



# CORPORATE GOVERNANCE

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## MEMBERS OF THE EXECUTIVE COMMITTEE



**1. Mr. Syed Manzur Elahi**  
CHAIRMAN

**4. Mr. Md. Wakiluddin**  
MEMBER

**2. Mr. Md. Hedayetullah**  
MEMBER

**5. Mr. Q. A. F. M. Serajul Islam**  
MEMBER

**3. Mr. Md. Abdul Malek**  
MEMBER

MTB Executive Committee was re-constituted at its 191<sup>st</sup> Board Meeting held on Thursday, April 28, 2016



# MEMBERS OF THE AUDIT COMMITTEE



**1. Mr. Anwarul Amin**  
CHAIRMAN

**3. Mrs Khwaja Nargis  
Hossain**  
MEMBER

**2. Mr. Rashed Ahmed  
Chowdhury**  
MEMBER

**4. Dr. Sultan Hafeez  
Rahman**  
MEMBER

MTB Board Audit Committee was re-constituted at its 191<sup>st</sup> Board Meeting held on Thursday, April 28, 2016



# MEMBERS OF THE BOARD RISK MANAGEMENT COMMITTEE



4

1

2

3

**1. Dr. Arif Dowla**  
CHAIRMAN

**3. Mr. Md. Abdul Malek**  
MEMBER

**2. Mr. Rashed Ahmed Chowdhury**  
MEMBER

**4. Mr. Q. A. F. M. Serajul Islam**  
MEMBER

MTB Board Risk Management Committee was re-constituted at its 191<sup>st</sup> Board Meeting held on Thursday, April 28, 2016.





## CHAIRMAN'S STATEMENT



*We are committed to creating long term value for shareholders through the successful execution of our core strategic priorities. The creation of quality assets, branded content and experiences, the use of technology and growth in numerous and exciting local and global markets will enable us to grow further.*

Dear Respected Shareholders:

It is my pleasure to welcome you, on behalf of your Bank and its directors, to the 18th Annual General Meeting of Mutual Trust Bank Limited (MTB) and present to you the Annual Report and Audited Financial Statements for the year ended December 31, 2016.

Your bank posted a remarkable performance once again, despite low interest margins that affected the banking industry. The MTB Group's operating profit grew by 21% and total assets grew by 13% in 2016 through the support of all the stakeholders.

I am delighted to state that MTB's continuous endeavor to deliver superior value to its stakeholders has resulted in achieving sustainable growth trajectory in each of our performance indicators, over time.

The country thrived and enjoyed macroeconomic stability throughout the year, despite the deplorable July 2016 incident at the Holey Artisan Bakery at Gulshan 2, Dhaka, which led to the stagnation of investment for a while. Drop in oil prices and rising wages led to improved consumer purchasing power. Banks witnessed reduced interest rates both on loans and deposits due to the excess liquidity prevailing in the money market. However, new investments took place and the country's economy is growing larger.

Your bank is dedicated to generating excellent business growth leveraging on quality customer service. Customers are experiencing a continuous improvement not only on service levels, but also in the range of technology-oriented contemporary products that are being delivered to them. MTB has smart banking applications, which has enabled the tech-savvy generation to do banking virtually from anywhere. We are redefining our core banking software, which will make service faster and more secured.

In 2016, we enhanced our customer coverage by successfully introducing agent banking in the rural areas of Bangladesh, where traditional banking has not yet reached. This will open avenues for the small enterprises to get banking facilities in far-flung areas of the country. Your bank, in 2016, launched a complete range of MasterCard products and EMV chip-embedded cards suite to provide an even better, easier and secured customer experience.

We have continued to maintain a strong capital position and also increased our total assets. In 2016, MTB received regulatory approval for the

issuance of its third non-convertible subordinated bond aggregating BDT 5 billion. This will strengthen our capital base and will help to ensure the bank's sustainable growth.

MTB practices strong corporate governance, which stimulates trust through transparency and accountability. We believe that we play the role of a custodian of people's wealth, and, while we continue to perform that role to satisfy all our stakeholders, the underlying foundation of absolute governance and compliance remains entrenched in our spirit, no matter how difficult the challenges are or how competitive the environment is. The bank's stable growth and the journey towards becoming a world class bank has been based on its strength, integrity and trust, which are key attributes of 'Brand MTB'.

MTB is an institution, where each of our stakeholders take pride in being an integral part of the bank's journey. We want our team to be the best, working in an enabling environment, where they feel rewarded, motivated and equipped with a vibrancy that is reflected in the way we do business.

I extend my sincere gratitude to the shareholders and our loyal customers for their support and the confidence placed in us.

I am grateful to my colleagues on the board for their valuable support, suggestions and guidance and to the entire Management team led by the Managing Director and CEO, all of whose relentless efforts and hard-working leadership has driven the bank to a much greater stature.

I would like to convey my gratitude to our regulators and the policy makers at the Ministry of Finance, Bangladesh Bank, Bangladesh Securities & Exchange Commission (BSEC), National Board of Revenue (NBR), The Registrar of Joint Stock Companies (RJSC), Dhaka Stock Exchange Limited (DSE), Chittagong Stock Exchange Limited (CSE), Central Depository Bangladesh Limited (CDBL) who are working hard to strengthen our country's economy, for their continued support and guidance.

