.4% growth target and the 5.5% inflation target for the fiscal year 2018. As per the MPS H1 2018, reserve money is projected to grow at 12% and broad money (M2) at 13.9%, which are adequate to support the growth and inflation targets. It has also taken the growth rates of both public and private credit into account. The policy focuses on inclusive, productive use of credit; with particular attention to adequacy of credit flows to agriculture, SMEs, and environmentally benign 'green' output initiatives, where domestic credit is projected to grow at 15.8% at the end of the fiscal year 2018. Private sector credit is projected to grow at 16.3% and public sector credit at 12.1 percent. The Bangladesh Bank's monetary and financial policy stance is grounded on the growth supportive developmental mandate in its charter.

Capital Adequacy Management

Banking sector needed to maintain minimum 10% total capital ratio comprising minimum 5.5% Tier-1 capital and maximum 4.5% Tier-2 capital in 2015, and the distribution will be minimum 6% Tier-1 capital ratio and 4% Tier-2 capital ratio at the end of 2019. Moreover, banks are required to maintain 2.5% extra capital (gradually increasing 0.625% in each year) as capital conservation buffer through the common equity Tier-1 capital at the end of 2019. As a result, at end of 2019, capital requirement for banks will be 12.5%.

At the end of September 2017, the number of banks compliant with the minimum capital to risk-weighted assets ratio (CRAR) were 48 out of 57. Banking sector's aggregate CRAR at the end of September 2017 was 10.65%, which was reported to be 10.80% at the end of December 2016. Tier-1 capital ratio slightly decreased to 7.5% compared to 7.8% percent of the previous quarter and 7.6% of September 2016. At the end of December 2016, MTB's CRAR was reported to be 11.29% that increased to 13.76% at the end of December 2017. The Tier-1 capital to risk weighted assets ratio for MTB stood at 7.28% at the end of December 2017.

Thank you,



Anis A. Khan
Managing Director & CEO

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Valued Shareholders,

On behalf of the Board of Directors, I take this opportunity to welcome you all to the 19th Annual General Meeting (AGM) of Mutual Trust Bank Limited. In line with the requirements of Section 184 of the Companies Act, 1994, stock exchange regulations and Bangladesh Securities and Exchange Commission Order no. SEC/CMRRCD/2006-158/134/Admin/44 dated August 7, 2012, I have the pleasure to place before you the Directors' Report for your consideration. The report briefly presents the overall performance of the bank in a year of very competitive and eventful banking industry environment.

Global Economy

2017 has been a pretty successful year for global economy, pounding out all the fears that emerged towards the close of 2016. Eventually, there was no market crash at the start of the Trump Presidency, Brexit did not trigger a recession in the UK and the Eurozone did not collapse following the implosion of the Italian banking system. Instead, almost all of the major economies were in some phase of recovery with low level of inflation. Consequently, 2017 was marked to be a year of steady global growth that outperformed the expectations by a margin. Overall, the global economy is reported to have grown by 3.7% in 2017, which was only 3.2% for the preceding year.

The synchronized global growth of 2017 set a very good tone for 2018 from the business point of view. The International Monetary Fund (IMF) set the global growth forecast for 2018 to be 3.9%, supported by an improved outlook for advanced economies.

Bangladesh Economy

The Bangladesh economy's journey to glory only got accelerated during the course of 2017. With a booming population of more than 160 million, Bangladesh now offers a great market to the region and beyond in terms of investment, productivity and consumption. During 2017 the industrial and service sectors flourished further and the GDP growth rate was recorded to be 7.28% as against 7.11% a year earlier. Most of the other economic indicators showed positive trends during 2017, except for a few challenges that emerged in the financial sector arena. The country has recently fulfilled the UN's current criteria to graduate from a 'least developed country' to a 'developing country'. The year to follow is expected to be even brighter as the government is anticipating 7.65% GDP growth against the earlier set target of 7.4% for FY 2017-18.

Banking Industry in 2017

The Bangladeshi banking sector experienced several ups and downs to reach to its current position that has been termed as stable by the international

rating agency Moody's mainly due to the healthy operating environment, and despite legacy asset quality issues and tighter liquidity conditions. As a whole, the banking sector indicators exhibited mixed performance during 2017. The challenges that the sector encountered during the year was ensuring cyber security, dealing with the pressure of non-performing loans and maintaining optimum level of liquidity. In the midst of all these, profit of most of the private commercial banks rose considerably in 2017 mainly due to rampant credit disbursements by the banks, despite a sharp cut in the lending rates and growth in borrowing rates during the latter part of the year. However, further streamlining is vastly needed to march towards a robust banking sector as more than 10 banks are still struggling to maintain the required capital requirement.

Core Banking Software (CBS) Transformation: Investing in Future

As a part of strategic decision and in pursuit of acquiring a modern CBS, the bank engaged OPTINOVO Business Consulting Private Limited, India for rendering consultancy services to steer forward the CBS Transformation Project in 2016. Eight (8) groups of officials in certain functional areas and a number of committees had been engaged to evaluate the features of CBS and the bank finally selected TCS BaNCS, a product of Tata Consultancy System (TCS), which has had a number of big installations in reputable financial institutions including Bank of China and State Bank of India.

MTB at a Glance

During 2017, MTB gained 27.33 percent and 15.62 percent growth over 2016 in risk assets and customers liabilities, respectively. Despite a stiff environment, the bank ended the year with a credit-deposit ratio of 83.45%. In 2017, the number of branches across the country reached 111, agent banking centres expanded to 50, and the reach as well as the number of MTB 24/7 ATM, POS devices, kiosks, Internet banking and SMS banking services also increased. In September, 2017 MTB opened its Air Lounge at Hazrat Shahjalal International Airport.

Business Goal

MTB's vision, mission, corporate core values, strategic priorities and outlook for 2018 have been given at the beginning of the report. The bank has established the highest level of ethical standards in order to achieve MTB3V:

- i) To be One of the Best Performing Banks in Bangladesh
- ii) To be the Bank of Choice, and
- iii) To be a Truly World-Class Bank.

Brief History of MTB

MTB was incorporated as a public limited company in 1999, under the Companies Act, 1994, with an authorized share capital of BDT 1,000,000,000 divided into 10,000,000 ordinary shares of BDT 100 each. At present, the bank's authorized share capital is BDT 10,000,000,000 divided into 1,000,000,000 ordinary shares of BDT 10 each.

The company was issued Certificate for Commencement of Business on October 5, 1999, and on the same day, Bangladesh Bank granted it a license under the Banking Companies Act, 1991. MTB started its banking operation on October 24, 1999. As envisaged in the memorandum of association, and, as licensed by Bangladesh Bank under the provisions of the Banking Companies Act, 1991, the company started its banking operation to progressively carry out its banking businesses, such as wholesale, retail, international trade financing, SME banking, NRB banking, off-shore banking, privilege banking, agent banking etc. The bank operates through its corporate head office located at MTB Centre, Gulshan 1, Dhaka 1212. The bank carries out international business through a global network of over four hundred foreign correspondent banks.

Currently, the bank has a network of 111 branches, which includes SME/Agri branches and two booths at Hazrat Shahjalal International Airport (arrival and departure lounges), Dhaka, 50 agent-banking centers across the country, and three fully-owned subsidiary companies - MTB Securities Ltd. (MTBSL), MTB Capital Ltd. (MTBCL) and MTB Exchange (UK) Ltd.

Strategic Priorities

1. Focusing more on smart banking through increased digital customer experience
2. Enhancing data analytics proficiencies
3. Focusing on controlling operating cost with a view to improving cost to income ratio
4. Utilizing digital avenues extensively to extend customer reach
5. Launching new and/or improved products and services
6. Ensuring that MTB's high compliance and governance standards are maintained at all times
7. Keeping the core operating system up-to-date
8. Recruiting and retaining talent as well as motivating the existing human resources
9. Reviewing and improving business processes on a regular basis
10. Enhancing security and authentication system with specific focus on cyber security
11. Partnering with fintech providers to face the new challenges of the market
12. Managing financial capital and foresight to enhance shareholders' returns while ensuring sustainable growth

13. Improving the funding and liquidity position with the proviso of maintaining a high level of asset quality through portfolio diversification and lower provisioning
14. Contributing to the progress of the economy and the people by continuing to work as a socially responsible organization
15. Ensuring appropriate use of latest technologies to improve the alternative delivery channels to provide access to the unbanked population as part of financial inclusion.

Corporate Governance

MTB has always strived to have good corporate governance practices put in place and to ensure that the highest standards of business integrity are regular part of its activities. The bank adheres strictly to the regulatory guidelines on corporate governance. The disclosures on corporate governance are provided in the chapter on "Corporate Governance" of this Annual Report.

Risk Management

The prime objective of risk management is to appropriately balance the trade-off between risk and return. MTB judiciously ensures optimum return on its assets and equities streamlining a wide array of risks it faces during its day-to-day operation.

The main concern of the bank is to manage risks prudently and efficiently, to ensure profitability, capital adequacy and liquidity in a balanced manner. Strategically, MTB Board of Directors, through the Board Risk Management Committee (BRMC) and the senior management team, sets up risk governance structure and risk philosophy, endorses risk strategies and reviews and approves risk policies as well as the risk threshold in line with the bank's risk appetite. These limits are continuously monitored by an experienced risk management team and overseen by BRMC. MTB has put in place a number of risk management policies, viz., (i) Credit Policy with Credit Risk Management Guidelines (ii) Asset Liability Management Manual (iii) ICC Policy (iv) Money Laundering (ML) & Terrorist Financing (TF) Risk Management Policy Guideline (v) Foreign Exchange Risk Management Policy & Guideline (vi) ICT Policy (vii) Wholesale Borrowing and Funding Guidelines (viii) Liquidity Contingency Plan (ix) Management Action Trigger Points (x) Anti-Fraud Policy (xi) Valuation Methodology of Collateral (xii) Internal Capital Adequacy Assessment Policy (ICAAP), and (xiii) Compliance Manual. Details of the policies and activities are given in the Risk Management chapter of this Annual Report.

Developing Human Capital

MTB has been working persistently with a view to transforming MTBians into human capital through exposure to appropriate training courses and development programs, both at home and abroad. It has created a congenial environment, where

employees enjoy coming to work. The MTB Code of Conduct, unveiled in 2010, is being strictly practiced in order to ensure complete transparency and integrity in all its operations. A total of 1,786 employees were given training both at home and abroad in different fields of banking and management practices in 2017.

Corporate Social Responsibility (CSR)

In respect of corporate sustainability, MTB has focused on a few key areas like extending support to the community and protection of the environment. The bank has set up “Mutual Trust Bank Foundation” and contributes, as donation, a part of its profit to the foundation for undertaking various projects, particularly in the health and education sectors. Apart from the CSR activities carried out by the foundation, the bank also undertook various CSR activities during the year 2017, details of which are given in the “Green Banking” and “Corporate Social Responsibility” part of this Annual Report.

Adequate Accounting Records

MTB maintains all books of accounts and other records in accordance with the prevailing rules and regulations - Section 181 of the Companies Act, 1994, the Bank Companies Act, 1991, (as amended in 2013), Tax Ordinance and Rules, VAT Act, BSEC and DSE rules and regulations and Bangladesh Bank guidelines.

Accounting Policy and Implementation of BAS/ BFRS

The Board of Directors is responsible for ensuring good governance within the Bank and does supervise Management for the preparation and fair presentation of the Bank's annual financial statements, incorporating its Balance Sheet, Profit and Loss Account, Statement of Cash Flow, Statement of Changes in Equity during the year along with the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with Bangladesh Financial Reporting Standards (BFRS) and in the manner required by the Companies Act, 1994.

The directors' responsibilities also include supervision for designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud and error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Internal Control and Compliance (ICC) System

MTB Board of Directors has the responsibility to make significant policies to ensure compliance at all levels in the bank's day-to-day activities. The ICC Division ensures internal control structure in the bank with appropriate assignments, accountability of the personnel and delegation of authorities to

functional management to create control and ensure a compliance culture within the organization under the active guidance and supervision of the Senior Management and the Board of Directors. The Bank Company Act, 1991, (as amended in 2013), requires some changes in the reporting line and organogram of the ICC Division. Meanwhile, the reporting line has been changed and the organogram revamped, to ensure that internal audit functions are dealt with independently from the ambit of management and its report is submitted to the Board Audit Committee of the Bank.

Money Laundering Risk Management

Money laundering and terrorist financing are global phenomena, apparent in almost every part of the world. Emerging sophisticated techniques of moving illicit money are compelling the financial intermediaries to make their compliance program more rigorous. MTB, as a compliant bank, is determined not to let money launderers and terrorists or perpetrators to use the bank as a channel to launder money or finance terrorism in any possible way.

Hence, MTB has its own anti-money laundering (AML) & combating financing of terrorism (CFT) compliance program. It has been designed considering the range of activities, complexity of operations and the nature and degree of money laundering and terrorist financing risks faced by the bank. Certainly, it is designed as per the prevailing laws i.e., The Money Laundering Prevention Act, 2012 (Amended 2015), The Anti-Terrorism Act, 2009 (Amended 2013), relevant rules i.e., The Money Laundering Prevention Rules, 2013, The Anti-Terrorism Rules, 2013, Bangladesh Financial Intelligence Unit (BFIU) guidelines i.e., Money Laundering and Terrorist Financing Risk Management Guidelines, Money Laundering and Terrorist Financing Risk Assessment Guidelines, circulars and instructions and international standards. MTB applies risk-sensitive Customer Due Diligence (CDD) measures, monitors business relationships and suspicious transactions pursuant to the national regulations and international standards.

Standards of Reporting

The financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) as adopted by The Institute of Chartered Accountants of Bangladesh, the Bank Companies Act, 1991, (as amended in 2013), applicable provisions of the Companies Act, 1994; Bangladesh Securities and Exchange Commission rules and regulations, and Bangladesh Bank's BRPD Circular No. 14, dated June 25, 2003. The management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that they reflect the financial operations of the Bank in a true and fair manner.

Going Concern

Going concern is one of the fundamental assumptions in accounting, on the basis of which the financial statements are prepared. According to the going concern assumption, a business entity will continue to operate in the foreseeable future, without the need or intention on the part of its management to liquidate the entity or to significantly curtail its operational activities. Therefore, it is assumed that the entity will realize its assets and settle its obligations in the normal course of the business. It is the responsibility of the management of a company to determine whether the going concern assumption is appropriate in the preparation of financial statements. MTB has prepared its financial statements considering the going concern assumption.

Control Environment

Control activities are the policies and procedures, which help ensure that the management directives are carried out, and necessary actions are taken to minimize the risks of failure to meet stated objectives. The policies and procedures are effectively established within the Bank and are continuously reviewed for compliance, adequacy and improvement.

The Board of Directors sets the tone for an effective control environment through regular reviews of the processes for identifying, evaluating, and managing significant risks. The Standard Operating Procedures (SOP) are signed off by the head of each department to provide assurance that these standards are communicated, understood and complied with. An effective control environment is set by top management in all spheres and across all business functions. Every year, the senior team conducts a self-assessment of key controls that affect the business and develops action plans to make the internal control environment more robust.

Supplier Payment Policy

MTB has developed and implemented a set of payment policies for all its suppliers. The payment methods and system are explained to the vendors before issuing purchase orders. Bills are paid according to the payment terms, and VAT and other withholding taxes are deducted from bills as per the law. As of date, there is no legal case filed by the Bank or filed against it by any supplier.

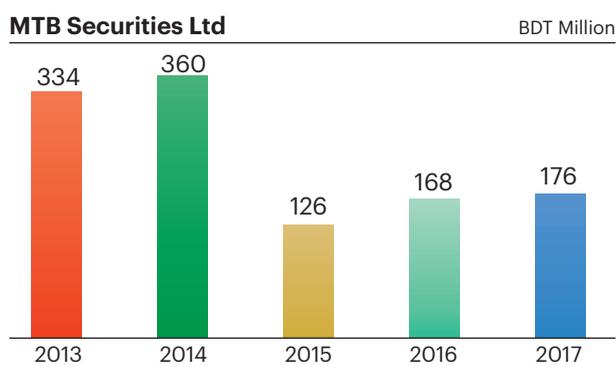
Review Report on MTB Operations, Products and Services

A review on the bank's operational activities is given in detail in the later part of this Annual Report. Brief review reports of the bank and its subsidiaries are as follows:

MTB Subsidiaries:

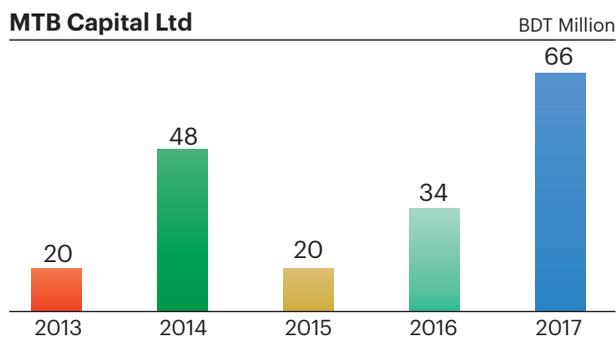
MTB Securities Ltd

Mutual Trust Bank Ltd. started its brokerage functions from June 2006 as a division of the bank. Subsequently, as per directives of Bangladesh Bank and Bangladesh Securities Exchange Commission, the division emerged as MTB's subsidiary company, MTB Securities Limited (MTBSL). MTBSL is currently operating with 14 strategically located offices spread across the country. During the year 2017, the company made an operating profit of BDT 176 million as against BDT 168 million in 2016.



MTB Capital Ltd

MTB Capital Limited (MTBCL) is a wholly owned subsidiary of Mutual Trust Bank Limited and a full-fledged merchant bank, licensed by the Bangladesh Securities and Exchange Commission (BSEC) in December 2010. MTBCL was incorporated to explore new markets and meet the demand for merchant banking services. The company extends co-operation and value added services to its respected clients. During the year 2017, the company made an operating profit of BDT 66 million as against BDT 34 million in 2016.



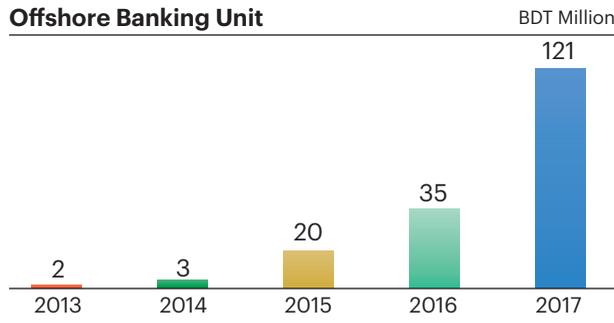
MTB Exchange (UK) Ltd

MTB Exchange (UK) Limited (MTB UK) is one of the three wholly owned subsidiary companies of Mutual Trust Bank Limited (MTB) and started its operation from February 15, 2011. During the year 2017, the company made an operating profit of BDT 0.51 million and a total amount of GBP 4.90 million was remitted to Bangladesh through MTB Exchange (UK) Ltd.

