

Directors' Report

Dear Valued Shareholders,

On behalf of the Board of Directors, I welcome you all to the 16th Annual General Meeting (AGM) of Mutual Trust Bank Limited, and, in line with the requirements of the companies with Section 184 of the Companies Act 1994, Stock Exchanges regulations and Bangladesh Securities and Exchange Commission Order No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 7, 2012, we have the pleasure to place before you the Directors' Report for your consideration.

Global Economy

Global growth in 2014 was lower than initially expected, continuing a pattern of disappointing performance over the past several years. Growth picked up, only marginally in 2014, to 2.6 percent, from 2.5 percent in 2013. Beneath these headline numbers, increasingly divergent trends are at work in the major economies.

While activity in the United States and the United Kingdom has gathered momentum, as labor markets heal and monetary policy remains extremely accommodative, the recovery has been sputtering in the Euro Area and Japan, as legacies of the financial crisis linger, intertwined with structural bottlenecks. China, meanwhile, is undergoing a carefully managed slowdown. Disappointing growth in other developing countries in 2014 reflected weak external demand, and also domestic policy tightening, political uncertainties and supply-side constraints.

Several major forces are driving the global outlook: soft commodity prices, persistently low interest rates, but increasingly divergent monetary policies across major economies and weak world trade. In particular, the sharp decline in oil prices since mid-2014 will support global activity, and help offset some of the headwinds to growth in the oil importing developing economies. However, it will dampen growth prospects for oil exporting countries, with significant regional repercussions.

Overall, global growth is expected to rise moderately to 3.0 percent in 2015, and average about 3.3 percent through 2017. High-income countries are likely to see growth of 2.2 percent in 2015-17, up from 1.8 percent in 2014, on the back of gradually recovering labor markets, ebbing fiscal consolidation, and still low financing costs. In developing countries, as the domestic headwinds that held back growth in 2014 ease, and the recovery in high-income countries slowly strengthens, growth is projected to gradually accelerate, rising from 4.4 percent in 2014 to 4.8 percent in 2015 and 5.4 percent by 2017. Lower oil prices will contribute to diverging prospects for oil exporting and importing countries, particularly in 2015.

Bangladesh Economy

Though 2014 had a slow start due to political unrest, yet the economy bounced back strongly in the later part of the year. The positive trend of 2014 justifies the high forecast for 2015 by the related authorities. Without any doubt, actual growth will be largely determined by the political environment. In addition, the Government's new fiscal policy, inflow of remittances, export growth and balance between exports and imports will play crucial roles.

The capital market exhibited a positive trend throughout the year 2014. After the 2010 capital market crash, this was the first year when investors consistently showed confidence in the market. The broad market index increased by 14.03 percent and market capitalization by 23.10 percent respectively. 17 new companies were listed on the Dhaka Stock Exchange (DSE) and participation by foreign investors increased by 84.60 percent during 2014.

The performance of closed end funds was better than that of the usual stocks. All the parameters indicate a mood of renewed confidence amongst the investors and a more buoyant stock market ahead.

Inflation management is another success story for our country. The contractionary monetary policy of Bangladesh Bank has helped to keep inflation within the limit. The 12-month average inflation rate was 6.99 percent for 2014. Though the Non-Food inflation rate was reduced from 6.94 percent to 5.60 percent, yet food inflation remained the same throughout the year. The targeted inflation for the year 2015 is 7.0 percent.

Like in 2013, foreign currency reserves of the country continued to rise at a steady pace, and the year ended with a healthy balance of USD 22.31 billion. This position was somewhat at risk due to higher import payments and lower export proceeds, but good remittance flows helped to maintain the strong position of forex reserves. The current account balance stood at a deficit of USD 1.32 billion during first five months of the fiscal year 2014-15.

MTB at a Glance

During 2014, MTB gained a remarkable 29.54 percent and 15.09 percent growth over 2013 in assets and liabilities, respectively. The bank ended the year 2014 with a credit-deposit ratio of 79.44 percent, despite the economic turmoil. The bank reached the milestone of having set up a century of branches, spread across the country along with expansion of ATM machines, POS devices, Kiosks, Internet Banking and SMS banking services.