Thank you,



M. A. Rouf, JP  
Chairman



## MANAGING DIRECTOR & CEO'S STATEMENT



*MTB's underlying performance demonstrates that at its core the bank possesses a resilient and sound business model. Consequently, operating profit experienced a buoyant 21% growth despite the slow growth of overall investment and rapidly narrowing net interest spread.*

### **Managing Director & CEO's Statement**

I am pleased to report that MTB has delivered a strong performance, recording an operating profit of BDT 3.40 billion and total customers' liability growth of 11% during 2016. The Bank's ROE of 15.61% has remained very impressive. The increase in risk assets was robust at 17.81% with encouraging growth from the Retail and Wholesale products, which facilitated a better balance in the overall portfolio. At the same time, MTB managed to keep its share of non-performing loans (NPL) at a tolerable limit and better than the industry trend. Our strategy of diversifying the business mix and sustained focus on deepening our low-cost deposits helped us in delivering a steady performance during the year. Overall, 2016 was particularly challenging for MTB, the industry, and our customers. However, MTB's underlying performance demonstrates that at its core the bank possesses a resilient and sound business model. Consequently, operating profit experienced a buoyant 21.25% growth despite the slow growth of overall investment and rapidly narrowing net interest spread. However, one thing that has gone hand in hand with the business strategy is MTB's commitment to operate in full compliance with legal and regulatory requirements by managing the core risks such as money laundering (ML) and Terrorist Financing (TF) risks in the best possible manner. In this regard we have always kept in mind that regulatory compliance is not anti-business; rather it is supportive of long-term sustainable business.

### **A year of Smart Banking**

In this era of digital revolution, people have come out of the conventional idea of banks that was once perceived to be a hardcore building with people seeking loans, safeguarding their savings and planning their financial future. Now, clients are very unwilling to show up physically, instead many are holding their banks in their phones with technology radically altering the way consumers take care of their financial needs and the way bankers conduct business. Consequently, financial institutions have proactively embraced innovation through technology, in order to lower the cost of current systems and to achieve competitive edge. During 2016, MTB strived to adopt a hybrid strategy by utilizing branches as hubs for serving clients through addressing their needs collectively. At the same time, MTB integrated technology and enhanced its Alternate Delivery Channel's (ADC) capacity in every aspect of its business to build client satisfaction and operational efficiency. Moreover, MTB launched MasterCard product suite (Debit & Credit) with state-of-the-art technology in 2016.

During 2016, ATM card frauds caught the overall banking industry with surprise. In response, MTB introduced chip-based debit and credit cards for enhanced transactional security for customers. Besides, to enhance the reach of MTB the 110th branch was opened at Hemayetpur, Savar and the very first Agent Banking Centre was launched in Comilla that was followed by nine other centers across the country. DEG - a multilateral 'Development Finance Agency' of the Government of the Federal Republic of Germany has extended a credit line of US\$ 20.00 million to MTB towards the end of the year. MTB is among the very few local banks to obtain such a facility.

At MTB, our banking services are provided through branches, ATMs, Kiosks, Internet Banking, Point-of-Sale (POS) terminals and Call Centers. We view technology as a pre-requisite for delivering superior customer service and we have therefore commenced a project to replace our core banking system.

### **The way Forward-Protect and Surge**

We hold the opinion that the year ahead is going to be more challenging than 2016. There is ample liquidity in the banking system and the private sector is still unable to absorb the funds on offer for investment. Besides, due to surge of Non-Performing Loans (NPL), profit of most of the banks have been impacted in recent times. Loan scams, excessive finance to some large business groups and adverse selection of borrowers, poor appraisal and inadequate follow-up caused NPL to go up. In the midst of all these and more intensified competition, we are not only looking forward to retain our overall market share but also planning to expand our market penetration, with our strategy of providing easy, safe and accessible banking at reasonable costs. Our focus has always been on delivering products that meet our customer expectations. In sum, we are looking forward to more strongly protect our customers, employees, investments and environment. Hence, we are taking stronger measures to prevent cyber-crime and looking forward to take on our competitors more strongly and intelligently. Consequently, we are anticipating a surge in our overall business performance while ensuring good governance.

A foot print of 110 branches and 226 ATM locations coupled with dozens of digital channels that empower customers, provide a sound growth platform for MTB in the days to come.