Offshore Banking

MTB was permitted to operate an Offshore Banking Unit (OBU) by Bangladesh Bank in 2009. The total loans and advances of the OBU stood at USD 111.70 million in December 2017 compared to USD 39.72 million in 2016, with a growth of 181.26 percent. In 2017, the OBU's operating profit stood at USD 1.50 million, equivalent to BDT 120.99 million, as against USD 0.44 million, equivalent to BDT 34.79 million, in 2016.

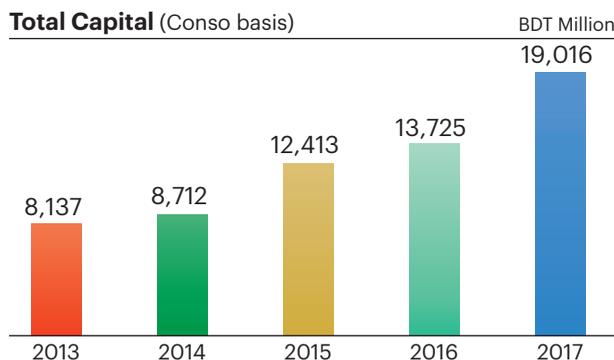
Offshore Banking Unit



Capital Management

As per Bangladesh Bank's guideline, a bank is required to maintain capital equal to at least 11.25 (Including Capital Conservation Buffer 1.25) percent of its risk-weighted assets under the Basel-III guidelines. Bank's capital has two components, Tier-I and Tier-II. Tier-I capital should be minimum 6.0 percent of the total capital. Tier-I includes the paid-up capital, share premium, statutory reserve and retained earnings, and Tier-II includes general provision on unclassified loans and advances, revaluation reserves, unsecured subordinated debt and exchange equalization account. MTB's total capital registered an increase of BDT 5,291.33 million and stood at BDT 19,016.46 million in 2017. Tier-I capital grew by BDT 1,058.05 million, and was recorded at BDT 10,067.48 million in 2017. Total capital is now equivalent to 13.76 percent of total risk weighted assets. The details of capital adequacy and capital management are given in the "Market Discipline- Disclosures on Risk Based Capital (Basel-III)" chapter of this Annual Report.

Total Capital (Conso basis)



Financial Analysis

Total Assets

The consolidated assets of the bank stood at BDT 201,754 million in 2017 compared to BDT 165,371 million in 2016. Total assets of MTB stood at BDT 201,278 million in 2017 compared to BDT 164,480 million in 2016, with a growth of 22.37 percent. MTB has been successful in marketing significant amount of loans and advances by launching new and innovative products in the market.

MTB Funds under Management

BDT Million

	2017	2016	Growth
Customer Liabilities	151,776	131,272	15.62%
Advances	145,607	114,356	27.33%
Funds Under Management (FUM)	297,383	245,628	21.07%

Cash and Balances with Bangladesh Bank and its Agent Bank(s)

MTB's consolidated cash and balances with Bangladesh Bank and its agents stood at BDT 13,077 million in 2017 compared to BDT 11,263 million in 2016. The growth in customer deposits has also resulted in an increase in the Cash Reserve Requirement (CRR) set by Bangladesh Bank.

Balances with Other Banks and Financial Institutions

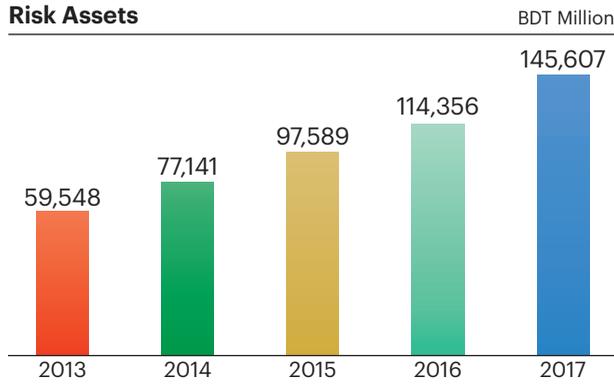
MTB's consolidated balance with other banks and financial institutions including money at call and short notice stood at BDT 7,488 million in 2017 compared to BDT 9,138 million in 2016. This was BDT 7,045 million in 2017 compared to BDT 9,010 million in 2016 for MTB only.

Investments

MTB's consolidated investments increased during the year under review by BDT 3,164 million to BDT 25,106 million. The bank purchased government treasury bills and bonds to cover the increased statutory liquidity requirement. MTB, as a primary dealer bank, had to purchase and participate in government securities auctions set by Bangladesh Bank.

Risk Assets

MTB's consolidated loans and advances stood at BDT 145,607 million in 2017. Outstanding loans and advances of off-shore banking units was BDT 9,238 million in 2017 compared to BDT 3,126 million in 2016. Yield on loans and advances decreased to 9.50 percent in 2017 from 10.73 percent in 2016 due to decrease in lending rates. Details of credit are given in No. 7 of the Notes to the Accounts. The ratio of non-performing loans stood at 4.30 percent, which was much below the industry average of 9.31 percent in 2017.

Risk Assets**Liabilities**

The consolidated total liabilities of the bank stood at BDT 189,992 million in 2017 compared to BDT 155,552

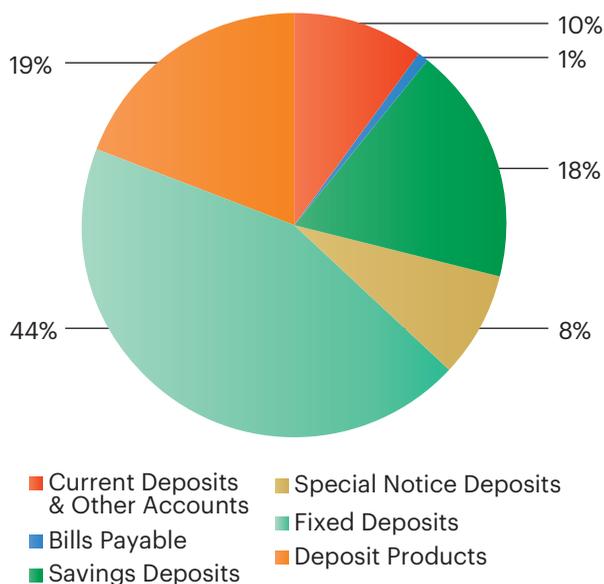
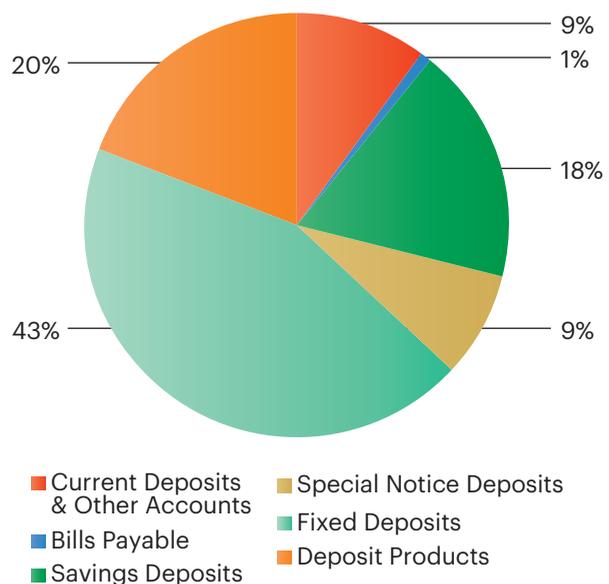
million in 2016. MTB's total liabilities rose to BDT 189,610 million in 2017 from BDT 154,697 million in 2016, with a growth of 22.57 percent. The increase in liability was mainly due to growth in deposits and borrowings.

Deposits

MTB's consolidated deposits grew by 15.62 percent to BDT 151,776 million in 2017. The growth was supported by a wide range of branch network, spread throughout the country. With 111 branches and 246 ATMs, MTB was able to acquire more low cost funds in 2017. Fixed deposits accounted for 44.22 percent of the total deposits. Cost of deposit decreased to 5.00 percent in 2017 compared to 5.51 percent in 2016.

BDT Million

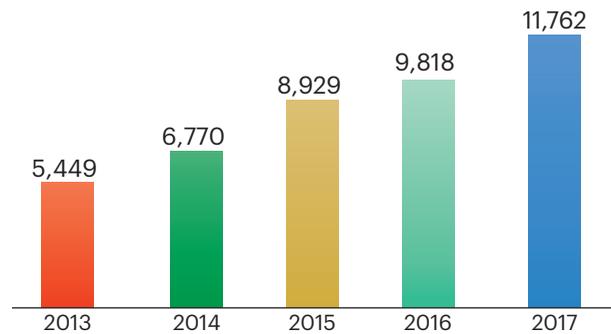
Deposits	2017	2016	Growth over 2016
Current Deposits & Other Accounts	14,652	12,302	19.11%
Bills Payable	2,101	1,751	19.97%
Savings Bank Deposit	27,479	23,710	15.90%
Special Notice Deposits	11,722	11,646	0.65%
Fixed Deposits	67,114	55,803	20.27%
Deposit-Products	28,708	26,060	10.16%
Total Deposits	151,776	131,272	15.62%

Deposits Mix 2017**Deposits Mix 2016**

Shareholders' Equity

MTB's consolidated shareholders' equity increased by 19.80 percent to BDT 11,761.96 million in 2017. Paid-up capital of the bank increased by 15 percent to BDT 5,096.56 million in 2017. Statutory reserves increased by 13.63 percent to BDT 3,622 million during the year. Total distributable profit stood at BDT 696.57 million in 2017 after retaining of deferred tax assets of BDT 935.91 million.

Total Shareholders Equity (Conso basis) BDT Million



Analysis of Consolidated Income Statement of MTB

BDT Million

SL	Particulars	2017	2016	Growth over 2016
1	Interest Income	12,161	11,381	6.85%
2	Interest Expenditure	7,853	7,503	4.66%
3	Net Interest Margin (NIM)	4,308	3,878	11.07%
4	Net Interest Margin (NIM) Ratio	3.09%	3.55%	-0.45%
5	Income from Investment, Commission, Brokerage & Others	4,172	3,637	14.71%
6	Total Operating Income (Net Interest Income + Non Interest Income)	8,479	7,515	12.83%
7	Operating Expenses	4,564	4,107	11.12%
8	Profit Before Provision	3,916	3,408	14.89%
9	Net Profit after Tax	1,980	1,464	35.31%

Interest Income

Interest income increased by 6.85 percent to BDT 12,161 million in 2017. The gross yield on advances stood at 9.50 percent in 2017 compared to 10.73 percent in 2016.

Interest Expense

Interest Expense increased by 4.66 percent to BDT 7,853 million in 2017.

Net Interest Margin

Net Interest Margin (NIM) increased by 11.07 percent to BDT 4,308 million in 2017. The increase in interest income contributed largely to the increase in net interest margin. The net interest margin ratio stood at 3.09 percent in 2017 compared to 3.55 percent in 2016.

Income from Investment, Commission and Brokerage and Other Operating Activities

Income from investment, commission, brokerage & others increased to BDT 4,172 million in 2017 compared to BDT 3,637 million in 2016.

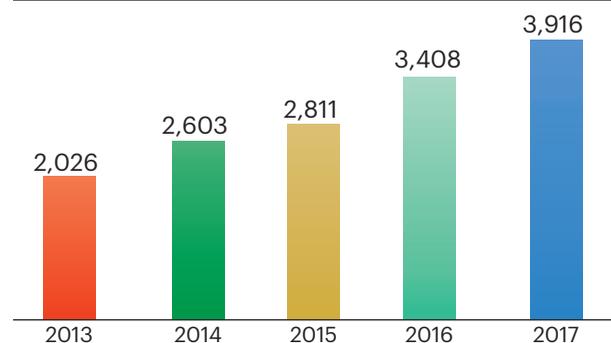
Total Operating Expense

Total operating expenses increased by 11.12 percent to BDT 4,564 million in 2017 compared to BDT 4,107 million in 2016.

Profit before Provision

Total Profit before Provision increased by a healthy margin of 14.89 percent to BDT 3,916 million during the year compared to BDT 3,408 million in 2016.

Profit before provision (Conso basis) BDT Million



Provision for Classified Loans

Total provision against classified loans and advances stood at BDT 2,398 million in 2017 compared to BDT 2,051 million in 2016. The non-performing loan ratio during the year is given below:

	2017	2016
NPL Ratio	4.30%	4.36%

Profit before Tax

Profit before tax stood at BDT 2,259 million in 2017 with a negative growth of 8.21 percent as against BDT 2,461 million in 2016.

Provision for Income Tax

Due to creation of deferred tax assets of BDT 935.91 million on specific provision made against bad & loss loan, provision for income tax stood at BDT 279.13 million in 2017 compared to BDT 997.88 million in 2016.

Net Profit after Tax

Net profit after tax registered a growth of 35.31 percent to BDT 1,980 million in 2017 compared to BDT 1,464 million in 2016. Basic earnings per share (EPS) increased to BDT 3.89 in 2017 compared to BDT 2.87 in 2016.

Statutory Reserves

As per the Bank Company Act, 1991, (as amended in 2013), 20 percent of profit before tax is required to be transferred to statutory reserve. As such, an amount of BDT 434.46 million was transferred to statutory reserve in 2017. Total Statutory Reserves stood at BDT 3,622 million upto 2017.

Dividends

The fund available for distribution was BDT 696.57 million in 2017 after retaining of deferred tax assets of BDT 935.91 million. In order to maintain a satisfactory capital adequacy ratio of the bank, the Board has decided to recommend 12.50 percent stock dividend for the year 2017.

Remuneration of Directors

As per the BRPD Circular No. 09 dated 19/09/1996, the Chairman of the bank may be provided a car, telephone, office and private secretary. However, MTB pays only fees to its Directors for attending the meetings of the Board of Directors, Executive Committee, Risk Management Committee and Audit Committee.

Contribution to National Exchequer

MTB made significant contribution to the government in boosting its revenue collection which will help in developing the society and the country as a whole. As per the prevailing law of the country, the bank being a corporate citizen pays tax and VAT on its own income. Besides, the bank collects tax, VAT and excise duty at source from clients, deposits and suppliers. All the collected amounts are deposited to the national exchequer in due time. During the year 2017, the bank contributed BDT 2,784 million to national exchequer as against BDT 2,197 million in the previous year.

Related Party Transaction

The details of transactions of related parties of the company have been given in Note-43 of the Financial Statements.

Shareholders' Value

MTB remains fully committed to delivering higher shareholder value. The high profitability track record underpins the value the shareholders derived from investing in the shares of the bank. The earnings per share stood at BDT 3.89 and return on average equity stood at 18.35 percent during 2017. Market capitalization of MTB stood at BDT 17,837.96 million as at December 31, 2017.

Meeting of the Board of Directors of MTB

15 meetings of the Board of Directors of MTB were held in 2017.

Appointment of Auditors

The Shareholders of the bank in its 18th Annual General Meeting held on July 25, 2017 appointed A. Qasem & Co., Chartered Accountants as External Auditor of the bank for the year 2017. As per the guidelines of Bangladesh Bank and Bangladesh Securities and Exchange Commission, A. Qasem & Co., Chartered Accountants is eligible for re-appointment for further term.

Annual General Meeting

The Annual General Meeting of Mutual Trust Bank will be held on Thursday, May 31, 2018 at 11.00 a.m. at the Golf Garden, Army Golf Club, Airport Road, Dhaka Cantonment, Dhaka 1206. The Directors' Report and financial statements were approved at 219th meeting of the Board of Directors of MTB, held on April 17, 2018 for presentation to the shareholders.

I would like to thank all our shareholders, board members, regulators, depositors, clients and the authorities for helping us in our journey.

Thank you.

On behalf of the Board of Directors



M. A. Rouf, JP
Chairman

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors are required to present a report along with the financial statements and place them before the 19th Annual General Meeting (AGM) as per The Companies Act, 1994.

The Directors are also required to report that, the financial statements of the Bank and its subsidiaries, which are prepared by the management, gives a true and fair view of:

- The state of affairs as at balance sheet date, i.e., December 31, 2017; and
- The profit and loss for the year ended on the balance sheet date.

In preparing these financial statements, the Directors are required to ensure that:

- The appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
- Estimates and judgments have been made, which are reasonable and prudent; and
- All applicable accounting standards, as relevant, have been followed.

The Directors are also required to declare the following matters in their report as per Bangladesh Securities & Exchange Commission (BSEC)'s notification dated August 7, 2012, as applicable for bank:

- Industry outlook and possible future developments in the industry;
- Segment-wise or product-wise performance with relevant risks;
- Extraordinary gain or loss;
- Related party transactions-a statement of all related party transactions;
- Utilization of proceeds from public issues, rights issues and/or through any other instruments;
- Significant variance between quarterly financial performance and annual financial statements;
- Remuneration to directors including independent directors;
- Preparation of the financial statements and any departure thereof, has been adequately disclosed;

- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts upon the bank's ability to continue as a going concern;
- Significant deviations from the last year's operating results;
- Key operating and financial data of at least preceding 5 (five) years;
- If no dividend (cash or stock) has been declared for the year, the reasons thereof shall be given;
- The number of Board meetings held during the year and attendance by each director;
- The pattern of shareholding structure; and
- In case of the appointment/re-appointment of a director, the following information to be disclosed to the shareholders:- a) A brief resume of the director; b) Nature of his/her expertise in specific functional areas; c) Names of companies in which the person also holds the directorship and the membership of committees of the board.

The Directors confirm that the Annual Report together with the Directors' Report and Consolidated Financial Statements have been prepared in compliance with the laws, rules and regulatory guidelines and BSEC Notification No. SEC/CMRRCD/2006-158/134/ Admin/44 dated August 07, 2012.

The Directors are of the view that they have discharged their responsibilities as set out in the Companies Act, 1994, the Bank Company Act, 1991 (amended up to 2013), securities laws, listing regulations, 2015, and other prevailing laws and regulations, as applicable for the MTB.