Business Review

MTB's vision, mission, corporate core values, strategic priorities and Outlook for 2015 are given at the beginning of the report. The bank has established the highest level of ethical standards in order to achieve MTB3V.

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 Bank Companies Act, 1991. Mutual Trust Bank 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 Bank Companies Act, 1991, the company started its operation to progressively carry out its banking businesses, such as Wholesale, Retail, International Trade Financing, SME Banking, NRB Banking, Off-Shore Banking, Privilege Banking, etc. The Company (Bank) operates through its Corporate Head Office located at MTB Centre, Gulshan 1, Dhaka and its network of 103 branches. The bank carries out its international business through a global network of over four hundred foreign correspondent banks.

The bank's current network includes 14 SME/Agri branches, two booths at Hazrat Shahjalal International Airport, Dhaka and three fully-owned subsidiary companies - MTB Securities Ltd. (MTBSL), MTB Capital Ltd. (MTBCL) and MTB Exchange (UK) Ltd.

Strategic Plan

The strategic priorities and action plans, as stated in the bank's Strategic Plan 2015 are stated below:

- Retain the position as the Best SME Bank of the Year and strengthen the business further by increasing the SME portfolio
- Maintain efficient deposit mix by increasing low cost and zero cost deposits
- Minimize asset-liability mismatch through efficient fund management
- Increase fee based income through disbursing non-funded loans and advances
- Increase and enhance loan portfolio through RMG clients
- Reduce Non-Performing Loans and enhance recovery of written-off loans
- Cross sell retail products to a large number of customers, and introduce innovative products to attract new ones
- Improve internal governance through strengthening good corporate culture at all levels of management
- Strengthening internal control and compliance
- Upgrade infrastructure for Information & Technology Services (ITS) to enable development of new IT based products and services

- Transformation of Human Resources to Human Capital through proper training, both at home and abroad in each area of banking and leadership practices

MTB has been working relentlessly to implement the aforementioned plans, and meanwhile, significant progress has been made, which has been described in detail in this Annual Report.

Review of MTB Operations, Products and Services

A review of the bank's operational activities is presented in detail in the later part of this Annual Report. A brief review of the bank and its other subsidiaries are presented below:

MTB Securities Ltd.

Mutual Trust Bank Limited started its brokerage functions in June 2006 as a division of the bank. Subsequently, as per the directives of Bangladesh Bank and the Securities Exchange Commission, the division emerged as a subsidiary company of Mutual Trust Bank Limited in the name of MTB Securities Limited. MTBSL is currently operating with 16 brokerage house branches, spread across the country. During the year 2014, the company made an operating profit of BDT 360 million as against BDT 334 million in 2013.

MTB Capital Ltd.

MTB Capital Limited (MTBCL) is a fully owned subsidiary of Mutual Trust Bank Limited, and a full-fledged Merchant Banker, licensed by 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 customers. During the year 2014, MTBCL made an operating profit of BDT 48 million as against BDT 20 million in 2013.

MTB Exchange (UK) Ltd.

MTB Exchange (UK) Limited (MTB UK) is one of the three fully owned subsidiary companies of Mutual Trust Bank Limited (MTB). It is the third exchange house, opened amongst other Bangladeshi private commercial banks' exchange houses in The United Kingdom, and started its operation from February 15, 2011. During 2014, a total amount of GBP 4.49 million was remitted to Bangladesh through MTB Exchange (UK) Ltd.

Offshore Banking

MTB was permitted to operate an Off-shore Banking Unit (OBU) by Bangladesh Bank in 2009. The total loans and advances of the OBU stood at USD 7.6 million in December 2014 compared to USD 3.03 million in December 2013, with a growth of 151 percent. In 2014, OBU's operating profit stood at USD. 043 million equivalent to BDT 3.34 million, as against USD. 026 million, equivalent to BDT 2.03 million in 2013.

Risk Management

The prime objective of risk management is to appropriately balance the trade-off between risk and return. MTB faces varied and wide range of risks, in its day to day business operations, and, side by side it handles risks judiciously to ensure optimum return on its assets and equities.