## Acknowledgements

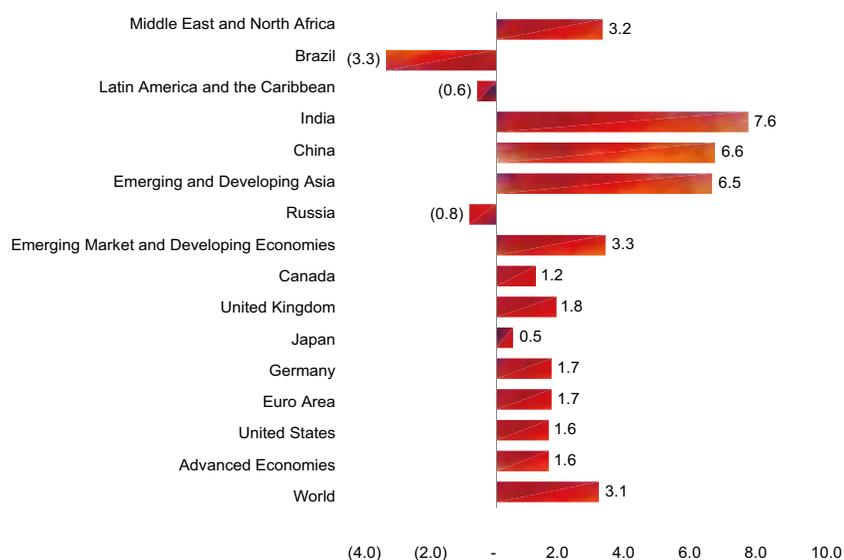
Over the years, MTB's robust growth has been propelled by its growing ambitions, smart strategy and a can-do attitude supported by good governance. I take this opportunity to thank our distinguished Chairman and the Board of Directors for their strategic guidance that has been instrumental in taking the bank on the path to greater success. Our principal regulator, Bangladesh Bank, and its caring officials, have provided guidance and advice on many occasions and we appreciate their efforts in this regard. I also wish to thank M.J. Abedin & Co. our external auditors for their invaluable input. I also wish to extend my sincere appreciation for the dedication, and commitment of the MTB Management Team and all fellow MTBians, without whom, we would not have been able to deliver the strong performance in 2016. I am deeply grateful to all our customers, investors, shareholders and other stakeholders who have continuously placed their trust in us. We assure all our stakeholders of our commitment to meet their expectations in the following years.

## ECONOMIC REVIEW

### GLOBAL ECONOMY

The global economy's struggle to get out of the "low-growth trap" continues as it is yet to regain adequate upward momentum even eight years after the global financial crisis. The International Monetary Fund (IMF) in its October World Economic Outlook (WEO) issue, expected global growth for 2016 to be as low as 3.1 percent from 3.2 percent of the preceding year. Whereas, global economy is expected to grow 3.4 percent during 2017

**IMF Growth forecasts for 2016**



Global economic growth for 2016 can be attributed as disappointing, and uneven at the same time, due to sluggish growth in advanced economies, low commodity prices, weak global trade, and diminishing capital flows. There was a marked slowdown in growth in many of the advanced economies in the first half of 2016, most notably in the United States. Growth there moderated due to weak business investment, a poor external trade performance and slow inventory accumulation. However, US growth picked up in the second half of the year, so as the activity in Japan. Despite the vote in the UK for Brexit, there has been a solid growth performance in Europe since mid-year. Nonetheless, growth in advanced economies is estimated by the IMF to be slowed down to 1.6 percent for 2016 from 2.1 percent of 2015. Meanwhile, growth in emerging economies made slight recovery, to be recorded at 4.2 percent, compared to the 4.0 percent of 2015. Most notably, GDP growth in China slowed from 6.9 percent in 2015 to 6.6 percent in 2016. Some countries, such as Brazil, Argentina, and Russia experienced recession during 2016, mainly as a result of the collapse in commodity prices.

### Inflation Scenario

In 2015, consumer price inflation in advanced economies was at 0.3 percent, the lowest since the global financial crisis of 2008. It is expected to pick up to 0.8 percent in 2016, mostly reflecting a reduced drag from energy prices. By contrast, excluding Argentina and Venezuela, inflation in emerging market and developing economies is expected to soften, to 4.5 percent in 2016 from 4.7 percent of 2015, reflecting the weakening effect of earlier currency depreciations.



Core consumer price inflation is higher than headline inflation but differs across major advanced economies. In the United States, consumer price inflation is picking up relatively strongly, from 0.1 percent of 2015 to 1.2 percent in 2016, and is projected to reach 2.3 percent in 2017. Inflation is picking up in the euro area as well, but more slowly, to 0.3 percent in 2016 from about zero in 2015. For United Kingdom the rate is projected to be 0.7 percent in 2016 and with a sharp increase, 2.5 percent in 2017.

In the commodity market arena, world experienced significant price plummeting during the first half of 2016. However, things eventually got normalized with modest uptick in commodity prices. After hitting a 10-year low in January 2016, oil prices rallied by 68 percent, to USD 49 in November 2016, mostly due to involuntary production outages that brought balance to the oil market. The production cuts announced by OPEC on 30 November may result in total OPEC production falling to around 33 million barrel per day. This is expected to put a solid floor under prices.

Metal prices increased modestly in the first half of 2016 with slightly stronger demand from emerging market and developing economies, while food prices ticked up for most items, in large part due to adverse weather shocks.

### **Financial Markets**

One reason that the global economy is so sluggish is that, seven years after the collapse of Lehman Brothers, financial stability is not yet assured. Financial-sector weaknesses remain in many countries and financial risks are growing in emerging markets.