By order of the Board,



M. A. Rouf JP
Chairman

SENIOR MANAGEMENT TEAM



The following executives of Corporate Head Office comprise the Senior Management Team (SMT) of MTB:

Sl. No.	Name	Designation	As
01	Mr. Anis A. Khan	MD & CEO	Chairman
02	Mr. Md. Hashem Chowdhury	AMD & COO	Member
03	Mr. Md. Zakir Hussain	DMD & GCRO	Member
04	Mr. Syed Rafiqul Haq	DMD & CBO	Member
05	Mr. Goutam Prosad Das	DMD & GHoICC	Member
06	Mr. Md. Nurul Islam	SEVP & GHoHR	Member
07	Mr. Swapan Kumar Biswas	SEVP & CAMLCO	Member
08	Mr. Sayed Abul Hashem FCA, FCMA	SEVP & GCFO	Member
09	Mr. Md. Shah Alam Patwary	EVP & GCIO	Member

SENIOR MANAGEMENT

Managing Director & CEO

Anis A. Khan

Additional Managing Director & COO

Md. Hashem Chowdhury

Deputy Managing Directors

Md. Zakir Hussain
Syed Rafiqul Haq
Goutam Prosad Das

Sr. Executive Vice Presidents

Md. Nurul Islam	Sayed Abul Hashem FCA, FCMA
Syed Rafiqul Hossain	Md. Khalid Mahmood Khan
Md. Khurshed Ul Alam	Abdul Mannan
Swapan Kumar Biswas	Azad Shamsi
Md. Sanawar Hossain	Khondaker Rahimuzzaman
Tarek Reaz Khan	

Executive Vice Presidents

Nurul Maruf Khan	Khairul Bashar Abu Taher Mohammed
Md. Shah Alam Patwary	Md. Shamsul Islam
Md. Bakhteyer Hossain	Malik Muntasir Reza
Mohammed Ishaque	Syed Mahmud Akhter
Md. Abdul Latif	Md. Amirul Islam
Md. Zahidul Kabir	Syed Mahbub Morshed
Md Nazrul Islam Mazumder	K. M. Abdul Wadood

Senior Vice Presidents

Md. Monwar Hossain	Khair Uddin Khan
Kazi Humaun Kabir	Md. Habibur Rahman
Md. Shamsul Alam	Md. Tauhidul Alam
A.K.M. Zahirul Islam Khan	Md. Ashraful Islam
Md. Humayun Kabir	Suvash Chandra Biswas
Md. Azam Ali Khan	Md. Shoab Khan Chowdhury
Md. Kamal Uddin	Giash Uddin Ahmed
Md. Ifthakhar Hassan	Md. Anisur Rahman
Touhid Ahmed	Md. Humayun Kabir
Salek Sabbir Ahmed	Mohammad Rajib Hossain
Amitav Kaiser	Mohammad Mamun Faruk
Mohammad Anwar Hossain	Mohammad Shaheen Khan
Marcus Cornelius Gomes	Irfan Islam
Abu Zafar Md. Saleh	Md. Towfiqul Alam Chowdhury
Syed Golam Faruk	Azam Khan
Md. Nurul Islam Sarker	

MANAGEMENT COMMITTEE (MANCOM)



Sl. No.	Name	Designation	As
01	Mr. Anis A. Khan	Managing Director & CEO	Chairman
02	Mr. Md. Hashem Chowdhury	Additional Managing Director & COO	Member
03	Mr. Md. Zakir Hussain	Deputy Managing Director & GCRO	Member
04	Mr. Syed Rafiqul Haq	Deputy Managing Director & CBO	Member
05	Mr. Goutam Prosad Das	Deputy Managing Director & GHoICC	Member
06	Mr. Md. Nurul Islam	SEVP & GHoHR	Member Secretary
07	Mr. Syed Rafiqul Hossain	SEVP & HoMTB Dhaka Division Branches	Member
08	Mr. Md. Khurshed Ul Alam	SEVP & HoMTB Ctg Division Branches	Member
09	Mr. Swapan Kumar Biswas	SEVP & HoBOD	Member
10	Mr. Tarek Reaz Khan	SEVP and HoSME & Retail	Member
11	Mr. Azad Shamsi	SEVP & Project Director, MCT Project	Member
12	Mr. Sayed Abul Hashem	SEVP & GCFO	Member



Sl. No.	Name	Designation	As
13	Mr. Khondaker Rahimuzzaman	SEVP & Corporate Head of SAMD, Collection Unit, CMD and MODB	Member
14	Mr. Nurul Maruf Khan	EVP & HoCRM	Member
15	Mr. Md. Shah Alam Patwary	EVP & GCIO	Member
16	Mr. Md. Bakhteyar Hossain	EVP & HoMITS	Member
17	Mr. Md. Shamsul Islam	EVP & GHoT	Member
18	Mr. Md. Nazrul Islam Mazumder	EVP & CEO, MTBSL	Member
19	Mr. Khairul Bashar Abu Taher Mohammed	EVP & CEO, MTBCL	Member
20	Mr. Malik Muntasir Reza	EVP & GCS	Member
21	Mr. Md. Abdul Latif	EVP & HoMTB Other Division Branches	Member
22	Mr. Mohammad Anwar Hossain	SVP & HoCards	Member
23	Mr. Azam Khan	SVP & GCCO	Member
24	Mr. Iqbal Mahmud	VP & HoRMD	Member

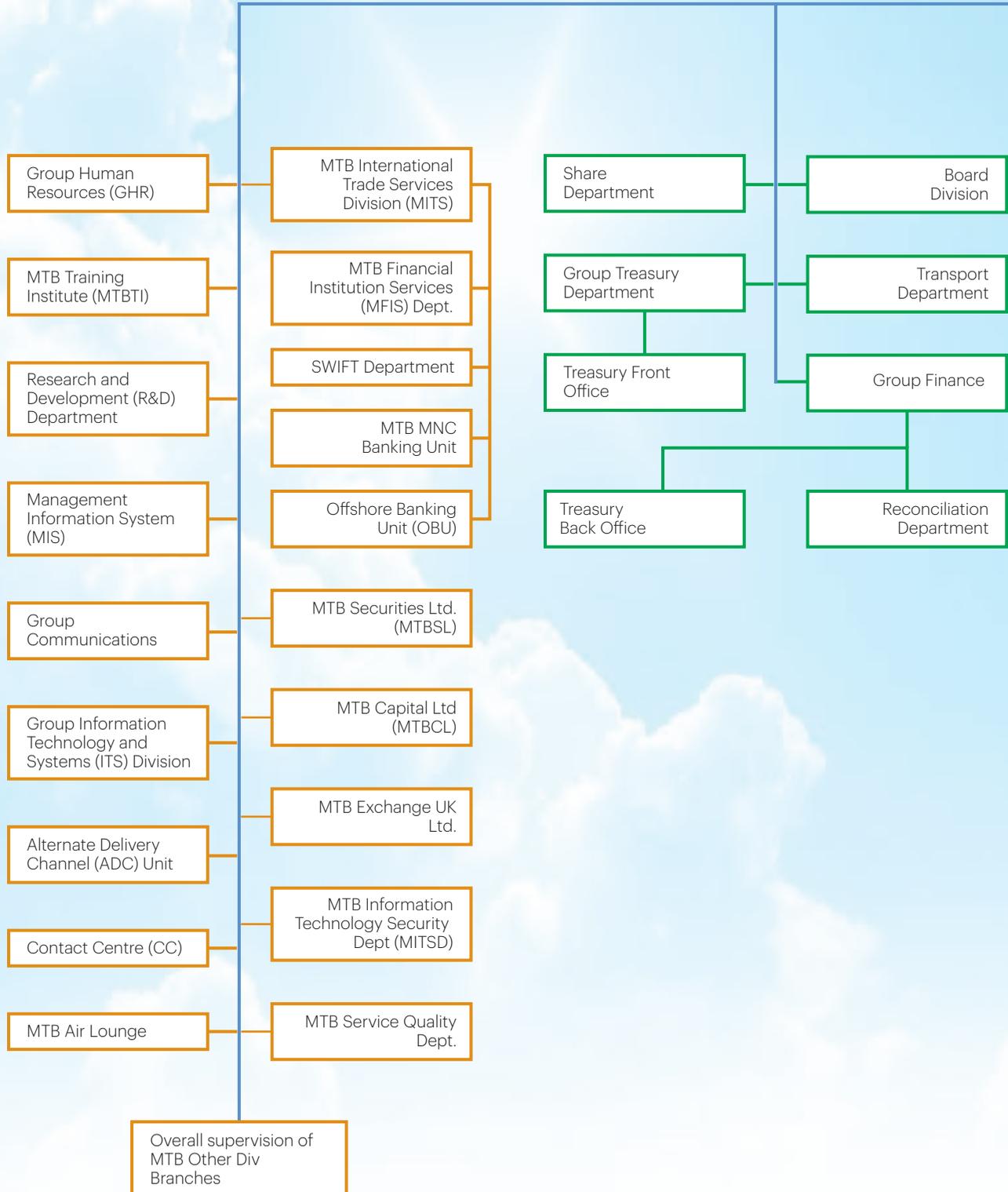
ASSET LIABILITY COMMITTEE (ALCO)

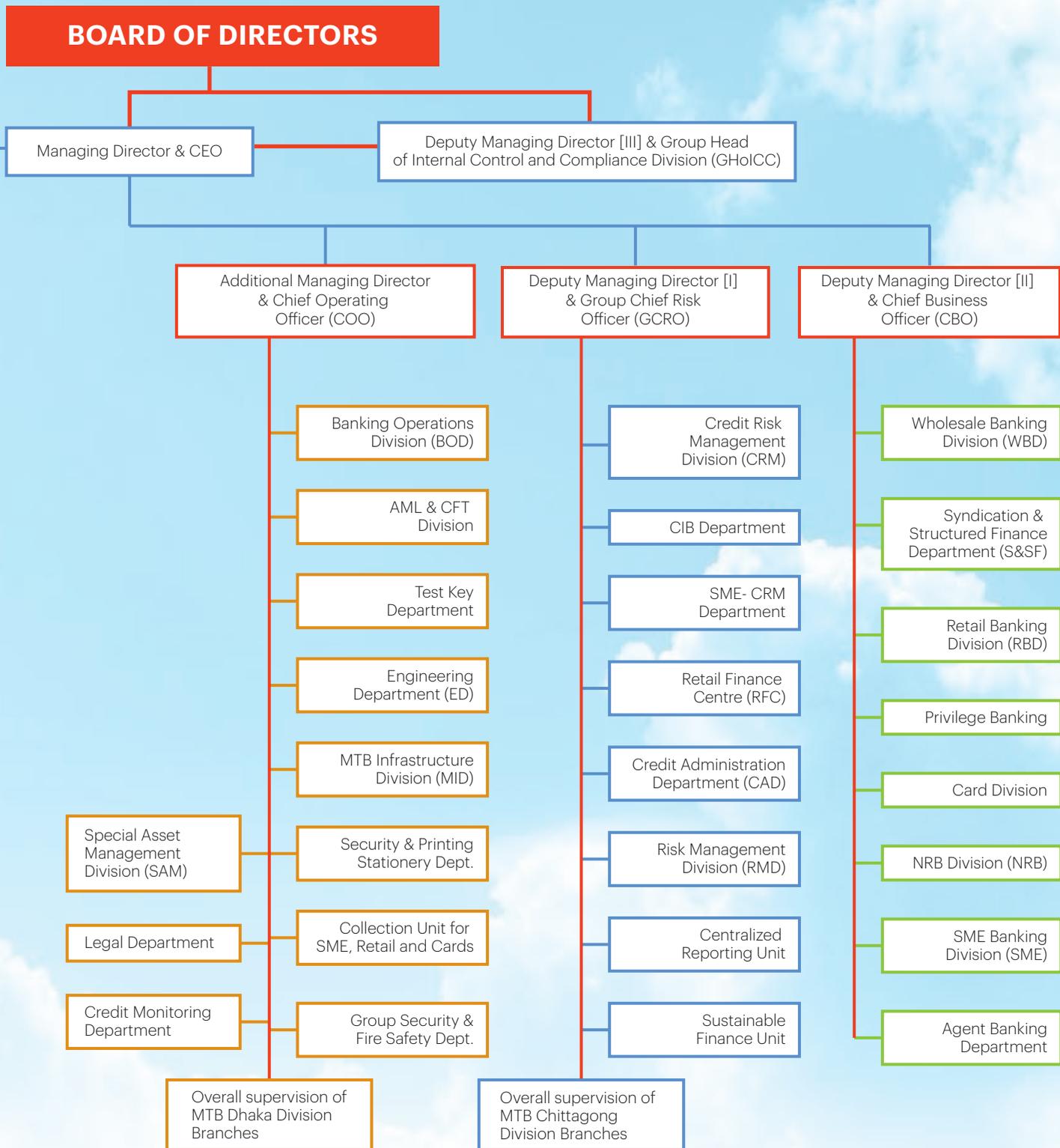


Sl. No.	Name	Designation	As
01	Mr. Anis A. Khan	Managing Director & CEO	Chairman
02	Mr. Md. Hashem Chowdhury	Additional Managing Director & COO	Member
03	Mr. Md. Zakir Hussain	Deputy Managing Director & GCRO	Member
04	Mr. Syed Rafiqul Haq	Deputy Managing Director & CBO	Member
05	Mr. Swapan Kumar Biswas	SEVP & HoBOD	Member
06	Mr. Tarek Reaz Khan	SEVP and HoSME& Retail	Member
07	Mr. Sayed Abul Hashem FCA, FCMA	SEVP & GCFO	Member
08	Mr. Md. Bakhteyar Hossain	EVP & HoMITS	Member
09	Mr. Md. Shamsul Islam	EVP & GHoT	Member Secretary



MTB GROUP ORGANOGRAM





[All new/existing branches/divisions/departments prepare their organogram every year as per their needs and business size, and submit the same to GHR, who review and place the requirements to the MD & CEO. He then places those to the Board of Directors for their approval, as required.]

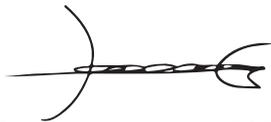
REPORT ON CEO'S AND CFO'S RESPONSIBILITIES

The financial statements of the MTB Group, i.e., the Bank and its subsidiaries, are prepared in compliance with The Bangladesh Accounting Standards issued by the institute of Chartered Accountants of Bangladesh (ICAB), the Companies Act, 1994, The Bank Company (amendment) Act, 2013 and the Securities and Exchange Rules, 1987. The Accounting policies used in the preparation of the financial statements are appropriate and are consistently used by the group. All material departures (if any) have been disclosed and explained in the notes to the financial statements. There are no departures from the prescribed accounting standards. Comparative information has been reclassified wherever necessary to comply with the current year's presentation.

The Audit Committee of the Bank meets periodically with the internal audit team to review their audit plans, to assess the process of their responsibilities and to discuss internal controls and financial reporting issues. The Audit Committee pre-approves the audited and non-audited services provided by our external auditors, A. Qasem & Co., in order to ensure that the provision of such services does not impair the auditor's independence. The report is given on page no. 221 of the Annual Report.

The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order to express a true and fair view. The form and substance of transactions and the Bank's state of the affairs is reasonably presented. To ensure this, the Bank has taken proper and adequate care in installing a system of internal control and accounting records. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Bank are consistently followed. However, there are inherent limitations that should be recognized in weighing the assurance provided by any system of internal controls and accounting.

We confirm that the MTB group has complied with all the applicable laws and regulations and guidelines and that there are no material litigations against the MTB group.



Sayed Abul Hashem FCA, FCMA
Group Chief Financial Officer



Anis A. Khan
Managing Director & CEO

CORPORATE GOVERNANCE REPORT

Corporate Governance Report

Mutual Trust Bank Limited (MTB) believes that its ongoing commitment and efforts in ensuring a strong corporate governance structure and culture across the organization will help it deliver value to all its stakeholders. Hence, the Bank has strived to have good corporate governance practices put in place and the highest standards of business integrity applied to all its activities.

Corporate Governance Principles

The Bank has developed processes for identifying, assessing and managing the significant risks and uncertainties facing the Bank. Internal control processes have been established to ensure efficiency and effectiveness of business operations and controls in all areas including finance and operations, as well as compliance with relevant laws and regulations. The Group Internal Control and Compliance Division have been tasked to provide oversight and support to ensure that individual business units conduct their business and affairs in a manner that drives forward the Bank's strategic objectives, while complying with applicable laws and regulatory requirements.

A strong focus is placed on educating and increasing awareness among directors, executive officers and employees on the bank's codes of conduct, the relevant laws and regulatory requirements as well as disciplinary procedures.

The Bank's corporate governance policy, which contains guidelines for directors, executive officers, and employees, has been formulated as per guidelines of regulators. With adherence to this policy in its operations, the Bank aims to build trust and confidence among investors and stakeholders, thereby improve its competitiveness, enhance value and promote stability. The policies are updated time to time in order to comply with the good governance principles and relevant regulatory requirements.

Corporate Governance

1. Rights of Members/Shareholders

The bank has acknowledged the rights of all members/shareholders and encouraged them to exercise their basic rights on an equitable basis, as well as proactively communicated with them regularly. Such rights include the rights to sell, purchase or transfer shares within the period as specified in the regulations, access bank information, ensure fair distribution of profit, attend meetings, if required, express opinions and comments, and decide on important matters, and approval of any special items, etc.

2. Equitable Treatment of Shareholders

The Bank recognizes the importance of fair treatment of all shareholders including its duty to protect shareholders' interests. Measures are in place to prevent the use of internal information for personal gains by the Board members, executives and employees. The Board has set a policy and procedure to prohibit unauthorized disclosure of material and non-public information which may affect the Bank's securities.

3. Role of Stakeholders

The Bank places great importance to the rights of all its stakeholders including directors, executive officers, employees, shareholders, clients, business partners, creditors and the relevant authorities.

4. Codes of Conduct

4.1 Clients

The Bank takes its commitment seriously to provide clients with high-quality products and services while safeguarding their interests and treating them fairly in all aspects of their dealings with the Bank. To pursue with this objective, the Bank set up Customer Complaint Cells at every branch and the Head Office. A report is prepared and forwarded to the concerned management to resolve any complaints in an effective, fair, coordinated and timely manner. Client confidentiality is strictly maintained and observed at all times.

4.2 Shareholders

The Bank focuses on creating and delivering sustainable shareholder value, protection of assets and providing all shareholders with fair treatment whilst allowing them to exercise their rights fully and fairly in an informed manner except when they have material interests in the matter considered at the meeting. In such case, the shareholders concerned are required to abstain from voting thereon, but they are eligible to participate.

4.3 Employees

The Bank believes in fair treatment of all employees, and is fully committed to enhancing the quality of its human capital. In this context, it consistently offers training and support, including providing opportunities for career development.

4.4 Creditors and Business Partners

The Bank conducts business with its creditors and business partners fairly and in compliance with the relevant laws and regulations.

4.5 Competitors

The Bank acknowledges the importance of a fair and competitive business environment. It is committed to conducting business in a fair and confidential manner posing no impairment to the reputation of its competitors and upholding ethical practices among its employees.

4.6 Responsibility towards the Community and the Environment

The Bank always appraises to make positive impacts on the community and the environment. It is actively involved in a range of charitable activities, including blanket distributions, donation to Prime Minister's Relief Fund, distribution of bicycles among the female students of remote unprivileged areas under a campaign titled "Swapno Sharathi", sponsoring corporate cricket tournament, blood donation, scholarship among underprivileged brilliant students and brilliant children of bank employees, assistance to construct schools in remote areas etc.

5. Disclosure and Transparency

Information on the Bank's activities is made available to regulatory bodies, investors, shareholders, analysts and the general public through newspapers, and online news portal, including the Bank's website. In addition, in line with regulatory requirement, the Bank discloses relevant information in annual reports.

6. Policy on Training of the Board of Directors

The Board of the Bank is composed of Directors having diversified skills, who are highly professional and are renowned and pioneer in their respective business arenas. They have adequate professional academic knowledge and training (both local and foreign) to play

vital role in transforming MTB into the bank of choice, having global acceptance. As such, whenever they have the opportunity, they utilize the same to keep them up to date. As part of continuous improvement process, recently some of them attended a workshop titled "Revisiting Corporate Governance Regulations for Banks in Bangladesh" organized by Bangladesh Bank, in association with the International Finance Corporation (IFC).