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, the MTB Board of Directors (BOD), through the Board Risk Management Committee (BRMC) and the senior management team, sets up the risk governance structure and philosophy, endorses strategies, reviews and approves risk policies, as well as the threshold limits of risks that may be taken in line with the bank's risk appetite. These limits are continuously monitored by an experienced risk management team and overseen by the 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) AML & CFT Policy guidelines (v) Foreign Exchange Risk Management Policy & Guidelines (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) (xiii) Compliance Manual. The details of the MTB Risk Management policies and activities are given in the Risk Management chapter of this Annual Report.

Capital Management

As per Bangladesh Bank's guidelines, banks in the country are required to maintain capital at 10.00 percent of its risk-weighted assets (RWA). Under the Basel-II guidelines, banks' capital has two components, Tier-I & Tier-II. Tier-I capital should be minimum 5 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 by BDT 586.48 million and stood at BDT8,712.40 million

in 2014. Tier-I capital grew by BDT 961.56 million, and was recorded at BDT 6,247.92 million in 2014. Total capital is now equivalent to 10.72 percent of the bank's total risk weighted assets. The details of capital adequacy and capital management are given in the "Market Discipline - Disclosures on Risk Based Capital (Basel-II)" chapter of this Annual Report.

Human Resources

MTB has been working, persistently, with a view to transforming its MTBians into human capital through exposure to appropriate training courses and development programs, both at home and abroad. A most congenial environment has been created, where employees enjoy coming to work at MTB. 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 1,467 employees were given training, both at home and abroad in different fields of banking and management practices up to December 31, 2014.

Corporate Sustainability

In respect of corporate sustainability, MTB focuses on key areas - nation-building, promotion of the workplace, support to the community and protection of the environment. The bank has set up the "Mutual Trust Bank Foundation", and contributes a part of its profit as donation, for undertaking various projects, particularly in the health and education sectors. The details of activities of the foundation have been incorporated in the chapter on "Corporate Social Responsibility", later in this annual report. Apart from the CSR activities taken by the Mutual Trust Bank Foundation, the bank also undertook various CSR activities during the year 2014, details of which are given in the "Green Banking" and "Corporate Social Responsibility" part of the Annual Report.

Corporate Governance

The bank adheres strictly to the regulatory guidelines on corporate governance. The disclosures on corporate governance are provided in the chapter on "Corporate Governance Report" of this Annual Report.

Financial Analysis

Total Assets

The consolidated assets of the bank stood at BDT 116,301 million in 2014 compared to BDT 101,172 million in 2013. Total assets of MTB stood at BDT 115,705 million in 2014 compared to BDT 100,732 million in 2013, with a growth of 14.86 percent. MTB has been successful in marketing significant amount of deposits by launching new and innovative products in the marketplace.

MTB Funds under Management

BDT in Million

	2014	2013	Growth
Deposits	97,106	84,373	15.09%
Advances	77,141	59,548	29.54%
Funds Under Management (FUM)	174,247	143,921	21.07%

Cash and Balances with Bangladesh Bank and its Agents

MTB's consolidated cash and balances with Bangladesh Bank and its Agents stood at BDT 8,933 million in 2014 compared to BDT 7,169 million in 2013. 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 balances of accounts with other banks and financial institutions stood at BDT 2,173 million in 2014 compared to BDT 1,633 million in 2013. This was BDT 1,970 million in 2014 compared with BDT 1,370 million in 2013.

Investments

MTB's investments decreased during the year under review by BDT 5,057 million to BDT 20,767 million in 2014. The decline is mainly due to decrease in holding of Government Securities through trading in the secondary market.

Loans and Advances

MTB's consolidated loans and advances stood at BDT 77,141 million in 2014. Outstanding loans and

advances of the Off-Shore Banking Unit was BDT 598 million in 2014 compared to BDT 235 million in 2013. The yield on loans and advances decreased to 14.64 percent in 2014 from 15.62 percent in 2013 due to reduction of lending rates. The details of loans and advances are given in Note No. 7 to the Accounts. The ratio of non-performing loans of MTB stood at 2.67 percent, which was happily much below the industry average.