A persistent downward pressure on global interest rates is still prevalent, as monetary policy is now expected to remain accommodative for longer. Although the market reaction to the Brexit shock was supportively orderly, the ultimate impact, according to the IMF, remains very unclear as the fate of institutional and trade arrangements between the United Kingdom and the European Union is uncertain.

The European Central Bank (ECB) extended its quantitative easing (QE) program on 8th December 2016 to December 2017 from its original end date of March 2017. The ECB would slow down the purchasing program in April 2017 to a monthly rate of 60 billion euros from 80 billion euros. Policy makers kept the main refinancing rate at zero, the deposit rate at minus 0.4 percent and the marginal lending rate at 0.25 percent.

Financial market sentiment toward emerging market economies has improved with expectations of lower interest rates in advanced economies, reduced concern about China's near-term prospects following policy support to growth, and some firming of commodity prices. But prospects differ sharply across countries and regions, with emerging Asia in general and, India in particular, showing robust growth and Sub-Saharan Africa experiencing a sharp slowdown.

Markets expect advanced economy central banks to maintain low rates for even longer as economic activity has stayed sluggish and inflation pressures remain muted. Financial market sentiment has generally recovered after the initial short-lived negative reaction to the June 23 U.K. referendum vote to leave the European Union. Financial conditions in emerging market economies have eased since February with expectations of a more persistent dovish monetary policy stance in advanced economies, an uptick in commodity prices and signs of stabilization in emerging market economies currently in recession. Sovereign yields have declined and spreads have narrowed.

### **Global Banking Industry**

Since last quarter of 2015, against the backdrop featuring continual slumping price of bulk commodity, significant depreciation of emerging economies' currencies and introduction of negative interest rate policy by Eurozone and Japan, operation and growth of major countries' banking industry have faced with great deal of uncertainty. The global banking industry has settled into an upsetting new reality of stagnating growth and low profits. While Southeast Asian banks and peers in emerging markets are spared from low interest rates which pins down peers in developed market, sluggish global economic growth is instead taking its toll on the banks through international trade channel. Banks in the Eurozone and the United Kingdom faced the greatest threat from slow economic growth in which low-interest rates, once designed to propel the economy, are choking the banks' net interest income. If interest rates stay as low as today and digital attack disrupts the industry then profitability of the sector is going to get hampered further. Hence, most of the banks are focusing on protecting revenue, cutting unnecessary costs and improving the health of balance sheets. As a response, many banks of the developed market have adopted digitization as a cost-cutting alternative.