A Code of Conduct has also been adopted by the Board to be followed by its members and it is duly abided by them. Besides, all relevant regulations, promulgated/ circulated by the concerned authorities from time to time, are communicated with them at regular intervals.

7. Remuneration of Directors

The Bank does not pay any remuneration to its Directors other than the meeting fees fixed by the Bangladesh Bank. As per the Banking Regulation and Policy Department of Bangladesh Bank (BRPD) circular, the Chairman may be provided a car, telephone, office and private secretary. The Managing Director is paid a salary and allowances as per approval of the Bank's Board of Directors and Bangladesh Bank. As per BRPD circular, no honorarium is given to them for attending the Board meeting or the meeting of any Committees formed by the Board. As per circular, the maximum remuneration for attending any meeting of the Board and its Committees has been fixed at BDT 8,000 only.

8. Responsibilities of the Board

8.1 Board Structure

At present, there are 13 Board members, including two independent Directors and Managing Director & CEO. The Board of Directors consists of:

Sl.	Name of Director	Status
01	Mr. M. A. Rouf, JP	Chairman
02	Mr. Md. Hedayetullah	Vice-Chairman
03	Mr. Syed Manzur Elahi	Director (Founding Chairman)
04	Dr. Arif Dowla (Representing Advanced Chemical Industries Ltd.)	Director
05	Mr. Rashed Ahmed Chowdhury (Representing Associated Builders Corporation Ltd.)	Director
06	Mr. Md. Abdul Malek	Director
07	Mr. Md. Wakiluddin	Director
08	Mrs. Khwaja Nargis Hossain	Director
09	Mr. Anjan Chowdhury (Representing ASTRAS Ltd.)	Director
10	Mr. Q. A. F. M. Serajul Islam (Representing Pioneer Insurance Company Ltd.)	Director
11	Mr. Anwarul Amin	Independent Director
12	Dr. Sultan Hafeez Rahman	Independent Director
13	Mr. Anis A. Khan	Managing Director & CEO

The Board of MTB is composed of individuals from diverse professional backgrounds with a broad spectrum of experience and expertise as well as business ethics. There are Non-Executive Director and Independent Director. Non-Executive Director means a director, who does not hold any position in the Bank other than being a member of the Board and its Committees. Independent Director means a director who does not have any related business, hold any managerial position or have any beneficial interest in financial institutions that may affect his/her independent decision.

Election of the Board members follows the resolution of shareholders' meetings and as set out in the Bank's Articles of Association. The structure of the Board of Directors and the setup of Board Committees are as prescribed by the Bangladesh Bank and BSEC. The Board composition is as follows: 1 (one) Executive Director, i.e., the Managing Director, 2 (two) Independent Directors and 10 (ten) Non-Executive Directors.

The two Independent Directors who concurrently serve on the Audit Committee must satisfy the criteria based on the corporate governance guidelines issued by the BSEC and Bangladesh Bank. The Board appoints two of its Directors to be the Chairman and Vice-Chairman. As per guideline, the Managing Director & CEO and the Chairman will not be the same person.

Each Director's term of office is prescribed in the Articles of Association, bank company act as well as in the company act. At every Annual General Meeting, one-third of the directors retire. In any subsequent years, the directors, who have been in office the longest, retire. The retiring director may be re-elected.

8.2 Selection, Appointment and Removal of Directors

8.2.1 Appointment of Directors

The Board of Directors elects/re-elects directors and submits recommendation to the meeting of the shareholders for approval and appointment/re-appointment, subject to compliance of Articles of Association of the Bank and fulfillment of regulatory procedures.

Whenever any person vacates his/her seat as a Board member for any reason other than expiry of term of office, the remaining members, at the next Board meeting appoint another qualified and suitable Director to fill that position for the remainder of the term of office of his/her predecessor.

8.2.2 Election/Re-election of the Directors

As per Companies Act, each year one-third of the Directors retire from office at the AGM, and, if eligible, as per the bank company act, may offer themselves for re-election by shareholders at the AGM. Accordingly, following Directors retired at the 18th AGM and they were re-elected.

Mr. M. A. Rouf, JP, Chairman, Director, Mr. Md. Hedayetullah, Vice Chairman, Director, Mr. Syed Manzur Elahi (Founding Chairman) and Mrs. Khwaja Nargis Hossain, Director, retired and were re-elected.

8.2.3 Vacation of Office of Director

The office of director to be vacated according to the instructions specified in section 108 (1) of the Companies Act, 1994. Besides, when a bank director becomes defaulter and does not repay the loan within two months after getting a notice under section 17 of the Bank Company Act, 1991; provides false statement at the time of appointment; or fails to fulfill the minimum eligibility criteria, the office of the director to be vacated.

8.2.4 Removal of Directors from Office

According to section 108 (2) of the Companies Act, 1994, with the prior approval of Bangladesh Bank, a director of any bank, other than specialized banks, can be removed from his office for the reason specified in its Articles of Association. For this purpose, the reason and grounds of the dismissal/removal and copy of the decision of the board and list of directors should be submitted to Bangladesh Bank. In this case, the removal becomes effective from the date of Bangladesh Bank's approval.

8.2.5 Appointment of Alternate Director

Subject to compliance of section 101 of the Companies Act, 1994, an alternate director can be appointed to act for a director, during his absence for a continuous period of not less than three months from Bangladesh.

8.3 Board Committees

The Board has established the Board Executive Committee, the Board Audit Committee and the Board Risk Management Committee to assist in screening and scrutinizing specific operations and support the performance of duties of the Board to ensure efficiency and effectiveness and maintain a good corporate governance system.

8.4 Roles, Duties and Responsibilities of the Board

To ensure good governance in the bank management, it is essential to have specific demarcation of responsibilities and authorities among the controlling bodies over bank affairs. In the bank company act, Section 15 (kha) and (ga) give responsibility to the board of directors for establishing policies for the bank company, for risk management, internal controls, internal audit and compliance and for ensuring their implementation.

Basic responsibility of the Board is to exercise judgment on the business operations in a manner that they reasonably believe to be in the best interests of the Bank and in compliance with the applicable laws and regulatory rules, the Bank's Articles of Association, and resolutions of the shareholders' meetings, as detailed below:

1. Set vision, targets, policies, strategies, administration, utilization of resources, and business standards and framework of the Bank; and monitor and supervise the Bank's business operations to ensure efficient and effective discharge of functions in accordance with the policies set forth.
2. Select individuals qualified for directorship and make recommendation thereof to the shareholders' meeting for election as directors.
3. Select qualified individuals from diverse professional backgrounds and with a broad spectrum of experience and expertise for appointment of Independent Director.
4. Review and approve budgets proposed by the management.
5. Delegate authority for day-to-day management to executives based on agreed objectives and targets, except when the matter is of high significance and not in the normal course of business of the Bank, and, hence, warrants the Board's attention, such as change in the Bank's capital structure, investment in other business, business merger, disposal of assets and capital expenditure; or in such cases, where the Board's ratification is required, including issues of conflict of interest, and an approval of the shareholders has to be sought.
6. Determine the issues to be brought to its attention by the management.
7. Set measures for the management to communicate and ensure there are communication of operational targets and policies to Bank staff at all levels.
8. Monitor and supervise management's business operations to ensure compliance with relevant laws and regulations as well as contractual terms and conditions.
9. Monitor and ensure that the Bank has exist efficient and effective risk management system.
10. Assume responsibility for the financial statements of the Bank and its subsidiaries, and, in that process, ensure that the notes to the financial statements contain all-important disclosures; and supervise to ensure that processes are in place for implementing a sound accounting system and proper accounting records are kept for future references.
11. Ensure that processes are in place for reporting of operating results in comparison with the targets and the problems arisen so that the Board can monitor, improve and rectify the plans and strategies as appropriate.
12. Ensure that adequate, accurate, reliable information is disclosed in a timely manner.
13. Put in place corporate governance principles and business ethics, Board and Board committees' charters, and human resource management policies.

8.5 Authorities of the Board of Directors

8.5.1 Work-planning and Strategic Management:

- i. The board determines the objectives and goals, and, to this end, chalks out strategies and work-plans on annual basis. It specially engages itself in the affairs of making strategies consistent with the determined objectives and goals and in the issues relating to structural change and reformation for enhancement of institutional efficiency and other relevant policy matters. It analyzes/monitors, at quarterly rests, the development of implementation of the work-plans.
- ii. The board incorporates analytical review in the Annual Report as regards the success/failure in achieving the business and other targets as set out in its annual work-plan and appraises the shareholders of its opinions/recommendations on plans and strategies. It sets Key Performance Indicators (KPIs) for the CEO and officers immediately two tiers below the CEO, and evaluates from time to time.

8.5.2 Credit and Risk Management

- i. Policies, strategies, procedures, etc. in respect of appraisal of loan/investment proposal, sanction, disbursement, recovery, reschedule and write-off are made with the board's approval under the purview of the existing laws, rules and regulations. The board specifically distributes/delegates power of sanction of loan/investment among the CEO and his subordinate executives, as part of its governance practice. No director, however, interferes, directly or indirectly, into the process of loan approval.
- ii. The board frames policies for risk management and get them complied with, monitor the compliance regularly, review the concerned report of the risk management team, and compile in the minutes of the board meeting. The board monitors compliance of the guidelines of Bangladesh Bank regarding key risk management.

8.5.3 Internal Control Management

The board is vigilant on the internal control system of the bank in order to attain and maintain satisfactory qualitative standard of its loan/investment portfolio. The board establishes internal control system so that the internal audit process can be conducted independently from the management. It reviews reports submitted by the audit committee regularly regarding compliance of recommendations made in internal and external audit reports and the Bangladesh Bank inspection reports. It also monitors and ensures that the Bank has in place adequate, proper and effective internal control system for the benefit of the Bank; formulates and implements a clear procedure to cope with conflict of interest; puts in place policies and processes preventing management and other concerned parties from using confidential inside information for personal gains; and assesses and reviews the adequacy of the Bank's internal controls.

8.5.4 Human Resources Management and Development

i. Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, human resources development, etc. and service rules have been framed and approved by the board. The Chairman and the directors in no way involve themselves or interfere into or influence over any administrative affairs including recruitment, promotion, transfer and disciplinary measures as executed under the set service rules. No members of the board of directors are included in the selection committees for recruitment and promotion to different levels. Recruitment, promotion, transfer and punishment of the officers immediately two tiers below the CEO rest upon the board. Such recruitment and promotion are carried out complying with the service rules.

ii. The board focuses its special attention to the development of skills of bank's staff in different fields of its business activities including prudent appraisal of loan proposals, and to the adoption of modern electronic and information technologies and the introduction of effective Management Information System (MIS). The board gets these programs incorporated in its annual work plan.

iii. The Bank has formulated code of conduct for every tier, and all have to comply with the same when interacting with the customers, shareholders, employees and business partners or creditors. Emphasis is also placed on responsibilities for the environment, society and competitors, preservation of client confidentiality, honesty, fairness, professional integrity, business capacities, strict compliance with laws and regulations, as well as cooperation with regulatory agencies. In performing their duties, employees are required to keep uppermost in their mind the principles, use good judgment, and act in compliance with rules and regulations.

8.5.5 Financial Management

i. The annual budget and the statutory financial statements are finalized with the approval of the board. It reviews/monitors the positions in respect of Bank's income, expenditure, liquidity, non-performing asset, capital adequacy, maintenance of loan loss provision and steps taken for recovery of defaulted loans including legal measures, at monthly rests.

ii. The board frames policies and procedures for Bank's purchase and procurement activities and accordingly approves the distribution of power for making such expenditures. The decision on matters relating to infrastructure development and purchase of land, building, vehicles etc. for the purpose of Bank's business are adopted with the approval of the board.

8.5.6 Appointment of Chief Executive Officer (CEO)

The Bank has conducted annual evaluation of Managing Director & CEO's performance, taking into consideration the key performance indicators,

determined based on the Bank's strategies and targets each year.

The issue of good governance is very important in bank management. In order to strengthen the financial base of the Bank and obtain confidence of the depositors, appointing honest, efficient, experienced and suitable chief executive is one of the responsibilities of the Board of Directors. In order to ensure good governance, the Bank follows the guidelines of Bangladesh Bank enumerated below while appointing the CEO and in devising the role and responsibilities as well as authorities of the CEO:

8.5.6.1 Rules and Regulations for Appointing CEO:

1. Moral Integrity: In case of appointment to the post of Chief Executive, satisfaction in respect of the concerned person should be ensured to the effects that,-

a) He has not been convicted by any Criminal Court of Law;

b) He has not been punished for violating any rules, regulations or procedures/norms set by any controlling authority;

c) He was not associated with any such company/ organization, registration or licence of which has been cancelled.

2. Experience and Suitability:

a) For appointment as Chief Executive, the concerned person must have experience in banking profession for at least 15 (fifteen) years as an active officer and at least 02 (two) years experience in a post immediately below the Chief Executive of a bank.

b) He must at least have a master's degree from any recognized university. Higher academic education in the field of economics, banking and finance or business administration will be treated as additional qualification for the concerned person.

c) In respect of service, the concerned person should have excellent record of performance.

d) Satisfaction should be ensured that the concerned person was not dismissed from service when he was chairman/director/official of any company.

e) Any director of any bank or financial institution or any person, who has business interest in the bank concerned will not be eligible for appointment to the post of chief executive.

3. Transparency and Financial Integrity: Before appointment as chief executive, satisfaction should be ensured to the effects that:

a) The concerned person was not involved in any illegal activity while performing duties in his own or banking profession;

b) He has not suspended payment to creditors or has not compromised with his creditors to be relieved from debt or he is not a loan defaulter;

c) He is not a tax defaulter;

d) He has never been adjudicated insolvent.

4. Age limit: No person crossing the age of 65 years shall hold the post of CEO of a bank.

5. Tenure: The tenure of the chief executive shall be for at least 03 (three) years, which is renewable. If the candidate has less than 3 years left to attain 65 years, he/she can be appointed for that period.

6. Guidelines in fixing the salary and allowances: Banks are required to follow the guidelines stated below while determining the salary and allowances of the CEO and submitting proposal to Bangladesh Bank.

a) In fixing the salary and allowances of the chief executive, financial condition, scope of operation, business-volume and earning capacity of the bank; qualifications, achievement of the candidate in the past, age and experience and the remuneration paid to the persons occupying same position in the peer banks shall have to be taken into consideration.

b) Total salary shall be comprised of direct salary covering 'basic pay', 'house rent' and allowances as 'others'. The allowances (e.g., provident fund, utility bill, leave-fare assistance) in 'others' head should be specified in amount/ceiling. Besides, other facilities (e.g., car, fuel, driver, etc.), monetized as far as possible to determine monthly total salary, shall have to be mentioned in the proposal to be submitted to Bangladesh Bank.

c) Without improving the bank's major economic indicator like CAMELS, annual salary increment will not be payable.

d) Terms of salary, allowances and other facilities as specified in the terms and conditions of appointment cannot be changed during the tenure. In case of renewal, proposal may be made for re-fixation of the salary considering the job performance of the incumbent chief executive.

e) The Chief Executive so appointed shall not get any other direct or indirect facilities (e.g., dividend, commission, club expense, etc.) other than the salary, allowances and other facilities as enumerated in clause (b) above.

f) The bank shall not pay any income tax for the chief executive, i.e., the chief executive so appointed shall have to pay it.

7. Incentive Bonus: Subject to the payment of incentive bonuses to all staff/employees, the CEO will be eligible to get such bonus. However, the amount of CEO's incentive bonus will not cross BDT 10 (ten) lacs per year.

8. Honorarium for attending Board Meeting: As CEO is a salaried official of the bank, he will not get any honorarium for attending the Board meeting or the meeting of any Committee formed by the Board.

9. Evaluation Report: While re-appointing CEO, an evaluation report approved by the board of directors should be submitted to Bangladesh Bank by the chairman of the Board.

10. Prior approval from Bangladesh Bank: Prior approval from Bangladesh Bank is mandatory before appointing CEO as per section 15(4) & (5) of the Bank Company Act, 1991 (Amended up to 2013). For processing such approval, along with the proposal signed by the chairman of the board, the selected person's complete resume, offer letter (mentioning the direct and indirect remuneration and facilities) and copy of board's approval must be submitted to Bangladesh Bank. The selected person must also submit declarations to Bangladesh Bank in prescribed formats.

11. Decision of Bangladesh Bank regarding appointment of CEO will be treated as final and such appointed CEO cannot be dismissed, released or removed from his office without prior approval from Bangladesh Bank. However-

a) In case the CEO desires to terminate the contract before expiry or resigns from his office voluntarily, he shall serve at least one-month notice upon the Chairman of the Board stating the actual reason for such resignation, and, at the same time, forward a copy of such notice to Bangladesh Bank.

b) In case the Board of the Bank desires to terminate the contract before expiry or asks the CEO to tender resignation from his post, the Board shall serve at least one-month notice stating the reasons for such action; at the same time forward a copy of such notice to Bangladesh Bank and obtain approval of Bangladesh Bank for such removal.

c) When the position of the CEO falls vacant due to resignation, expiry of contract, or any other reason, the bank shall immediately appoint a 'CEO In-charge' (for maximum 3 months) from among the officials next to the CEO and notify Bangladesh Bank with details of such Officer In-charge.

8.5.6.2 Duties and Responsibilities of CEO:

The CEO of the bank, by whatever name called, shall discharge the responsibilities and affect the authorities as follows:

In terms of the financial, business and administrative authorities vested upon him by the board, the CEO shall discharge his own responsibilities. He shall remain accountable for achievement of financial and other business targets by means of business plan, efficient implementation thereof and prudent administrative and financial management.

The CEO shall ensure compliance of the Bank Company Act, 1991 and other relevant laws and regulations in discharging routine functions of the bank.

At the time of presenting any memorandum in the Board Meeting or Board Committee Meeting, the CEO must point out if there is any deviation from the Bank Company Act, 1991 and other relevant laws and regulations.

The CEO shall report to Bangladesh Bank any violation of the Bank Company Act, 1991 or of other laws/regulations.

The recruitment and promotion of all staff of the bank, except those two tiers below him, shall rest on the CEO. He shall act in such cases in accordance with the approved service rules, on the basis of the human resources policy and sanctioned strength of employees as approved by the board.

8.5.6.3 Evaluation of the CEO by the Board

There is a five-year Strategic Priorities & Action Plan for the evaluation of the CEO/Management on an annual basis and it is revisited and revised from time to time, depending on the scope and opportunity of banking business, local and global economic condition, etc. The CEO's performance is evaluated on regular basis, taking into consideration the trends of financial indicators, bank's image/reputation, non-performing loans and advances, regulatory guidelines, etc.

8.6 Other Responsibilities of the Board

The board follows and complies with the responsibilities assigned by Bangladesh Bank.

8.6.1 Meeting of the Board

Board meetings are scheduled in advance, with at least one held every month. In addition to the scheduled Board meetings, further Board meetings can also be held as and when required.