Liabilities

The consolidated total liabilities of the bank stood at BDT 109,530 million in 2014 compared to BDT 95,723 million in 2013. MTB's total liabilities rose to BDT 108,902 million in 2014 from BDT 95,249 million in 2013, with a steady growth of 14 percent. The increase in liabilities was mainly due to growth in deposits and borrowings.

Borrowings from other banks, financial institutions and agents

MTB's total borrowings stood at BDT 2,702 million in 2014 which was BDT 2,638 million in 2013.

Deposits

MTB customer deposits grew by 15.09 percent to BDT 97,106 million in 2014. The growth was supported by its extensive branch network, well spread throughout the country. With the setting up of 103 branches and alternate delivery channels, MTB has been able to obtain more low cost funds in 2014. Fixed deposits contributed 51 percent to the total deposit basket. Cost of deposits decreased to 7.97 percent in 2014 compared to 9.21 percent in 2013.

BDT in Million

Deposits	2014	2013	Growth over 2013
Current Deposit & Other Accounts	17,262	11,569	49.21%
Bills Payable	1,284	780	64.62%
Fixed Deposits	49,412	48,282	2.34%
Deposit Products	14,764	12,704	16.22%
Total Deposits	97,106	84,373	15.09%

Shareholders' Equity

MTB's consolidated shareholders' equity increased by 24.24 percent to BDT 6,770 million in 2014. The bank's paid-up capital increased by 10 percent to BDT 3,077.63 million in 2014. Statutory reserves increased by 18.50 percent to BDT 2,276 million during 2014. Total distributable profits stood at BDT 653.37 million in 2014.

Analysis of Income Statement of MTB

BDT in Million

SL	Particulars	2014	2013	Growth over 2013
1	Interest Income	9,717	8,985	8.14%
2	Interest Expenditure	7,882	7,957	-0.95%
3	Net Interest Margin (NIM)	1,835	1,028	78.53%
4	Net Interest Margin (NIM) Ratio	2.44%	1.79%	0.65%
5	Income from Investment, Commission, Brokerage	3,890	3,591	8.32%
6	Total Net Income (Net Interest Income + Non Interest Income)	5,725	4,619	23.95%
7	Operating Expenditure	3,122	2,593	20.40%
8	Profit Before Provision	2,603	2,026	28.50%
9	Net Profit after tax	962	573	67.74%

Interest Income

MTB's interest income increased by 8.14 percent to BDT 9,717 million in 2014. The gross yield on advances stood at 14.64 percent in 2014 compared to 15.62 percent in 2013.

Interest Expense

Interest expenditure decreased by 0.95 percent to BDT 7,882 million in 2014.

Net Interest Margin

MTB's net interest margin (NIM) increased by a very healthy 78.53 percent to BDT 1,835 million in 2014. The increase in interest income contributed largely to the increase in net interest margin. MTB's net interest margin ratio stood at 2.44 percent in 2014 compared to 1.79 percent in 2013.

Income from Investments, Commission, Exchange, Brokerage and Other Operating Activities

The income from investments, commission and brokerage increased to BDT 3,889.75 million compared to BDT 3,591.12 million in 2013 with a growth of 8.32 percent.

Total Operating Income

MTB's total operating income increased by 23.95 percent to BDT 5,725 million during the year 2014 compared to BDT 4,619 million in 2013.

Total Operating Expenses

MTB's total operating expenses increased by 20.40 percent to BDT 3,122 million in 2014 compared to BDT 2,593 million in 2013.

Provision for Loans and Advances

MTB's total provision against loans and advances for the year 2014 was BDT 427.53 million compared to BDT 455.89 million in 2013. The Non-Performing Loan ratio improved considerably during the year under review.

	2014	2013
NPL ratio	2.67%	3.62%

Profit before Tax

Profit before tax stood at BDT 1,929.40 million in 2014 with a growth of 37.88 percent as against BDT 1,399.31 million in 2013.