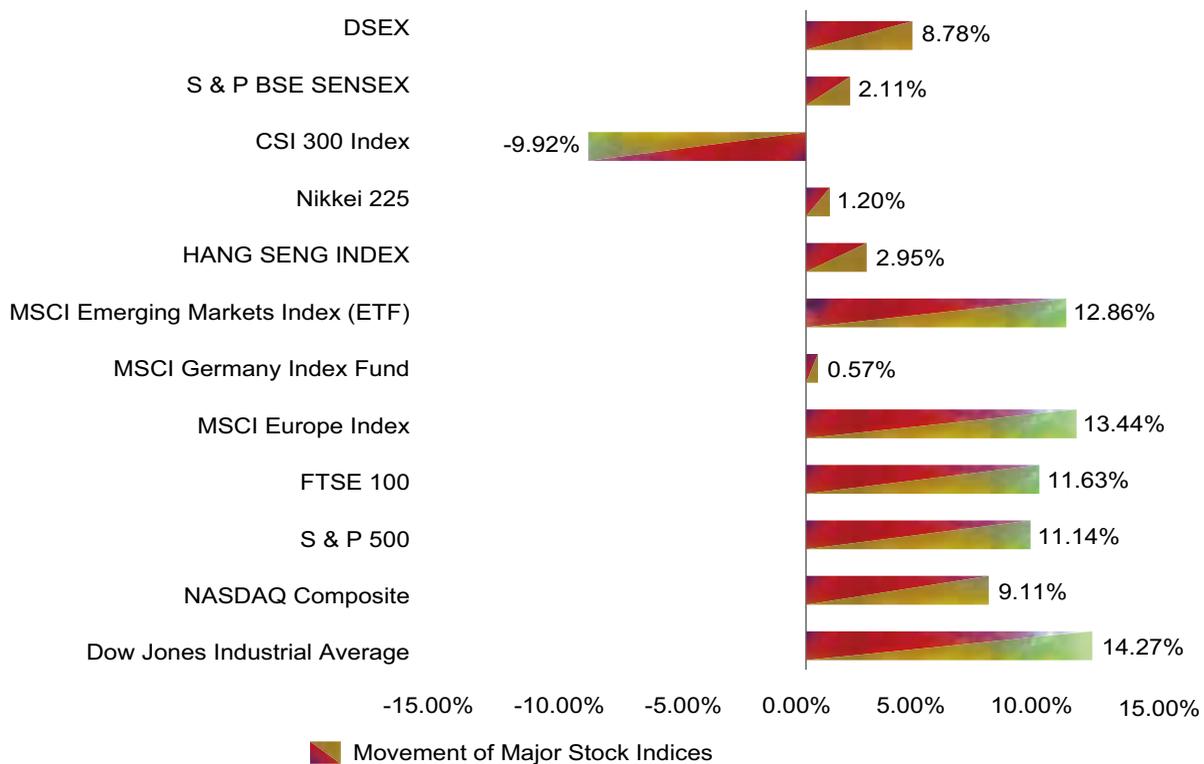


## Global Capital Markets

Overall global equity markets exhibited elements of volatility during much of the 2016. Global stocks rose amid market optimism for Donald Trump's dominance to the U.S. presidency and signs of accelerating U.S. economic growth. Several key indexes hit record highs on expectations of market-friendly policies under the new administration. Financial stocks rallied as global interest rates moved higher. Bonds fell sharply and the dollar advanced against the euro, the yen and most other currencies. Apparently, companies with sustainable free cash flow and the ability to raise payouts over time without harming their balance sheets are seeming attractive to investors.

U.S. stocks rallied after the surprise U.S. presidential election result, which brightened prospects for tax cuts, infrastructure spending and an easier regulatory environment. The Standard & Poor's 500 Composite Index surged 11.14 percent, the Dow Jones Industrial Average increased 14.27 percent and the Nasdaq Composite Index climbed 9.11 percent.

Eurozone equities managed to maintain gaining trend during 2016. Although the markets got impacted time to time upon encountering by several severe political and economic developments. Overall, the MSCI Europe Index gained 13.44 percent and FTSE 100 advanced by 11.63 percent.



Japanese equities rose as a weakening yen and optimism about the U.S. and Chinese economies boosted exporters. Overall, Nikkei 225 index managed to advance 1.20 percent.

Emerging markets stocks came under pressure as the dollar surged and anticipation also grew that the Federal Reserve would raise interest rates in December. After rallying for most of the year, the MSCI Emerging Markets Index posted a staggering gain of 12.86 percent.

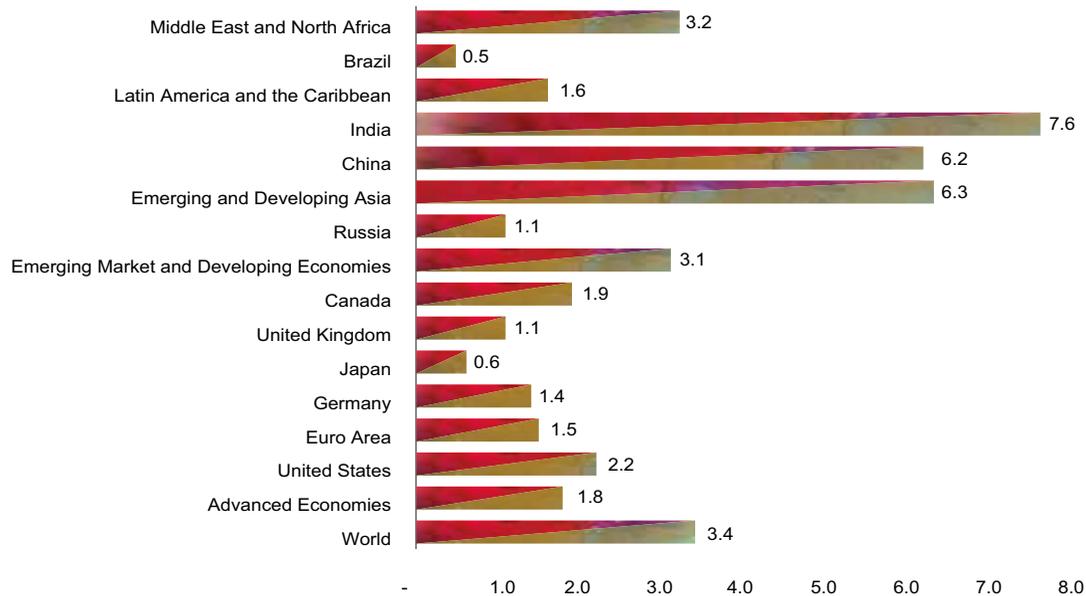
## Growth Prospects for 2017

Economic growth is projected to pick up from 2017 onward, almost entirely on account of developments in emerging market and developing economies. This reflects primarily two factors: the gradual normalization of macroeconomic conditions in several countries experiencing deep recessions and the increasing weight of fast-growing countries in this group in the world economy. The projected increase in global growth in 2017 is 3.4 percent. The diminishing of downward pressures on activity in countries in recession in 2016 such as Brazil, Nigeria, and Russia is expected to more than make up for the steady slowdown in growth in China of only 6.2 percent in absent of further stimulus. In advanced economies, growth is projected to pick up modestly to 1.8 percent, reflecting primarily a strengthening of the recovery in the United States and Canada besides, a rebound in Japan due to the recent fiscal stimulus. For the United States, growth in 2017 is expected to pick



up to 2.2 percent, as the drag from lower energy prices and past appreciation of the U.S. dollar disappear. In contrast, growth is projected to be lower in the euro area (1.5 percent) and the United Kingdom (1.1 percent), due to the macroeconomic effects of heightened uncertainty in the aftermath of the UK referendum.