8.6.2 Chairman of the Board of Directors

The Chairman of the Board of Directors or Chairman of any Committee is formed by the Board of Directors independently.

8.6.3 Formation of Committees

The bank only forms Executive Committee, Audit Committee and Risk Management Committee with the directors, as per Bangladesh Bank and BSEC guidelines.

8.6.3.1 Executive Committee

Executive Committee, formed with the members of the board, performs according to its terms of reference determined by the Board of Directors.

a) Organizational Structure

- i. Members of the Committee are nominated by the board of directors from themselves;
- ii. The Committee consists of 5 (five) members, i.e., within the limit set by the regulator;
- iii. Company Secretary of the bank is the secretary of the Committee.

b) Qualifications of the Members

- i. Integrity, dedication, and opportunity to spare time in the functions of the Committee are considered while nominating a director to the Committee;
- ii. All the members are capable of making valuable and effective contributions in the functioning of the Committee;
- iii. All Committee members have adequate understanding of the detailed responsibilities of the Committee as well as the bank's business, operations and its risks.

c) Roles and Responsibilities

- i. The Committee takes all necessary decisions and approves cases within the power delegated by the board.
- ii. All decisions taken in the Board Executive Committee are ratified in the board meeting.

8.6.3.2 Board Audit Committee

The board approves the objectives, strategies and overall business plans of the bank and the Audit Committee assists the board in fulfilling its oversight responsibilities. The committee reviews the financial reporting process, the system of internal control and management of financial risks, the audit process, and the bank's process for monitoring compliance with laws and regulations and its own code of business conduct.

a) Organizational Structure

- i. Members of the Committee are nominated by the board from the directors;
- ii. The Committee consists of 4 (four) members, with 2 (two) independent directors;
- iii. The Committee consists of directors, who are not executive committee members;
- iv. Company Secretary of the bank is the secretary of the Audit Committee.

b) Qualifications of the Members

- i. Integrity, dedication, and opportunity to spare time in the functions of the Committee are considered while nominating a director to the Committee;

ii. Each member is capable of making valuable and effective contributions in the functioning of the Committee;

iii. Members have adequate understanding of the detailed responsibilities of the Committee as well as the bank's business, operations and its risks.

iv. Professionally experienced persons in banking/ financial institutions, specially having educational qualification in finance, banking, management, economics, accounting get preference in forming the Committee.

c) Roles and Responsibilities

(i) Internal Control

1. The Board Audit Committee reviews the effectiveness of internal controls, risk management processes and governance practices, taking into account the requirements of relevant guidelines issued by Bangladesh Bank, BSEC and listing regulations of the stock exchanges.

2. Establish organizational structure, policies and work procedures that ensure effective risk management and internal control systems, enabling stable business growth and compliance with good corporate governance principles.

3. Evaluate setting of appropriate compliance culture by communicating the importance of internal control and the management of risk and ensuring that all employees have clear understanding of their roles and responsibilities.

4. Structure organization taking into account proper segregation of duties that contributes to effective risk management and internal control as well as monitoring and audit systems.

5. Review actions taken by management in connection with computerization of the bank and its applications and bank's Management Information System (MIS).

6. Review the findings and compliance issues identified by regulators and to ensure that appropriate and prompt remedial actions are taken by the management.

7. Consider internal control strategies recommended by internal and external auditors and implement such strategies.

8. Consider reports relating to fraud, forgery, deficiencies in internal control or other similar issues detected by internal and external auditors and inspectors of the regulatory authority and place before the board after reviewing whether the management has taken necessary corrective measures.

9. Ensure there are relevant and effective operational controls, monitoring and guidelines available in all work units across the organization.

10. Review the scope of authority and responsibilities conferred on or delegated to the executives at different levels. A clear division of responsibilities between various management positions provides a mechanism for checks and balances between senior executives.

11. Establish Compliance Department to provide oversight and support to ensure that the Bank conducts its business in compliance with all applicable laws and regulatory requirements.

12. Put in place processes for monitoring and reviewing the implementation of activities against the Bank's strategic objectives, policies, procedures, relevant laws, regulations, and internal control systems. Review annual business plan to ensure its effectiveness in the rapidly changing environment.

(ii) Financial Reporting

The Committee checks whether the financial statements are prepared according to existing rules, regulations and standards enforced in the country i.e., accounting policies and procedures in line with international accounting standards that support the Bank's business requirements.

(iii) Internal Audit

1. Monitor whether or not the internal audit acts independently from the management.

2. Review the activities of the internal audit and the organizational structure and ensure that no unjustified restriction or limitation hinders the internal audit process.

3. Review the efficiency and effectiveness of the internal audit function, i.e., compliance function and monitor compliance department work to ensure compliance with relevant regulations.

4. Examine whether the management duly considers the findings and recommendations made by the internal auditors or not.

(iv) External Audit

1. Review the performance of the external auditors and their audit reports.

2. Examine whether the management duly considers the findings and recommendations made by the external auditors or not.

3. Make recommendations to the Board regarding the appointment of the external auditors and fix their remuneration.

4. Review the correctness and adequacy of financial statements for submission to the Board.

5. Reports of the External Auditors

The Committee requires external auditor to report to it on all relevant matters, including the following, to enable the audit committee to carry out its oversight responsibilities, if any:

Significant difficulties encountered during the audit;

Key areas of significant risk of material misstatement in the financial statements;

Judgments about events or conditions identified that may cast significant doubt on the bank's ability to continue as a going concern (including consideration of liquidity/funding issues of the bank);

Use of external experts to assist with the external audit;

The auditor's approach to internal control;

The extent to which the auditor uses the work of internal audit;

Significant internal control deficiencies identified in the course of statutory audit;

Significant qualitative aspects of financial statement disclosures;

Any other significant matters discussed with or considered by the engaged quality control reviewer.

(v) Meetings with Bangladesh Bank

Before finalizing the Audited Financial Statements, a tripartite meeting is held among Bangladesh Bank, the bank concerned and the external auditor(s).

(vi) Submission of Audit Report to Bangladesh Bank

The bank submits Audited Financial Reports to the Bangladesh Bank according to Section 40 of the Banking Companies Act, 1991 within the stipulated time.

(vii) Compliance with Existing Laws and Regulations

Review whether the laws and regulations framed by the regulatory authorities (central bank and other bodies) and internal regulations approved by the board are being complied with.

(viii) Other Responsibilities

1. Submit compliance report to the board on regular interval for regularization of the omission, fraud and forgeries and other irregularities detected by the internal and external auditors and inspectors of regulatory authorities (if any);

2. Perform other oversight functions as desired by the Board of Directors.

d) Meetings

1. The Committee met 4 times in 2017;

2. Detailed memoranda are distributed to the members well in advance before each meeting;

3. All decisions/observations of the Committee are noted in the minutes.

8.6.3.3 Board Risk Management Committee (BRMC)

The Bank realizes the significance of risk management covering both internal and external risk factors. Risk Management Committee of MTB is appointed by the Board of Directors with relevant and clearly defined roles, duties and responsibilities and performance of which is assessed to ensure conformity with the risk management plan in place.

To play an effective role in mitigating impending risks arising out of strategies and policies formulated by the Board and to carry out the responsibilities efficiently, the Board Risk Management Committee of MTB, being in charge, formulates risk management policy and procedures of the Bank as well as sets up the risk control and monitoring mechanisms with a view to continuously strengthening risk governance. After risk factors are identified and assessed for credit risks, foreign exchange risks, internal control and compliance risks, money laundering risks, information and communication risks, management risks, interest risks, liquidity risks, etc.; the Committee scrutinizes whether appropriate risk management measures are being put in place and applied and whether adequate capital and provision is being maintained against the risks identified.

a) Organizational Structure

1. Members of the Committee are nominated by the board from themselves;

2. The Committee consists of 4 (four) members;

3. Company Secretary of the bank is the secretary of the Board Risk Management Committee.

b) Qualifications of the Members

1. Integrity, dedication, and opportunity to spare time in the functions of the Committee are considered while nominating a director to the Committee;

2. Each member is capable of making valuable and effective contributions in the functioning of the Committee;

3. Each Committee member has adequate understanding of the detailed responsibilities as well as the bank's business, operations and its risks.

c) Roles and Responsibilities of BRMC

i) Risk Identification and Control Policy

Developing well formulated strategy and ensuring implementation of the same for risk assessment and control are responsibilities of the BRMC. The BRMC

monitors risk management policies and methods and, from time to time, amend those. The Committee reviews the risk management process to ensure effective prevention and control measures.

ii) Construction of Organizational Structure

The responsibility of the BRMC is to ensure an adequate organizational structure for managing risks within the bank. The Committee supervises formation of separate management level committees and monitor their activities with a view to ensuring that those committees are in compliance with the instructions of lending risk, foreign exchange transaction risk, internal control and compliance risk, money laundering risk, information and communication risk and other risk related guidelines.

iii) Analysis and Approval of Risk Management Policy

Risk management policies and guidelines of the bank are reviewed annually by the Committee. The Committee proposes amendments, if necessary, and send those to the Board of Directors for approval. Besides, other limits, including lending limit, are reviewed at least once annually and, amended.

iv) Storage of Data and Reporting System

Adequate record keeping system, developed by the Bank management, is approved by the Committee. The Committee ensures proper use of the system. The Committee minutes its proposal, suggestions and summary in a specific format and informs the Board of Directors.

v) Monitoring the Implementation of Overall Risk Management Policy

The BRMC monitors proper implementation of overall risk management policies. The Committee monitors whether proper steps have been taken to mitigate all risks including lending risk, market risk, and management risk.

vi) Other Responsibilities

1. Ensuring that the Committee's decision and suggestions are submitted to the Board regularly;
2. Complying with instructions issued by the controlling authority from time to time.

d) Meetings

1. The BRMC met 4 (four) times in 2017;
2. To ensure active participation and contribution by the members, detailed memoranda are distributed to Committee members well in advance before each meeting;
3. All decisions/observations of the Committee are noted in minutes.

9. Related Transactions

As of 31 December 2017, the Bank recorded business transactions with its subsidiary and affiliated companies (related by way of having common shareholders), including related persons. These transactions were concluded on commercial terms and based on mutually agreed upon criteria in the ordinary course of business between the Bank and its subsidiary, associated and affiliated companies. Details are as given in the Notes to the Financial Statements as disclosure and placed separately, as per guideline of Bangladesh Bank, for approval by the members of the bank, at its ensuing annual general meeting.

Procedures for approving related party transactions and safeguarding shareholders' interest according to the regulatory guidelines are in place, and all related party transactions are subject to a formal approval process, including the analysis and approval of the relevant authorities. Directors with material interest in any transaction are not allowed to take part in the decision-making process.

Related party transactions include those related to the Bank's business functions, and, are subject to formal approval process in place and criteria of the relevant regulatory bodies. There is a strong probability that related party transactions will continue to be an integral part of the Bank's business, and will be governed by clearly defined review and approval procedures and practices.

10. Organization and Personnel

As of 31 December 2017, the total manpower of the Bank was 2,004 (regular employees), of whom 1,254 work at Bank branches, 677 at the Corporate Head Office, 66 at MTB Securities Ltd. (Brokerage House, a subsidiary of the bank), 7 at MTB Capital Ltd. (Merchant Bank, a subsidiary of the bank).

10.1 Staff Development Program and Human Resource Management Plan

In 2017, the Bank focused on developing its existing employees with competency-based learning to become future-leaders and successors to various key positions in the organization.

The Bank has established procedures for evaluating the performance of senior executives to determine the appropriate levels of remuneration, taking into account the risks and responsibilities involved as well as added value to shareholders in the long run.

Training roadmap was in place for branch staff at all levels to ensure increased skills in serving as a professional financial advisor. The Bank also emphasized on providing all staff levels with leadership program, and implemented Learning Management System (LMS) via MNet for key mandatory training programs for all staff.

In 2017, the Bank organized 281 training courses, comprising 114 in-house, 132 local/out-sourced and 35 overseas courses. The details are mentioned in the training part of the report.

10.2 Employee Benefits

The Bank provides employee benefits such as provident fund, social security fund, medical treatment, medical assistance fund, welfare fund, death benefit plan, annual health check-up, housing loan, car/motorcycle loan, and general purpose loan that are competitive against other leading banks to attract and retain talented and competent staff. The bank has also appointed a physician, whom the employees can consult with for their health related issues. Employees at the head office can make appointment electronically, via MNet, with the doctor, who spends two work-days every week at the MTB Corporate Head Office.

To be an employer of choice, the Bank continues to improve its staff benefits to attract and retain quality staff. In this regard, the Bank introduced Performance Management System for all level of employees.

10.3 Anti-Harassment Policy

The Bank has established Anti-Harassment Policy. The MTB Group has grown large and is now a family of four separate companies in Bangladesh and the United Kingdom. As the MTB network and the number of MTBians grow, it is important, that we go about our everyday working lives in a safe, secure, responsible, dignified and happy manner. It is the desire of the Bank's Board and Management to make MTB a happy place to work in, where people feel a sense of belongingness and loyalty, and contribute to taking the Group towards MTB3V. It is the policy of MTB to prohibit racial, gender, sexual and other forms of unlawful harassment.

11. Dividend Policy

The Bank's policy is to maximize shareholders' wealth. As a result, the bank tries to allocate optimum dividend to the shareholders for each operational year, after payment of income tax, transfer of fund to regulatory reserve, provision for loans and advances, etc. The payment of dividend is made within the time prescribed by law and published in a newspaper. With respect to the Bank's subsidiary companies, the decision to declare a dividend payment is at the discretion of the Boards of Directors of that particular subsidiary and is dependent upon the net earnings of the subsidiary.

12. Dividend

In order to maintain a satisfactory capital adequacy ratio of the bank, the MTB Board, at its 219th meeting held on April 17, 2018 has approved 12.50% dividend (stock dividend) for the year 2017 and recommended for shareholders' approval at the AGM. The shareholders, whose names appeared as members of the bank on record date are eligible to receive such dividend.

13. Appointment of Auditor

A. Qasem & Co., Chartered Accountants, is the statutory auditor of the bank. They were appointed as the Auditor at the 18th AGM, held on July 25, 2017. As per regulatory guidelines, their engagement with the MTB would expire after the 19th Annual General Meeting (AGM).

14. Fuel and Maintenance Cost of MTB Transport

As per circular letter no. 2, dated January 16, 2014, issued by the Banking Regulation & Policy Department (BRPD) of Bangladesh Bank, information of expenses incurred, in respect of fuel and maintenance cost of bank's transport is placed before the Board, semi-annually.

15. As per clause 2 of Corporate Governance Guideline No. SEC/CMRRCD/2006-158/134/Admin/44, following positions of the management are defined clearly. The details of those positions are given below:

Mr. Anis A. Khan Managing Director & CEO

Anis A. Khan (AAK), a Fellow of the Institute of Bankers Bangladesh (IBB) is one of the most prominent and senior-most bankers of our country. He holds a LL.B. (Honours) degree and also a LL.M. (Masters) degree (First Class First) from the University of Dhaka. Mr. Anis A. Khan has carved out a career spanning over 34 years in the corporate world and still continues to work hard with unabated zeal and enthusiasm. He has been serving as the Managing Director and Chief Executive Officer (MD & CEO) of Mutual Trust Bank Limited (MTB) for over than 9 years. MTB appointed Mr. Anis A. Khan as the Managing Director & CEO of the bank in April, 2009 for a period of three years as per the Bank Companies Act. He was re-appointed for further periods, and, lastly, for four years and seven and a half months, with effect from April 15, 2015 until December 01, 2019 (the mandatory retirement age). This was confirmed by the Bangladesh Bank, considering his leadership qualities and contributions towards diversifying the bank's products and services, expansion of the branch network. He has also contributed to the setting up of three fully-owned subsidiaries - MTB Securities Limited, MTB Capital Limited and MTB Exchange (UK) Limited.

Mr. Goutam Prosad Das Deputy Managing Director & Group Head of Internal Control & Compliance

Bangladesh Bank, vide its BRPD Circular No. 03, dated March 08, 2016, circulated the revised 'Guidelines on Internal Control and Compliance in Banks' to all scheduled banks, with advice to implement the directives of the guidelines. In line with the new directives of Bangladesh Bank, as well as to comply with the applicable laws and regulations and corporate governance notification of Bangladesh Securities and Exchange Commission, Mutual

Trust Bank has restructured its Internal Control and Compliance Division, and appointed Mr. Goutam Prosad Das, Deputy Managing Director, as the Head of Group Internal Control and Compliance (GICC). He supervises all the three divisions that are under ICC Department. The divisions have been revamped in light of the revised guidelines. The Bank has an Internal Control and Compliance Policy and a Compliance Manual, duly approved by the Board of Directors. As the Head of GICC, Mr. Goutam reviews and monitors Bank's Internal Control and Compliance Risk.

Mr. Sayed Abul Hashem FCA, FCMA
Senior Executive Vice President & Group Chief Financial Officer (GCFO)

The Board has appointed Mr. Sayed Abul Hashem as Senior Executive Vice President & Group Chief Financial Officer (GCFO) of the Bank. He attends the meetings of the Board of Directors. Duties of the GCFO include ensuring compliance with the applicable laws and regulations and corporate governance guidelines and to assist the CEO regarding various issues related with financial operation and control.

Mr. Hashem completed B.Com (Hons.) & M.Com in Accounting from the University of Dhaka. He is also a Member of the Institute of Bankers, Bangladesh (DAIBB), Fellow Chartered Accountant (FCA) and Fellow Cost and Management Accountant (FCMA). He started his banking career in Finance Division of Islami Bank Bangladesh Limited (IBBL) in the year 2000. After then joined in Shahjalal Islami Bank Limited (SJIBL) in the year 2003 as the in charge of Financial Administration Division. From the year 2005, Mr. Hashem performed as Chief Financial Officer (CFO) in SJIBL. MTB appointed Mr. Hashem as Group CFO on 19th March 2015. He has over 17 years banking experience of which the last 12 years as Chief Financial Officer (CFO)

Mr. Malik Muntasir Reza
Executive Vice President & Group Company Secretary

The Board has appointed Mr. Malik Muntasir Reza as Executive Vice President & Group Company Secretary and Secretary to the Board of Directors and its Committees to assist the Board in fulfilling its tasks. Duties of the Secretary include providing advice and ensuring compliance with the applicable laws and regulations, which is consistent with the Corporate Governance Notification.

Md. Shah Alam Patwary ,
Executive Vice President & Group Chief Information Officer (GCIO)

Md. Shah Alam Patwary, a Computer Engineer from Bangladesh University of Engineering and Technology (BUET), is serving the Mutual Trust Bank (MTB) for more than 10 years with a working experience for more than 24 years in information Technology. As per BRPD circular letter no 03 dated March 25, 2018, He is responsible for bank technology and presently he is the project Manager (IT) for MTB Core Banking Systems Transformation Project (MCT).

To perform the day-to-day tasks smoothly, provide support in decision-making process, and to comply regulatory requirements, the management forms different committees, subcommittees and units/cells comprising executives/staff of different levels. These are re-constituted from time to time, as per updated guidelines and requirement of the bank.