Provision for Income Tax

MTB's provision for income tax was BDT 967.84 million in 2014 compared to BDT 826.06 million in 2013.

Net Profit after Tax

Net profit after tax recorded a resounding growth of 67.74 percent to BDT 962 million in 2014 compared to BDT 573 million in 2013. MTB's basic Earnings per share (EPS) increased to BDT 3.12 in 2014 compared to BDT 1.86 in 2013.

Statutory Reserves

As per the Bank Companies Act 1991, 20 percent of the profit before tax is required to be transferred to statutory reserve. As such, an amount of BDT 358.87 million has been transferred to statutory reserve in 2014.

Dividends

The fund available for distribution was BDT 653.37 million in 2014. In order to maintain a satisfactory capital adequacy ratio of the bank, the Board has decided to recommend 20 percent stock dividend for the year 2014.

Remuneration of Directors

As per BRPD Circular No. 09 dated 19/09/1996, the Chairman of the bank may be provided a car, telephone, office and a private secretary. However, MTB only pays the prescribed fees to its Directors for attending meetings of the Board and its Executive Committee, Audit Committee and Risk Management Committee. The Managing Director and CEO is paid a salary and allowances, in accordance with the approval of the bank's Board of Directors and Bangladesh Bank.

Adequate Accounting Records

MTB maintains all books of accounts and other records in accordance with Section 181 of The Companies Act, 1994; Bank Companies Act, 1991 as amended in 2013, Tax Ordinance and Rules, VAT Act, BSEC and DSE rules and regulations and Bangladesh Bank's guidelines.

Accounting Policy and Implementation of BAS/BFRS

The Board of Directors is responsible for the preparation and fair presentation of the Bank's Annual Financial Statements, incorporating its financial position in 2014, comprehensive income, changes in equity and cash flow during the year, and the notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory notes in accordance with the Bangladesh Financial Reporting Standards (BFRS), and in the manner required by the Companies Act, 1994.

The directors' responsibilities also include designing, implementing and maintaining internal controls, relevant to the preparation and fair presentation of these Financial Statements, that are free from material mis-statement, 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

The MTB Board of Directors has responsibility in order to ensure compliance at all levels in the bank's day-to-day activities. The ICC Division helps to ensure that the internal control structure in the bank is working smoothly with appropriate assignments, accountability of the personnel, and checks that delegation of authorities to functional management have been made with the necessary approvals. The Division ensures a compliance culture within the organization, under the active guidance and supervision of the senior management and the Board of Directors. The Bank Companies 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.

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, Bank Companies Act 1991 as amended in 2013, applicable provisions of the Companies Act, 1994; Bangladesh Securities and Exchange Commission's 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 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 Heads of each Department to provide assurance that these standards are communicated, understood and complied with. An effective control environment is set by the top management, in all spheres of the bank's activities and across all business functions. Each 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 Value Added Tax (VAT) and other withholding taxes are deducted from the bills as per the law. As of date, there is no legal case filed by the bank or filed against it by any supplier.

Related Party Transactions

The details of transactions of related parties of the company have been given in Note 44 of the financial statements.

Shareholders' Value

MTB remains fully committed to delivery of higher shareholder value. The high profitability track record, underpins the value the shareholders derive from investing in the shares of the bank. The earnings per share increased and stood at BDT 3.12 and return on average equity stood at 15.74 percent during 2014. Market capitalization of MTB stood at BDT 6,093.71 million as at December 31, 2014.

Meetings of the MTB Board of Directors

Fourteen meetings of the MTB Board were held in 2014.

Appointment of Auditors

M.J. Abedin & Co. was appointed as External Auditors for 2015.

Annual General Meeting

The Annual General Meeting of Mutual Trust Bank will be held on Monday, March 30, 2015 at the International Convention City, Bashundhara (1 Gulnaksha), Joarsahara, Khilkhet, Dhaka at 10:15 am. The Directors' Report and Financial Statements were approved at the 176th Board Meeting held on February 24, 2015 for presentation to the shareholders.

Thank you.

On behalf of the Board of Directors



Rashed A. Chowdhury
Chairman