### IMF Growth forecasts for 2017



## BANGLADESH ECONOMY

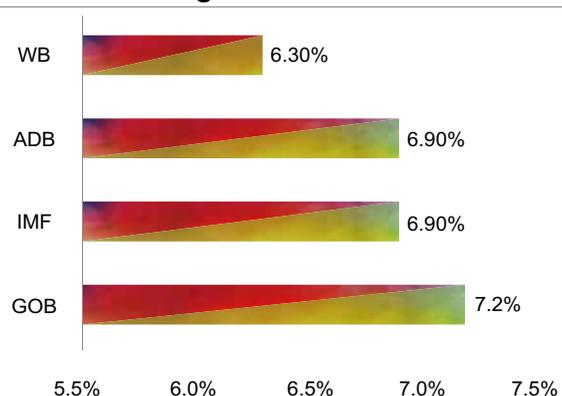
Economic growth remains robust as a result of solid private consumption and investment. Low inflation and rising wages are propelling consumption, despite the steady decline in remittances due to the plunge in oil prices that affected the Middle East economies. More than half of Bangladesh's total remittances come from the Arabian Peninsula. Stronger government spending is the reason behind the healthy performance in investment. Policy support and higher public wages are threatening fiscal sustainability. In this regard, the implementation of the new VAT regime in July is expected to boost revenues.

Bangladesh's growth prospects remain bright due to strong dynamics in both domestic demand and the external sector. A high budget deficit and weak global trade are the main downside risks to growth. Consequently, Bangladesh has been named as one of 10 emerging markets that are set to become new drivers of global economic growth over the next 10 years. US-based research firm of the Fitch Group has identified Bangladesh, Philippines, Indonesia, Myanmar, Vietnam, Egypt, Ethiopia, Kenya, Nigeria and Pakistan as "10 emerging markets of the future". Manufacturing and construction are the sectors that are expected to drive the country's economy.

### Gross Domestic Product (GDP)

Bangladesh, like a few other developing economies, is all set with a different tone of optimism to sail towards macro-economic stability. The GDP growth rate for Bangladesh has hovered around 6 percent mark for past one decade. Eventually, during the fiscal year 2015-16, the economy managed to come out of the 6 percent 'growth trap' by registering a staggering 7.11 percent growth, as reported by the Bangladesh Bureau of Statistics (BBS), against the earlier target of 7 percent by the government. Asian Development Bank (ADB) quoted that the country achieved 7.10 percent growth during the time and World Bank (WB) stated it to be 6.50 percent.

### Forecasted GDP growth for 2016-17



On the flipside, Bangladesh government has targeted economic growth at 7.20 percent for the FY 2016-17, while Bangladesh Bank has forecasted the same to be hovering around 7.10 to 7.30 percent. Among the



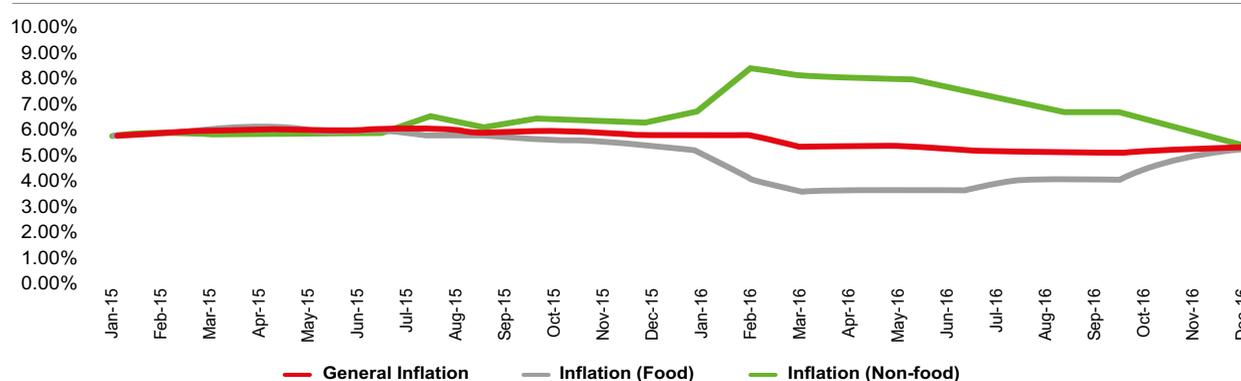
international agencies, International Monetary Fund (IMF) said that Bangladesh's economy will grow by 6.90 percent during 2016-17 despite the subdued global growth. While ADB forecast fell in line with that of IMF's, WB has predicted it much lower at 6.30 percent.

### Inflation

The country's inflation rate, measured on both 12-month average basis (5.51%) and point-to-point (5.03%) recorded a decrease during December 2016. The twelve month average general inflation eased to 5.51% in December 2016, the lowest in more than 10 years mainly due to the lowering trend for the last couple of months. The point to point general inflation eased sharply to 5.03% in December 2016 from 5.38% in November 2016 mainly due to drop in non-food inflation. Non-food inflation decreased to 7.05% in December 2016 from 7.27% of November 2016.