The committees are;

- i) Senior Management Team (SMT)
- ii) Management Committee (MANCOM)
- iii) All Risk Committee (ARC)
- iv) Asset Liability Committee (ALCO)
- v) Credit Evaluation Committee (CEC)
- vi) Exception Approval Committee (EAC)
- vii) Supervisory Review Process (SRP) Team
- viii) Group Integrity Committee
- ix) Central BCP (Business Continuity Plan)
- x) Document Preparation Committee
- xi) IT Steering Committee
- xii) IT Security Committee etc.

Meeting Attendance of the Directors:

In 2017, meeting attendance of the members of the Board and Board Committees is as follows:

Meetings of the Board of Directors
Held from January 01, 2017 to December 31, 2017

Sl.	Name of Director	Total Meetings Held	Meetings Attended	Remuneration (BDT 8,000/ Meeting)	Remarks
1.	Mr. M. A. Rouf, JP Chairman	15	14	112,000	Leave of absence was granted
2.	Mr. Md. Hedayetullah Vice-Chairman	15	11	88,000	"
3.	Mr. Syed Manzur Elahi Director & Founding Chairman	15	11	88,000	"
4.	Dr. Arif Dowla Director (Representing Advanced Chemical Industries Ltd.)	15	7	56,000	"
5.	Mr. Rashed Ahmed Chowdhury Director (Representing Associated Builders Corporation Ltd.)	15	12	96,000	"
6.	Mr. Md. Abdul Malek Director	15	15	120,000	-
7.	Mr. Md. Wakiluddin Director	15	14	112,000	Leave of absence was granted
8.	Mrs. Khwaja Nargis Hossain Director	15	13	104,000	"
9.	Mr. Anjan Chowdhury Director (Representing ASTRAS Ltd.)	15	7	56,000	"
10.	Mr. Q. A. F. M. Serajul Islam Director (Representing Pioneer Insurance Company Ltd.)	15	15	120,000	-
11.	Mr. Anwarul Amin Independent Director	15	6	48,000	Leave of absence was granted
12.	Dr. Sultan Hafeez Rahman Independent Director	15	9	72,000	"
Total				1,072,000	

Executive Committee Meetings
Held from January 01, 2017 to December 31, 2017

Sl.	Name of Director	Position	Total Meetings Held	Meetings Attended	Remuneration (BDT 8,000/ Meeting)	Remarks
1.	Mr. Syed Manzur Elahi Director (Founding Chairman)	Chairman	8	8	64,000	-
2.	Mr. Md. Hedayetullah Vice-Chairman	Member	8	3	24,000	Leave of absence was granted
3.	Mr. Md. Abdul Malek Director	Member	8	8	64,000	-
4.	Mr. Md. Wakiluddin Director	Member	8	6	48,000	Leave of absence was granted
5.	Mr. Q. A. F. M. Serajul Islam Director	Member	8	8	64,000	-
Total					264,000	

Board Audit Committee Meetings
Held from January 01, 2017 to December 31, 2017

Sl.	Name of Director	Position	Total Meetings Held	Meetings Attended	Remuneration (BDT 8,000/ Meeting)	Remarks
1	Mr. Anwarul Amin Independent Director	Chairman	4	2	16,000	Leave of absence was granted
2	Mr. Rashed Ahmed Chowdhury Director	Member	4	3	24,000	"
3	Mrs. Khwaja Nargis Hossain Director	Member	4	3	24,000	"
4	Dr. Sultan Hafeez Rahman Independent Director	Member	4	3	24,000	"
Total					88,000	

Board Risk Management Committee Meetings
Held from January 01, 2017 to December 31, 2017

Sl.	Name of Director	Position	Total Meetings Held	Meetings Attended	Remuneration (BDT 8,000/ Meeting)	Remarks
1.	Dr. Arif Dowla Director	Chairman	4	4	32,000	-
2.	Mr. Hedayetullah Vice-Chairman, Director	Member	4	1	8,000	Leave of absence was granted
3.	Mr. Md. Abdul Malek Director	Member	4	4	32,000	-
4.	Mr. Q. A. F. M. Serajul Islam Director	Member	4	4	32,000	-
Total					104,000	

The Authorized Capital of Mutual Trust Bank Limited (MTB) is BDT 10,000,000,000 divided into 1,000,000,000 ordinary shares of BDT 10.00 each. The Paid-up Capital of the Bank is BDT 5,096,560,340 divided into 509,656,034 ordinary shares. The pattern of shareholding is given below:

- i) Parent/Subsidiary/Associated companies and other related parties: N/A
- ii) Shares held by Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children are as follows:

a) Shares held by the Directors and their spouses as on 31 December 2017:

Name of Director	Status	Nos. of Shares	Name of Spouse	Nos. of Shares	Remarks
Mr. M. A. Rouf JP	Chairman	10,212,163	Mrs. Evelyn Rouf	-	-
Mr. Md. Hedayetullah	Vice-Chairman	10,198,976	Mrs. Afia Hedayetullah	-	-
Mr. Syed Manzur Elahi (Founding Chairman)	Director	18,793,233	Mrs. Niloufer Manzur	425	-
Dr. Arif Dowla (Representing Advanced Chemical Industries Ltd.)	Director	28,791	Mrs. Rumana Rashid Dowla	-	16,988,498 Shares held by ACI Ltd.
Mr. Rashed Ahmed Chowdhury (Representing Associated Builders Corporation Ltd.)	Director	2,804,413	Mrs. Yasmin Chowdhury	-	25,482,776 shares held by ABC Ltd.
Mr. Md. Abdul Malek	Director	10,290,519	-	-	-
Mr. Md. Wakiluddin	Director	10,202,422	-	-	-
Mrs. Khwaja Nargis Hossain	Director	10,193,426	Al-haj Syed Abul Hossain	14,616,045	-
Mr. Anjan Chowdhury (Representing ASTRAS Ltd.)	Director	6,407,261	Mrs. Monira Munni Chowdhury	-	12,741,347 shares held by Astras Ltd.
Mr. Q. A. F. M. Serajul Islam (Representing Pioneer Insurance Company Ltd.)	Director	-	Mrs. Salina Akhtar	-	33,092,421 Shares held by Pioneer In. Co. Ltd.
Mr. Anwarul Amin	Independent Director	-	Mrs. Razia Khan Amin	-	-
Dr. Sultan Hafeez Rahman	Independent Director	-	Mrs. Zakia Rahman	-	-

Ownership Composition:

As on December 31, 2017, the Sponsors and Directors of MTB held 36.62% of the total paid up shares, whereas Institutions and General Public held 22.27% and 41.11%, respectively:

Sl.	Type of Owners	No. of Shares	Values of Shares in BDT	(%) of Holding
1	Sponsor, Directors	186,651,665	1,866,516,650	36.6231
2	Institutions	113,496,829	1,134,968,290	22.2693
3	General Public	209,507,540	2,095,075,400	41.1076
Grand Total		509,656,034	5,096,560,340	100.00

Holdings	No. of Shareholders	No. of Shares	Value of Shares in BDT	Total Holdings %
Less than 499 shares	2,776	463,269	4,632,690	0.091
500 to 5,000 shares	3,219	6,133,343	61,333,430	1.204
5,001 to 10,000 shares	482	3,367,394	33,673,940	0.661
10,001 to 20,000 shares	341	4,610,036	46,100,360	0.905
20,001 to 30,000 shares	125	2,985,020	29,850,200	0.586
30,001 to 40,000 shares	68	2,380,724	23,807,240	0.467
40,001 to 50,000 shares	45	2,004,517	20,045,170	0.393
50,001 to 100,000 shares	101	7,416,956	74,169,560	1.455
100,001 to 1,000,000 shares	133	37,045,814	370,458,140	7.269
Over 1,000,000 shares	71	443,248,961	4,432,489,610	86.970
Total	7,361	509,656,034	5,096,560,340	100.00

Top ten shareholders of the Bank as of December 31, 2017:

Sl.	Name of the Shareholder	Total Shares Held	Holding %
01	Pioneer Insurance Company Ltd.	33,092,421	6.4931
02	Associated Builders Corp. Ltd.	25,482,776	5.0000
03	Mahbub Ahmed	23,866,601	4.6829
04	TS Holdings Ltd	20,313,326	3.9857
05	TS Transformers Ltd	23,260,791	4.5640
06	Mr. Syed Manzur Elahi	18,793,233	3.6874
07	ACI Limited	16,988,498	3.3333
08	Mr. Alhaj Syed Abul Hossain	14,616,045	2.8678
09	Astras Limited	12,741,347	2.5000
10	Mr. Abu Naser Md Yeahea	11,988,750	2.3523

b) Shares held by the Chief Executive Officer, Company Secretary, Head of ICCD and Chief Finance Officer and their spouses and minor children as on 31 December 2017 :

Name	Status	Number of Shares	Remarks
Mr. Anis A. Khan	Managing Director & CEO	5,327	-
Mrs. Monowar Anis Khan		1,978	Spouse of MD & CEO
Mr. Goutam Prosad Das	Deputy Managing Director & Group Head of ICC	-	No shares held by spouse and minor children
Mr. Sayed Abul Hashem	SEVP & Group Chief Financial Officer	-	"
Mr. Malik Muntasir Reza	EVP & Company Secretary	-	"

c) Shares held by top five salaried employees other than the Chief Executive Officer, Company Secretary, Head of ICCD and Chief Financial Officer as on 31 December 2017:

Name of Executive	Status	Number of Shares
Mr. Md. Hashem Chowdhury	Additional Managing Director & COO	29,234
Mr. Md. Zakir Hussain	Deputy Managing Director & GCRO	-
Mr. Syed Rafiqul Haq	Deputy Managing Director & CBO	-

d) Share holdings 10% or more voting interest in the Company: N/A

CERTIFICATE ON CORPORATE GOVERNANCE

ম্যাবস এন্ড জে পার্টনার্স
MABS & J Partners
Chartered Accountants

CERTIFICATE OF COMPLIANCE TO THE SHAREHOLDERS OF Mutual Trust Bank Limited and its Subsidiaries (As required under the BSEC Guidelines)

We have examined compliance to the BSEC guidelines on Corporate Governance Guidelines by Mutual Trust Bank Limited and its Subsidiaries for the year ended on 31 December 2017. These guidelines relate to the notification # SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 and subsequently amended through the notification # SEC/CMRRCD/2006-158/147/Admin/48 dated 21 July 2013 of Bangladesh Securities and Exchange Commission (BSEC) on Corporate Governance under section 2CC of the Securities and Exchange Ordinance, 1969.

Such compliance to the codes of Corporate Governance is the responsibility of the Bank's management. Our examination was limited to the procedures and implementation thereof as adopted by the bank and its subsidiaries in ensuring the compliance to the conditions of Corporate Governance Guidelines. This is a scrutiny and verification only and not an expression of opinion on the financial statements of the bank and its subsidiaries.

In our opinion and to the best of our information and according to the explanations provided to us, we certify that, subject to the remarks and observations as reported in the attached Compliance Statements, the bank and its subsidiaries have complied with the conditions of Corporate Governance Guidelines as stipulated in the above-mentioned guidelines issued by the BSEC.

We also state that such compliance is neither an assurance as to the future viability of the bank and its subsidiaries, nor a certification on the efficiency or effectiveness with which the management has conducted the affairs of the bank and its subsidiaries. This is also not endorsement about quality of contents in the Annual Report of the bank.

Dhaka, 26 April 2018


MABS & J Partners
Chartered Accountant



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COMPLIANCE STATUS OF BSEC GUIDELINES FOR CORPORATE GOVERNANCE

Status of compliance with the conditions of Corporate Governance Guidelines as set by Bangladesh Securities & Exchange Commission (BSEC) by the notification # SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 and subsequently amended through their notification # SEC/CMRRCD/2006-158/147/Admin/48 dated 21 July 2013 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

(Report under Condition No. 7.00)

Condition No.	Title	Compliance Status as on 31 December 2017 (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.0	Board of Directors			
1.1	Board's size shall not be less than 5 and more than 20	✓		
1.2	Independent Director			
1.2 (i)	Independent director: At least 1/5th of the total number of directors	✓		As per Bank Companies Act.
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.	✓		
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 (NBFIs).	✓		
1.2 (ii) i)	Independent director has not been convicted for a criminal offence involving moral turpitude.	✓		
1.2 (iii)	The independent director shall be appointed by the Board of Directors and approved by the Shareholders in the AGM.	✓		
1.2 (iv)	The post of independent directors cannot remain vacant for more than 90 days.	-		No such event occurred.
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 Directors shall be for a period of 3 (three) years which may be extended for 1 (one) term only.	✓		
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.	✓		

Condition No.	Title	Compliance Status as on 31 December 2017 (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
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 qualifications may be relaxed by the Commission	-		No such deviation occurred
1.4	The Chairman of the Board and Chief Executive Officer and their clearly defined roles and responsibilities.	✓		
1.5	Directors' Report to Shareholders			
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	✓		
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss.	-		No such event occurred
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.	-		No such item exists
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer, Direct Listing etc.	-		No such event occurred
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.	✓		
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.	✓		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	✓		

Condition No.	Title	Compliance Status as on 31 December 2017 (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.5 (xix)	If the company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	-		Board of Directors has recommended 12.50% (Twelve & a half percent) Stock dividend for the year 2017.
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	✓		
1.5 (xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:			
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).	-		No shareholder holds more than 10% or more shares
1.5 (xxii)	In case of appointment/re-appointment of a director, the company shall disclose the following information to the Shareholders:			
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)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	✓		
2.0	Chief Financial Officer, Head of Internal Audit & Company Secretary			
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	✓		
3.0	Audit Committee:			
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.	✓		

Condition No.	Title	Compliance Status as on 31 December 2017 (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
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	Constitution of the Audit Committee			
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	-		No such event occurred
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	Chairman of the Audit Committee			
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	Role of Audit Committee			
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.	✓		
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.	-		No such event occurred
3.4.	Reporting of the Audit Committee			
3.4.1	Reporting to the Board of Directors			

Condition No.	Title	Compliance Status as on 31 December 2017 (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	✓		No such event happened as per audit report, thus not reported
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:	✓		
3.4.1 (ii) a)	Report on conflicts of interests.	-		
3.4.1 (ii) b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;	✓		
3.4.1 (ii) c)	Suspected infringement of laws, including securities related laws, rules and regulations;	✓		
3.4.1 (ii) d)	Any other matter which shall be disclosed to the Board of Directors immediately.	✓		
3.4.2	Reporting of anything having material financial impact to the Commission.	✓		
3.5	Reporting to the Shareholders and General Investors.	✓		
4.0	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. 7.0	✓		
5.0	Subsidiary Company			
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.	✓		
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.	✓		

Condition No.	Title	Compliance Status as on 31 December 2017 (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
6.0	Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO):			
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.	✓		
7.0	Reporting and Compliance of Corporate Governance:			
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.	✓		

REPORT ON INTERNAL CONTROL AND COMPLIANCE

Internal control and compliance is the process, effected by a company's Board of Directors, Management and other personnel designed to provide reasonable assurance regarding the achievement of organizational objectives in the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws, regulations and internal policies. It plays a pivotal role in preventing and detecting frauds, forgeries and protecting the organization's resources.

Bangladesh Bank, vide its Banking Regulation and Policy Department (BRPD) Circular No. 03 dated March 08, 2016 circulated the revised 'Guidelines on Internal Control and Compliance in Banks' to all scheduled banks, with advice to implement the directives of the guidelines. The Bank Company Act, 1991 as amended in 2013 requires some changes in the reporting line and Organogram of the Internal Control and Compliance Department. The revised Guidelines on Internal Control and Compliance in Banks have been prepared to implement section 15 (Ga) of Bank Company Act, 1991 and as such the reporting line of Audit and Inspection Division has been changed and the organogram redrawn up. Subsequently, BRPD vide its Circular No. 06 dated September 04, 2016 has brought in twelve (12) amendments in the revised guidelines on internal control and compliance, which were promulgated on March 08, 2016. The notable amendments, inter alia, have empowered the Head of Audit and Inspection Division, under Internal Control and Compliance (ICC) Department, to have full and free access to the Audit Committee, and the Head of ICC will report his/her activities and findings to the Senior Management. However, the Head of Audit, although a part of ICC administratively, will report directly to the Audit Committee of the Bank (ACB) and be responsible to the ACB.

As per the above directives of Bangladesh Bank, Mutual Trust Bank has revised its Internal Control and Compliance (ICC) Policy duly approved by the Board of Directors in its 204th meeting held on April 24, 2017 (Memo No. 5908). In line with the revised directives of Bangladesh Bank, the bank has also restructured its Internal Control and Compliance (ICC) Department, which is headed by a senior executive in the position of Deputy Managing Director. The three divisions of ICC Department, namely - Audit and Inspection Division, Compliance Division, and Monitoring Division have also been revamped in light of the revised guidelines.

The Bank also has a Compliance Manual duly approved by the Board of Directors.

The Internal Control and Compliance Department ensures internal control structure in the Bank with appropriate assignment, accountability of the personnel and delegation of authorities to functional management to exercise control and create a compliance culture within the organization under the active guidance and supervision of the Senior Management and the Board of Directors.

As a tool of internal control, the Audit and Inspection Division undertakes periodic and special audits and inspections on the branches and departments/divisions of the Head Office in order to find out the weaknesses and defects in the control processes, and it reports to the Audit Committee for corrective measures to protect the interest of the Bank.

The Compliance and Monitoring Divisions of the Internal Control and Compliance Department ensure timely and proper compliance with the relevant laws, regulatory instructions, and internal policies and procedures in the day-to-day operations of the Bank by way of using various control tools. The concerned divisions assess the operational risks and take appropriate measures to mitigate the same for smooth operation of the Bank.

Overall, the Internal Control and Compliance Department reports on the serious non-compliances detected by internal and external auditors and Bangladesh Bank's inspection teams with up-to-date compliance position, large financial risk exposures, weaknesses in control mechanism and other risk areas to the Audit Committee of the Board, for review and taking appropriate remedial measures.

A Senior Management Team (SMT), headed by the Managing Director & CEO, reviews the overall effectiveness of the control system of the Bank and provides a certificate on yearly basis to the Board of Directors on the effectiveness of internal control policies, practices and procedures.

The overall internal control and compliance position of the Bank was at satisfactory level during the year 2017.

REPORT OF BOARD AUDIT COMMITTEE

MTB formed an Audit Committee on January 18, 2003 comprising 03 (three) members of the Board in compliance with BRPD Circular no. 12 dated December 23, 2002 of Bangladesh Bank as well as the Notification (SEC/CMRRCD/2006-158/Admin/02-08 dated February 20, 2006) of the Securities and Exchange Commission. The MTB Board Audit Committee was reconstituted by the MTB Board of Directors at its 191st Board meeting held on Thursday, April 28, 2016 comprising 04 (four) members of the Board as per BRPD Circular No. 11 dated October 27, 2013 and in line with the SEC's Notification No. SEC/CMRRCD/2006-158/129/Admin/43 dated July 03, 2012.