As per Bangladesh Bank's statistics, twelve month average inflation at the end of November 2016 is reported to be 5.60 percent, which is well below the Government's budget target of 5.80 percent. During the same month of the previous year, the 12-month average inflation was 6.20 percent.

### Point to Point Inflation-Movement



### External Sector

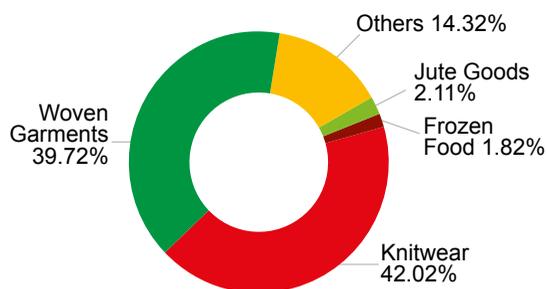
Bangladesh's foreign exchange reserves edged up to USD 32.10 billion at the end of December 2016 from a record high of USD 31.90 billion the previous month, up by 21 percent from December last year (USD 26.63 billion). With the current reserve it is possible to serve the import payments for over nine months.

On the other hand, current account balance slipped to the negative territory for the first time in four years due to remittance contraction and high import growth. Between July and December 2016, the current account deficit stood at USD 0.79 million, which was USD 7.37 billion in the surplus a year earlier, according to data from the central bank.

### Exports

Export earnings recorded a growth of 7.96 percent and recorded to be USD 34.96 billion for 2016 from its level of 2015. The export items that registered a positive growth during 2016 include woven garments, knitwear, frozen food, chemical products and tea. On the other hand, engine & electric goods, agricultural products, raw jute and leather experienced a negative growth during 2016 compared to the same period of the previous year.

### Category-Wise share of total exports (2016)



### Imports

Fresh opening of import LCs during January-December 2016 (USD 45.29 billion) increased by 5.71% from that of the same period of 2015 (USD 42.84 billion). 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 textile, leather, jute, garment, pharmaceutical, ship building and energy and power sectors contributed to rise in overall capital machinery imports.

### Remittance

The inflow of remittances came down by 11% (USD 1.71 billion) to USD 13.61 billion during 2016 from USD



15.32 billion of 2015. Lower development activities in the Gulf Cooperation Council economies because of rock-bottom prices of fuel oils on the international market are seen as a major cause, alongside a rising trend in sending hard-earned money by expatriate Bangladeshis using informal channels.

### Fiscal Management

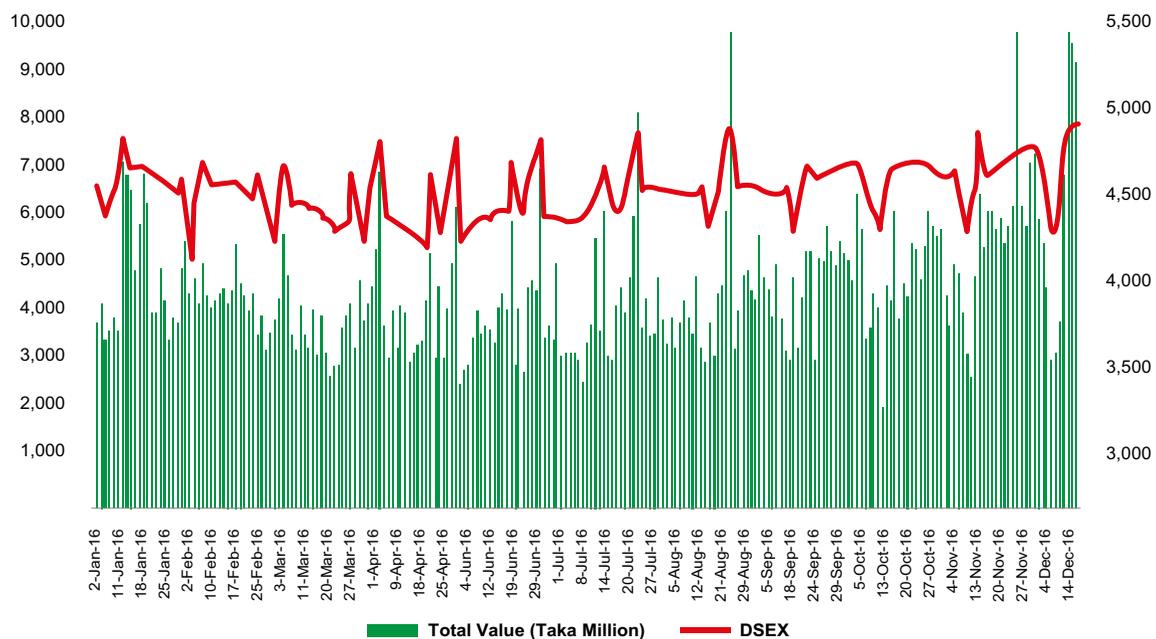
Total tax revenue collection (NBR & Non-NBR) during July-December 2016 stood at BDT 829.9 billion which was higher by BDT 121.5 billion or 17.2 percent against the collection of BDT 708.4 billion during July-December 2015. NBR tax revenue collection stood at BDT 802.5 billion which was lower by BDT 69.8 billion or 8.7 percent as compared to the target set by NBR of BDT 872.4 billion during July-December, 2016. However, that was 17.9 percent higher as compared to that of the same period of the previous year.