Role of the Committee

The Audit Committee is a Committee of the Board of Directors responsible for oversight of the financial reporting process, selection of the independent auditor, and receipt of audit reports, both internal and external. The Committee assists the Board of Directors to fulfill its corporate governance and oversee the responsibilities in relation to an entity's financial reporting, internal control system, internal and external audit functions and compliance with applicable laws, rules & regulations. Its role is to provide advice and recommendations to the Board within the scope of its terms of reference/charter. In order to fulfil the same, MTB Board Audit Committee performs, among others, the following functions:

a) Internal Control:

- i. Evaluates whether the management has set the appropriate compliance culture by communicating the importance of internal control and clearly defining the duties and responsibilities of the Bank officials, and whether the management has full control over their activities.
- ii. Reviews the arrangements made by the management for building a suitable Management Information System (MIS) including computerized system and its applications.
- iii. Considers whether the internal control strategies/structures recommended by internal and external auditors from time-to-time have been implemented by the management.
- iv. Reviews the corrective measures taken by the management as regards the incidents relating to frauds-forgeries, deficiencies in internal control or other similar issues detected by internal and external auditors and inspectors of the regulatory authorities and inform the Board on regular basis.

b) Financial Reporting:

- i. Reviews the annual financial statements and verifies whether full and fair disclosures of information have been made therein, and whether statements have been prepared in accordance with the existing rules & regulations in the country and accounting standards, including the standards set by Bangladesh Bank.
- ii. Meets with the management and the external auditors to exchange views before finalization of the financial statements.

c) Internal Audit:

- i. Ensures the internal audit functions are dealt with independently and reports are submitted to the Audit Committee of the Bank.
- ii. Reviews the internal audit functions and organizational structure in order to ensure that unjustified restrictions or limitations do not create a hindrance to audit functions.
- iii. Reviews the efficiency and effectiveness of internal audit functions.
- iv. Checks that the findings and recommendations made by the internal auditors for removing the irregularities are duly acted upon by the management in running the affairs of the Bank.

d) External Audit/Independent Audit:

- i. Reviews the audit performance of the external auditors and the audit reports.
- ii. Checks that the findings and recommendations made by the external auditors for removing the irregularities are duly acted upon by the management in running the affairs of the Bank.
- iii. Makes recommendations to the Board regarding the appointment of the external auditors for conducting the audit work of the Bank.

e) Compliance with Existing Laws, Rules & Regulations:

Reviews whether the rules and regulations framed by the regulatory authorities (Bangladesh Bank and other agencies) and internal policies approved by the Board of MTB are being complied with.

f) Other Responsibilities:

- i. Places compliance report before the Board regarding regularization of the errors, omissions, frauds, forgeries and other irregularities as detected by the internal and external auditors and inspection teams of Bangladesh Bank.

- ii. Ensures that the internal and external auditors submit evaluation reports to the Committee on a particular issue.
- iii. Performs other oversight functions as requested by the Board, and its own performance is evaluated on a regular basis by the Board of Directors.

Composition of the Committee:

The members of the Audit Committee are:

1. Mr. Anwarul Amin
Independent Director: Chairman
2. Mr. Rashed Ahmed Chowdhury
Director: Member
3. Mrs. Khwaja Nargis Hossain
Director: Member
4. Dr. Sultan Hafeez Rahman
Independent Director: Member

The Company Secretary of the Bank functions as the Secretary of the Committee as per regulatory guidelines. The Managing Director & CEO, other members of the management, representatives of the external auditors, Group Head of Internal Control and Compliance, Head of Credit Risk Management, Head of Group Finance, Head of Internal Audit, Head of Special Assets Management and other officials are invited to attend the meetings as and when the Committee requires their presence.

Meetings:

The Committee regularly meets the Heads of Internal Control and Compliance, Credit Risk Management, Group Finance, Head of Internal Audit, Special Assets Management, other Bank officials and also the external auditors to discuss the Bank's financial reporting, audit review, internal control & compliance position, recovery of non-performing loans (NPL) and other relevant matters.

During the year 2017, four meetings of the MTB Board Audit Committee were held.

Activities:

During the year under review, the Committee, inter alia, focused on the following activities:

- Reviewed the internal audit plan for the year 2017 and followed up on its implementation status.
- Reviewed the draft financial statements and recommended the same to the Board for consideration after the meeting with the representatives of the external auditors.
- Reviewed the Management Letter issued by the external auditors, management response thereto and corrective measures taken by the Bank to avoid recurrence of the lapses mentioned therein.

- Reviewed the quarterly financials of the Bank, prepared to evaluate the performance, for onward submission to the shareholders as a statutory requirement.
- Reviewed the major internal audit findings (Branches and Divisions/Departments of Corporate Head Office) with a view to taking corrective action on time.
- Reviewed the major findings/observations of Bangladesh Bank's Inspection Reports and advised the management of the Bank to take steps for rectification of lapses/irregularities toward fulfilling the compliance requirements of the regulator.
- Reviewed the Self-Assessment of Anti-Fraud Internal Controls of the Bank.
- Reviewed the Integrated Annual Health Report of the Bank as a regulatory requirement and advised the management of the Bank to take steps for further improvement of the financial health of the Bank.
- Placed compliance reports/minutes before the Board detailing the decisions taken/recommendations made by the Committee in its various meetings for information/concurrence of the Board.

Approval of Financial Statements:

The Audit Committee reviewed and examined the Annual Financial Statements, 2017 prepared by the management and audited by the External Auditors A. Qasem & Co. and recommended to place the same before the Board for consideration.

The Board approved the same in its 219th meeting held on April 17, 2018.

Acknowledgement:

The MTB Board Audit Committee expresses its sincere thanks and gratitude to the Board of Directors, management and the auditors for their support in smooth operation of the Bank.



Anwarul Amin
Chairman
MTB Board Audit Committee

REPORT OF THE ACTIVITIES OF THE BOARD RISK MANAGEMENT COMMITTEE (BRMC)

Managing risk is an integral part of Mutual Trust Bank's (MTB) business strategy. Our risk management approach focuses on ensuring continued financial stability of MTB, and safeguarding the interests of our stakeholders, while remaining alert to seize value-creating business opportunities in a fast-changing business environment. We are committed to maintaining high standards of corporate governance, sound risk management principles, and business practices to achieve sustainable long-term growth. We continuously strive towards best risk management practices to support our strategic objectives.

The Board Risk Management Committee of MTB was formed in 2014, in compliance with the Bangladesh Bank's BRPD Circular No. 11, dated October 27, 2013. The purpose of the Committee is to assist the Board in fulfilling its responsibility with respect to:-

1. Oversight of the risk management framework, including significant policies and practices used in managing credit, market, operational and certain other risks
2. Oversight of policies and practices relating to funding risk, liquidity risk and pricing risk, which constitute significant components of market risk, and risks pertaining to capital management and
3. Oversight of the performance of the loan portfolio.

The Committee reports to the Board of Directors regarding risk profile of the bank, as well as its risk management framework, including the significant policies and practices employed to manage risks in businesses, as well as the overall adequacy of the Risk Management function.

Composition

The Committee, presently consists of the following Directors, nominated by the Board of Directors:

1. Dr. Arif Dowla, Director-Chairman of the Committee
2. Mr. Hedayetullah, Director-Member
3. Mr. Md. Abdul Malek, Director-Member
4. Mr. Q.A.F.M. Serajul Islam, Director-Member
5. Mr. Anis A. Khan, Managing Director & CEO-Member

Activities in 2017

During the year, four (4) BRMC meetings were held. The Committee worked very closely with the key management personnel and the Board in fulfilling its statutory, fiduciary and regulatory responsibilities

for risk management. In this regard, the Committee's main functions in 2017 were as follows:

- to assess all risks including credit, market, liquidity, operational and strategic risks on a regular basis via appropriate risk indicators and MIS reports.
- to review sector-wise exposure, earning and non-performing loans (NPL), in order to ensure that risk exposure in higher NPL sectors are compensated through appropriate loan pricing.
- to review the adequacy and effectiveness of all management level committees, and to manage the associated risks within the quantitative and qualitative risk limits.
- to ensure that the risks of the Bank are within prudent levels, decided by the Committee, based on the Bank's risk appetite and regulatory requirements. Need based corrective actions, as needed, are to be taken promptly.
- to review the risk policy/manual/guideline before placing it to the Board for approval.
- to review the progress of Basel III Roadmap implementation, and associated capital adequacy planning in the long term.
- to minimize documentation errors under residual risk of Basel III for reducing the additional capital requirement against Risk Weighted Assets of the bank.
- to move high risk weighted exposure to lower risk weighted category in order to reduce the capital requirement of the bank.
- to ensure an optimum level of dividend, suggesting risk addressed steps to improve the profitability, in the short term and advising appropriate action steps for reduction of the NPLs.
- to ensure the asset quality and increase profitability of the bank by exercising extreme caution while booking/marketing new customers.

During the year under review, the Committee supported and moved forward the Bank's business strategy and reinforced its values in the context of a clearly articulated risk appetite and effective risk management system.



Dr. Arif Dowla
Chairman
MTB Board Risk Management Committee

MESSAGE ON RISK MANAGEMENT BY GROUP CHIEF RISK OFFICER (GCRO)

MTB recognizes that the risk environment changes and evolves over time. Risks develop in new or unexpected ways. Keeping it in mind, MTB is fully committed to applying a judicious approaches to risk management to ensure that the risk management practices and systems are robust, independent and aligned with the global practices. MTB's Risk Management (RM) framework is outlined in MTB's Risk Management policy and is supported by the frameworks for each risk categories, including credit, market, operation, liquidity, strategic etc. The RM framework is stringently applied across the Group and provides a sound foundation for reducing uncertainty and volatility in business performance. All risk categories are managed through appropriate governance structure, approved risk appetite set by the Board, stress testing and robust capital management.

MTB's governance structure specifies the policies, principles and procedures for making decisions about corporate direction. Governance structure decides rights and responsibilities among different stakeholders - board of directors, employees, shareholders etc. Its risk governance structure follows the principles of ethics, transparency, fairness of key people, clear accountability, skill development and competencies, compensation architecture etc.

MTB's risk appetite forms the basis for all strategic decisions MTB makes. The bank is relentlessly monitoring the exposures against the risk appetite on an ongoing basis. Capital management is the key component of MTB's risk management and aims at achieving the appropriate balance between risk appetite and the amount of capital required to support each of the businesses. MTB's consolidated CRAR of 13.76% in 2017, which is above the minimum regulatory requirement, shows its strong capacity of absorbing credit risk, market risk and operational risk. MTB manages credit risk through a robust process that enables the bank to proactively manage its loan portfolio in order to minimize the losses, and earn an acceptable level of return for its shareholders. Market risk is managed by balancing changes in different market variables, namely interest rate, foreign exchange rate and equity/stock price. Operational risks of the bank are being managed by ensuring the adequacy of people and successful implementation of processes and systems. Moreover, extra cautions are always taken to minimize the losses that arises from external events.

Moreover, another key capital management tool used by MTB is Internal Capital Adequacy Assessment Process (ICAAP) to manage, allocate and monitor

capital for planning and performance purposes. MTB's capacity to maintain adequate capital is presently sufficient to cover all possible risks in the business, such as, residual risk for documentation lapses or valuation error, concentration risk, reputational risk, settlement risk, environmental and climate change risk, strategic risk and liquidity risk. To strengthen its preparedness in stressed situation, MTB has adopted Stress Testing techniques to measure its vulnerability to the impacts of exceptional but plausible events. The test is conducted quarterly assuming three levels of shocks, minor, moderate and major on interest rate changes, forced value of collaterals, NPLs, share prices, foreign exchange rate, changes in credit rating and liquidity, and the findings are submitted to All Risk Committee (ARC), the Board Risk Management Committee (BRMC), the Board and the Bangladesh Bank. The Bank use stress tests to support its capital plan.

Liquidity risk framework is designed to ensure that MTB has sufficient high-quality liquid assets at all times, including at times of severe stress, to meet liabilities as they fall due. Liquidity risk is monitored against specified limits within the Board-approved risk appetite and supporting processes to ensure that contingency plans are in place to address crisis situations. In this regard, MTB is maintaining a strong liquidity base reflecting its sound position in the industry. Cash Reserve Ratio (CRR) and Statutory Liquid Reserve (SLR) of the Bank are above the regulatory standard of 6.5% and 13% respectively. Short-term resilience of the bank is reflected through 127.92% Liquidity Coverage Ratio (LCR) against regulatory standard of at least 100%. MTB shows resilience over the longer time horizon as it is capable of funding its activities with more stable sources of funding on an ongoing structural basis. This is reflected in its Net Stable Funding Ratio (NSFR) of 100.85% in 2017 against regulatory standard of at least 100%.

MTB is intelligently balancing its risk and reward through maintaining strong corporate governance, judicious capital buffer, adequate liquidity reserves and satisfactory profitability. By this way it is contributing to the country's financial stability and growth.



Md. Zakir Hussain
Deputy Managing Director and Group CRO

MARKET DISCIPLINE PILLAR III DISCLOSURE

Disclosures on Risk Based Capital (Basel III)

1. Introduction

Bangladesh Bank (BB) issued Guidelines on Risk Based Capital Adequacy (a revised regulatory capital framework for banks in line with Basel III) in December 2014, in accordance with Basel III, a global regulatory framework for more resilient banks and banking systems, issued by Basel Committee for Banking Supervision (BCBS) in 2010.

The objectives of Market Discipline in the revised framework is to establish more transparent, and more disciplined financial market, so that stakeholders can assess the position of a bank regarding holding of assets, and to identify the risks relating to the asset and capital adequacy to meet probable loss of assets. We are providing the following detailed qualitative and quantitative disclosures, in accordance with Guidelines on Risk Based Capital Adequacy by Bangladesh Bank.

2. Disclosure Policy

Bank calculates Risk Weighted Assets (RWA) under the following approaches as per Basel III guidelines (BRPD circular no.18, dated December 21, 2014):

- Standardized approach for credit risk
- Standardized approach for market risk
- Basic indicator approach for operational risk.

3. Components of Disclosure Framework:

i) Scope of application ii) Capital structure iii) Capital adequacy iv) Credit risk v) Equities: disclosures for banking book positions vi) Interest Rate Risk in the Banking Book (IRRBB) vii) Market risk viii) Operational risk ix) Leverage ratio x) Liquidity ratio xi) Remuneration

Quantitative Disclosures

Total Eligible Capital

BDT Million

Particulars	Solo	Consolidated
Common Equity Tier-I Capital:		
Paid-up Capital	5,096.56	5,096.56
Statutory Reserve	3,622.22	3,622.22
General Reserve	616.78	616.78
Retained Earnings	1,632.48	1,722.34
Minority Interest in Subsidiaries	-	0.12
Regulatory Adjustments/Deductions		
Goodwill and Other Intangible Assets	101.34	101.34
Investments in own CET-I Instruments/Shares	0.00	0.00
Deferred Tax Assets (95% as per BB Guideline)	889.11	889.11

i. Scope of Application:

The Risk Based Capital Adequacy framework applies to all banks on 'Solo' and 'Consolidated' basis. The framework on 'Solo' basis refers to all positions of the bank, its local and overseas branches/offices, and 'Consolidated' basis includes subsidiary companies, if any. Mutual Trust Bank Limited (MTB) applies both the frameworks on "Solo" and "Consolidated" basis, as the bank has three subsidiaries, namely i) MTB Securities Limited ii) MTB Capital Limited iii) MTB Exchange (UK) Limited.

ii. Capital Structure

Qualitative Disclosures

The terms and conditions of the main features of all capital instruments have been segregated in terms of eligibility criteria (BRPD circular no. 18 dated December 21, 2014 and other instructions given by Bangladesh Bank).

Tier-I Capital consists of Common Equity Tier-I (CET-I), and Additional Tier-I Capital. MTB has no additional Tier-I Capital. CET-I Capital of MTB comprises Paid-up Capital, Statutory Reserve, General Reserve, Retained Earnings, and Minority Interest in Subsidiaries. Supplementary Capital (Tier-II) comprises General Provisions (on unclassified and Special Mention Account (SMA) loans and off-balance sheet exposure), Revaluation Reserves for Securities, Fixed Assets, and Equities, following the deductions as per Basel III guidelines, MTB's Partially Convertible Subordinate Bond, as approved by Bangladesh Bank (BB), and Bangladesh Securities and Exchange Commission (BSEC).

BDT Million

Particulars	Solo	Consolidated
Reciprocal Crossholdings in the CET-1 Capital of Banking, Financial and Insurance Entities	0.09	0.09
Total Common Equity Tier-I Capital	9,977.49	10,067.48
Additional Tier-I Capital	-	-
Total Tier-I Capital	9,977.49	10,067.48
Tier-II Capital:		
General Provision	2,605.72	2,605.72
Revaluation Reserves	260.13	260.13
Subordinated Debt	6,159.21	6,239.20
Regulatory Adjustment/Deduction	156.08	156.08
Total Tier-II Capital	8,868.98	8,948.97
Total Eligible Capital	18,846.47	19,016.45

iii. Capital Adequacy

Qualitative Disclosures

a. Capital Calculation Approach

The assessment of capital adequacy is carried out in conjunction with the capital adequacy reporting to the Bangladesh Bank (BB): standardized approach for

credit and market risk, and basic indicator approach for operational risk.

b. Capital of the Bank

BDT Million

Capital Adequacy	Solo	Consolidated
Capital Requirement for Credit Risk	12,302.42	12,331.27
Capital Requirement for Market Risk	377.45	449.51
Capital Requirement for Operational Risk	979.84	1,041.67
Total Capital Requirement	13,659.71	13,822.45
Total Eligible Capital	18,846.47	19,016.45
Capital to Risk Weighted Asset Ratio (CRAR)	13.80	13.76
Common Equity Tier-I Capital Ratio (%)	7.30	7.28
Total Tier-I Capital Ratio (%)	7.30	7.28
Tier-II Capital Ratio (%)	6.49	6.47
Capital Conservation Buffer	1,707.46	1,727.81
Available Capital for Pillar-II requirement	3,479.30	3,466.19

MTB follows the following principles in maintaining its capital base:

- A strong capital to Risk Weighted Asset Ratio (CRAR);
- Capital at a reasonable level to absorb all material risks;

MTB ensures compliance with the regulatory requirements, and satisfaction of external rating agencies and other stakeholders including depositors.

c. Capital Management

- Initiative to ensure adequate capital encompasses:
- Issuing subordinated debt to raise Tier-II capital;
- Encouraging borrowers to complete external credit rating to assess counterparty credit risk status, and minimizing regulatory capital requirements;
- Improving and enhancing collateral coverage through efforts to obtain eligible collateral;

- Assessing risk profile, and credit rating of new clients.

MTB's CRAR is periodically reviewed by the Risk Management Division (RMD), and reported to the senior management and the Board.

iv. Credit Risk

Qualitative Disclosure

MTB manages credit risk through a robust process that enables the bank to proactively manage its loan portfolio in order to minimize losses, and earn an acceptable level of return for its shareholders.

Credit Risk Management at MTB

MTB's Credit Policy Manual (CPM), approved by the Board of Directors, defines organizational structure, roles, responsibilities and processes, whereby, credit risks can be identified, quantified, and managed. Credit instruction manuals address regulatory issues, and establish control points. MTB credit approval process specifies all conceivable aspects including eligibility of the borrower, requirement of papers/information/documents, borrower's stake, and all other issues related to borrowing. The credit policy encompasses, all operational issues of credit, right from selection of borrower to the ultimate recovery, including transfer process of delinquent account and treatment of slow, overdue accounts, Special Mention Accounts (SMA), and classified loan accounts. MTB manages credit risk through continuous measuring, and monitoring of risks at obligor (borrower) levels and portfolio level, and follows the Credit Risk Grading (CRG) model of Bangladesh Bank, and has deployed a credit appraisal/approval process. The CRG model captures both the quantitative and qualitative issues, related to management risk, business risk/industry risk, financial risk, security risk and relationship risk, while assessing the overall grading of borrowers. We also get credit rating of our clients by External Credit Assessment Institutions (ECAIs). In 2017, MTB's total number of rated clients is 1,770, which was 1,430 in the previous year. For ensuring smooth and quality credit operations, good governance, quick approvals, better control, and making safe and secured lending have been emphasized.

Loan Classification

All the loans and advances are grouped into four categories for the purpose of classification, which are: (i) Continuous Loan (ii) Demand Loan (iii) Fixed Term Loan and (iv) Short-term Agricultural and Micro-Credit.

Continuous & Demand Loans are classified as:

- Sub-standard - if past due for 3 months or more, but less than 6 months;
- Doubtful - if past due for 6 months or more, but less than 9 months;
- Bad/Loss - if past due for 9 months or more.

Fixed Term Loans amounting up to 10 lacs are classified as:

- Sub-standard - if the defaulted installment is equal to, or more than the amount of installment (s) due within 6 (six) months;
- Doubtful - if the defaulted installment is equal to, or more than the amount of installment (s) due within 9 (nine) months;
- Bad/Loss - if the defaulted installment is equal to, or more than the amount of installment(s) due within 12 (twelve) months.

Fixed Term Loans for more than 10 lacs are classified as:

- Sub-standard - if the defaulted installment is equal to, or more than the amount of installment (s) due within 3 (three) months;
- Doubtful - if the defaulted installment is equal to, or more than the amount of installment(s) due within 6 (six) months;
- Bad/Loss - if the defaulted installment is equal to, or more than the amount of installment(s) due within 9 (nine) months.

Short-term Agricultural and Micro Credit are classified as:

- Sub-standard - if the irregular status continues after a period of 12 (twelve) months;
- Doubtful - if the irregular status continues after a period of 36 (thirty-six) months;
- Bad/Loss - if the irregular status continues after a period of 60 (sixty) months.

A continuous credit, demand loan or term loan which remains overdue for a period of 60 days or more is classified as a "Special Mention Account (SMA)".

BDT Million

Credit Risk	Amount
a) Total gross credit risk exposures broken down by major types of credit exposure	
Term Loan	38,044.47
SME Financing	18,019.40
Consumer Financing	213.39
Retail Financing	5,337.75
General Loans	4,200.64

	BDT Million
Credit Risk	Amount
Demand Loan	3,509.30
Payment Against Documents (PAD)	459.94
Trust Receipts	9,563.98
Lease Finance	433.46
Export Development Fund	5,925.19
House Building Loan	4,562.34
Staff/Employee Loan	632.71
Loan to MTB Securities Limited	200.00
Loans and Advances - Off-shore Banking Unit	9,036.10
Loan disbursed by MTB subsidiaries	2,787.49
Cash Credit	26,045.44
Packing credit	435.28
Secured Overdraft	14,022.32
Bills purchased and discounted	-
Payable in Bangladesh	2,022.33
Payable outside Bangladesh	155.46
b) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.	
Urban	
Dhaka Division	103,836.88
Chittagong Division	25,754.19
Rajshahi Division	4,716.80
Sylhet Division	1,075.36
Khulna Division	1,632.45
Rangpur Division	2,898.12
Barisal Division	436.17
Mymensingh Division	691.92
Rural	
Dhaka Division	2,665.64
Chittagong Division	1,548.76
Rajshahi Division	-
Sylhet Division	131.36
Khulna Division	-
Rangpur Division	97.33
Barisal Division	-
Mymensingh Division	122.01
c) Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.	
Agriculture	3,545.37
RMG	19,016.65
Textile	13,446.17
Ship Building	2,106.34
Ship Breaking	3,673.62
Other Manufacturing Industry	22,918.18
SME Loans	19,576.94
Construction	1,242.96
Power and Gas	2,216.06

BDT Million	
Credit Risk	Amount
Transport, Storage and Communication	1,270.28
Trade Service	33,143.23
Commercial Real-estate Financing	4,561.34
Residential Real-estate Financing	685.50
Consumer Credit	7,448.22
Capital Market	2,987.50
Financial Institutions	4,027.29
Advances to Managing Director and Senior Executives	632.70
Others	3,108.64
d) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure	
On demand	15,281.24
Not more than three months	35,656.99
More than three months, but less than one year	48,606.87
More than one year, but less than five years	36,900.16
More than five years	9,161.73

BDT Million	
Particulars	Amount
Continuous Loans	1,310.08
Demand Loans	301.43
Term Loans	4,480.25
Short-Term Agro-Credit and Micro-Credit	176.61
Total	6,268.36

Specific and General Provisions

Specific and general provisions are made on the amount of classified and unclassified loans and advances/ investments respectively, exposures of off-balance sheet, and Offshore Banking Units of the Bank.

BDT Million	
Particulars	Amount
Provision on unclassified loans and advances/ investments including Off-shore banking unit	2,016.42
Provision on classified loans and advances/ investments	2,398.34
Provision on off-balance sheet exposure	589.30
Total	5,004.06

Guidelines for Loan Loss Provisions

The Bank follows Bangladesh Bank guidelines regarding loan classification, provisioning, and any other issues related to Non-Performing Loan (NPL), internal credit guidelines, direct loan provisioning, review procedure, loan write-off, facility grading, reporting requirement, and interest recognition.

Particulars	Rate
General Provision	
Against all unclassified loans (Standard and SMA) of Small and Medium Enterprise (SME)	0.25%
Against all unclassified loans and off-balance sheet exposures (Other than loans under Consumer Financing (CF), SME Financing, Loans to Brokerage House, Merchant Banks, Stock dealers)	1%

Particulars	Rate
On unclassified amount for Housing Finance (HF) and Loans for Professionals (LP) to set up business & Credit Card Loans under consumer financing scheme, loans to Brokerage House, Merchant Banks, Stock dealers.	2%
On unclassified amount for consumer financing other than HF & LP	5%
Specific Provision	
Specific provision on Sub-standard and Doubtful loans and advances for Short Term agri. credit & Micro credit	5%
Specific provision on Sub-standard loans and advances except Short Term agri. credit & Micro credit	20%
Specific provision on Doubtful loans and advances except Short Term agri. credit & Micro credit	50%
Specific provision on Bad and Loss loans and advances	100%

Throughout the year, loans and advances were reviewed to assess whether objective evidence of impairment had arisen.

f. Movement of NPA, and specific provision for NPA

The following table gives MTB's movement of NPAs, and specific provision for NPA

	BDT Million
Gross Non-Performing Assets (NPAs)	Amount
Non-Performing Assets (NPAs) to Outstanding Loans & Advances (%)	4.30
Movement of Non-Performing Assets (NPAs)	
Opening balance	4,983.09
Additions	3,849.12
Reductions	(2,563.85)
Closing Balance	6,268.36
Movement of specific provisions for NPAs	
Opening balance	2,050.92
Provisions made during the period	445.88
Less: Write-off	98.46
Write-back of excess provisions	-
Closing Balance	2,398.34

v. Equities: Disclosures for banking Book Positions

MTB Securities Limited, a corporate member of Dhaka Stock Exchange Limited (Member No. 197), executes the stock brokerage functions of MTB. For equity financing, only investment in unquoted securities are considered as Banking Book assets; investment in equity for relationship or strategic reason is considered under trading book. Investment in equity securities is broadly categorized into two parts:

- i) Quoted securities (common or preference shares and mutual funds) - Traded in the secondary market (trading book assets)
- ii) Unquoted securities- Categorized as banking book equity exposures, which are further, sub-divided into two groups:
 - a) Unquoted securities which are invested without any expectation that these will be quoted in near future i.e. Held-to-Maturity (HTM);
 - b) Unquoted securities acquired under private placement or IPO that are going to be traded in the secondary market after completing required formalities.

The primary aim is capital gain or dividend income. Dividends received from these equity securities are accounted for as and when received. Both quoted and un-quoted equity securities are valued at cost, and necessary provisions are maintained if the prices fall below the cost price. As per Bangladesh Bank (BB) guidelines, Held-for-Trading (HFT) equity securities are mark-to-market (revalued) once a week, and HTM equity securities are amortized annually. HTM securities are revalued, if reclassified to HFT (with approval of the Board of Directors). The quoted shares of the bank are valued at cost or market price, whichever is lower.

BDT Million

Equities	Amount
a) Value disclosed in the balance sheet of investments, as well as, the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value	
Cost price	540.22
Market price	441.30
Difference	(98.92)
b) Cumulative realized gains (losses) arising from sales and liquidations in the reporting period	
c) Total unrealized gains (losses)	(98.92)
d) Total latent revaluation gains (losses)	-
e) Any amounts of the above included in Tier II capital	-
f) Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements	
Specific Risk	79.91
General Market Risk	79.91

vi. Interest Rate Risk in the Banking Book

Interest rate risk arises when changes in market interest rates adversely affect bank's financial condition, affecting both current earnings (earnings perspective), and net worth of the bank (economic value perspective).

The short-term impact of changes in interest rates is on the bank's Net Interest Income (NII). The longer-term changes in interest rates affect asset cash flows, liabilities, and off-balance sheet items. This poses a risk to the net worth of the bank, arising out of all re-pricing mismatches, and other interest rate sensitive positions. MTB assesses the economic value at risk due to interest rate shock on a quarterly basis.

BDT Million

Interest Rate Risk in the banking book	Amount
Total Risk Sensitive Assets	107,364.70
Total Risk Sensitive Liabilities	104,347.00
Cumulative Gap	
< 3 months	(18,333.20)
3-6 months	(57.00)
6-12 months	21,407.90
CRAR before Shock (%)	13.76
Assumed Change in Interest Rate (%)	1% 2% 3%
Net Interest Income and Repricing impact (%)	
CRAR after Shock (%)	12.96 12.16 11.37

vii. Market Risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in different market variables, namely:

- Interest rate movements;
- Foreign currency exchange rate movements;
- Equity/stock price movements.

MTB's Market Risk Policy, approved by the Board, covers assessment, monitoring, and management of the market risks. The Board sets limits, and reviews compliance on a regular basis, in order to provide cost effective funding to finance asset growth, and trade related transactions.

a. Methods Used to Measure Market Risk

Standardized approach for market risk calculates the minimum capital requirement, for each risk sub-category, in terms of two separately calculated capital charges for "specific risk" and "general market risk".

b. Market Risk Management System

The Treasury Department manages market risk covering liquidity, interest rate, and foreign exchange risks, with oversight from Asset Liability Management Committee (ALCO), comprising of senior executives of the bank. The Managing Director and CEO of the bank chairs the ALCO, and meetings are held at least once in a month.

c. Policies and Process for Managing Market Risk

There are approved limits for credit deposit ratio, liquid asset to total asset ratio, maturity mismatch, commitments for both on-balance sheet and off-balance sheet items, and borrowing from money market and foreign exchange position. The limits are monitored and enforced on a regular basis to mitigate market risks. The Treasury Department of the Bank reviews the prevailing market conditions, exchange rates, foreign exchange position, and transaction to mitigate foreign exchange risks on a daily basis. Foreign exchange risk is computed on the sum of net short positions, or net long positions, whichever is higher of the foreign currency positions held by the bank.

BDT Million

Quantitative Disclosure of Market Risk	Amount
Capital Requirement for:	
Interest Rate related instruments	85.60
Equities	159.82
Foreign Exchange Position	204.09
Commodity Risk	-
Total	449.51

viii. Operational Risk

Operational risk arises from inadequate or failed internal processes, people and systems, or from external causes, whether deliberate, accidental or natural - inherent in all of the Bank's activities. The policy for operational risks, including internal control and compliance risk, is approved by the Board, taking into account relevant guidelines of Bangladesh Bank. The Audit Committee of the Board directly oversees the activities of the Internal Control and Compliance Department (ICCD) with the object of mitigating all operational risks.

a. Performance Gap of Executives and Staff

MTB tries to staff with excellent quality of personnel by offering competitive remuneration packages, and by ensuring workplace safety for its employees with consistent adoption of best employment practices, and constantly following the policy of non-discrimination regarding compensation, health and safety. Its strong brand image plays an important role in employee motivation. Combination of all these has created a very strong choice among the workforce of banking industry for MTB as being professionally an ideal place of choice.

b. Systems

MTB has invested heavily in IT infrastructure for better automation, online transaction platform and network links to avoid business disruption and system failure. The Bank's IT system does not allow any kind of external access, ensuring safeguarding from external fraud (theft/ hacking of information assets, forgery etc.).

c. Policies and Processes for Managing Operational Risk

MTB has Risk Management Division in place. Its objectives are mainly to identify, assess, monitor, control and manage risks including operational risks and also to rectify risk events, and implement any additional procedures required for compliance. As per the internal control and compliance policy, 2017 of the bank, Group Internal Control & Compliance Department (ICCD) is conducting risk based internal audit. To do these, the activities of branches are being rated in terms of their risk status. It is the policy of the bank to conduct audit on all the branches at least once a year. ICCD directly reports to the Audit Committee of the Board. Human Resource Division of MTB has also introduced a vigorous Performance Management System (PMS) to evaluate human resources in terms of performance, and instill a performance-based culture within the organization.

BDT Million

Quantitative Disclosure of Operational Risk	Amount
Capital requirement for Operational Risk	1,041.67

ix. Leverage Ratio

As an additional safeguard against model risk, and measurement error by supplementing the risk-based measure, a non-risk based regulatory leverage ratio has been introduced with a simple, transparent and independent measurement of risk. The Basel III leverage ratio is defined as the capital measure (Tier-I capital of the risk based capital framework) divided by the exposure measure, this ratio is expressed as a percentage.

BDT Million	
Components	Amount
Leverage Ratio (%)	4.24
On-Balance Sheet Exposure	199,355.59
Off-Balance Sheet Exposure	38,986.62
Total Exposure after regulatory adjustment	237,351.66

x. Liquidity Ratio

To measure the liquidity status of banks, Bangladesh Bank, in line with Basel Committee on Banking Supervision, has introduced two new standards for better liquidity management- Liquidity Coverage Ratio (LCR), and Net Stable Funding Ratio (NSFR), under Basel III accord. The LCR aims to ensure that a bank maintains adequate level of High Quality Liquid Assets (HQLA) that can be converted into cash to meet its liquidity needs for 30 calendar days, under stressed scenario. The NSFR aims to limit over-reliance on short term wholesale funding during times of abundant market liquidity, and encourage better assessment of liquidity risk across all on and off-balance sheet items. Regulatory standards for LCR ratio is '≥100%' and for NSFR ratio is '>100%'.

MTB manages liquidity risk in accordance with its ALM Policy. This policy is framed as per the regulatory guidelines, and is approved by the Board of Directors. The ALM Policy is reviewed periodically to incorporate changes as required by regulatory stipulation or to realign with changes in the economic landscape. MTB's ALCO formulates and reviews strategies, and provides guidance to manage liquidity risk within the framework laid out in the ALM Policy. The committee proactively manages liquidity risk as a part of its ALM activities. MTB uses various tools to measure liquidity risk, which include Statement of Structural Liquidity (SSL), Liquidity Cash Flow Statements, Liquidity ratios and Stress Testing through scenario analysis etc. MTB management has also framed a Liquidity Contingency Plan (LCP), which serves as a framework for early identification and calibrated action in the event of tight liquidity conditions. The LCP includes various indicators, which are monitored regularly, and lays down the mechanism for escalation, remedial action, and crisis management until return to normalcy.

BDT Million	
Components	Amount
Liquidity Coverage Ratio (%)	127.92%
Net Stable Funding Ratio (%)	100.85%
Stocks of high quality liquid assets	35,710.67
Total net cash outflows over the next 30 calendar days	27,916.41
Available amount of stable funding	151,784.93
Required amount of stable funding	150,504.31

xi. Remuneration

a. The bodies that oversee remuneration

MTB aims to attract, retain, and motivate the best people who are committed to maintaining a career with the bank, and who will perform their role in the long-term interests of the bank.

A vigorous and effective governance framework ensures that the bank operates within clear parameters of its compensation strategy. All compensation matters are overseen by MTB Group HR in consultation with Deputy Managing Directors, Additional Managing Director and Managing Director & CEO. In this process, evaluating market conditions and adjusting cost of living remuneration is set. The remuneration is finally approved by the Board of Directors.

b. Design and Structure of Remuneration

The Bank has adopted a Board approved promotion policy. All eligible candidates for promotion are evaluated strictly in terms of the provision of the promotion policy and subsequently recommended by the promotion committee comprising of the following:

Designation	As
Additional Managing Director	Chairman
All Deputy Managing Directors	Members
MTB Group Head of HR	Member Secretary
MTB Group Head of Internal Control & Compliance	Member

c. Performance and pay-nature and type of measures:

The Bank uses objective based performance management system. The employees of the bank set objectives on the basis of the job description /assignment at the beginning of the year. Mid-year review is conducted to ascertain the progress report. Finally, performance of the employees are evaluated at the end of the year. The performance bonus for employees is linked to the overall performance of the bank.

d. Variable remuneration

Variable remuneration is performance related and consists primarily of the annual performance bonus. As a part of variable remuneration, the annual bonus rewards delivery of operational and financial objectives, the individual performance of the employees in achieving those objectives.

The cluster heads and divisional/departmental heads recommend Incentive Bonus for employees working under their supervision. All recommendations examined and evaluated by a committee known as Bonus Committee. The structure of the committee is as under:

Designation	As
Additional Managing Director	Chairman
All Deputy Managing Directors	Members
MTB Group Head of HR	Member Secretary
MTB Group Head of Internal Control & Compliance	Member
MTB Group Chief Financial Officer	Member

The remuneration is a combination of fixed pay and variable pay. The variable pay is higher at senior levels than that of junior levels.

e. Number of employees received variable remuneration award

Employees received variable remuneration award for the year 2017 for their extra ordinary effort to ensure business profitability:

Category	Number of employees
Executives	1
Officers	1

f. Total amount of severance payment:

Total amount of BDT 50,014,045 (fifty million fourteen thousand forty five only) disbursed to 57 outgoing employees as severance payment for the year 2017 at the time of releasing them from the service of the bank.