### 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. On a more optimistic manner, it can be said that the market is very close to finding its most desired inflection point. 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. However, elements of fluctuations were very much prevalent during the trading sessions of 2016. Since October 2016, the benchmark index, DSEX, hovered over 4,650 mark during most of the trading sessions and average turnover crossed the BDT 6 billion mark. As the price level and participation both were on the rise, investors started to be optimistic.

On a year on year basis, the benchmark measure DSEX, gained 6.67% to stand at 4,939 point at the end of December 18, 2015. Average daily turnover went up by 12.8% 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 24th November 2016, to BDT 14.8 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, Bangladesh Bank restated banks' exposure to the capital market, through a circular that stipulates that the capital provided by banks to their subsidiary companies will not be considered while calculating the parent banks' total capital market investment. This might have translated into new investments in the capital market by banks, given that there is already excess liquidity in the money market and in a relatively low-interest-rate economy.



## BANKING SECTOR SCENARIO

In Bangladesh the banking sector has travelled through a journey where the sector has experienced several ups and downs. Consequently, reforms have been undertaken with objectives such as increasing the capital adequacy of banks, streamlining guidelines for rescheduling of various types of loans, tightening provisions for non-performing loans, strengthening disclosure requirements and improving accounting systems. These have undoubtedly improved the soundness of the sector over the years. However, the performance of the banking sector in the recent past has not been satisfactory. At present, key performance indicators of commercial banks in the country reflect the poor health of banks. Most banks have not been able to exhibit significant improvements on indicators such as capital to risk weighted asset, non-performing loans, income-expenditure ratio, return on assets and return on equity despite several measures taken by the central bank.

Currently, most of the banks are holding substantial idle money, as the private sector is still unable to absorb funds on offer for investment. The growth of deposits is also adding to this problem. Banks are in reality getting no return from the said funds. Instead, interest is to be paid against them. In the best case scenario, some of the banks are getting some nominal return by getting their funds invested in government bills and bonds. This avenue has also become limited, of late, as the Government has virtually stopped borrowing from the banking system due to huge sales of national savings certificates. The central bank has advised the banks to invest in the SMEs (small and medium enterprises) with a view to improving the position.

The banks managed to accumulate considerable operating profit during 2016. However, only a mere reflection was prevalent in profit after tax figures due to surge in Non-Performing Loans (NPL). Loan scams, especially in the state-owned banks, excessive finance to some large business groups and adverse selection of borrowers, poor appraisal and inadequate follow-up has caused NPL to go up. If the written-off loans are added to the NPLs, the amount will increase.

Maintaining cyber security has become another challenge for the overall banking industry in the midst of some recent developments all over the globe. Due to integration of technology, it has become easier now a days to transfer funds online. Hence, the sector is now more concerned for providing its customers greater cyber security protection.

### **Banks' Deposits**

Total deposit of the scheduled banks has increased by BDT 952,451 million (12.78%) at the end of December 2016 from that of December 2015. Time deposits registered a growth of BDT 154,325 million or 11.92% and demand deposits also registered a strong growth of BDT 798,126 million or 20.51% in December 2016 over December 2015.

MTB's deposits registered an increase of BDT 12,868 million or 10.87% from BDT 118,405 million in December 2015 to BDT 131,272 million in December 2016.

### **Banks' Advances**

Banks' advances recorded an increase of BDT 956,395 million or 15.49% at the end of December 2016 compared to the same of December 2015. Whereas, MTB's advances registered an increase of BDT 16,767 million or 17.18% from BDT 97,589 million in December 2015 to BDT 114,356 million in December 2016.

### **Banks' Profitability**

Profit of most of the private commercial banks rose considerably in 2016, despite a sharp cut in the lending rates and presence of excess liquidity in the banking system.

Most of the banks operating profit experienced higher growth during 2016 compared to the same of previous year. However, profit after tax for PCBs were reported to be below expectations due to higher provisioning required against default loans. MTB's operating profit stood at BDT 3,209 million during 2016 experiencing an impressive growth of 20% compared to BDT 2,672 million in 2015. Whereas, the consolidated operating profit for MTB at the end of 2016 was reported to be BDT 3,408 million that is 21% more than what it achieved during 2015.

### **Money Market**

Since the banks are having excess liquidity, the interbank call money rate in the banking sector experienced a downward adjustment. At the end of November 2016, deals were getting settled at 3.54 percent. Whereas,



during the initial months of the year, the same deals were getting settled at 3.90 percent. Interest rates on treasury bills and bonds fluctuated significantly throughout the entire 2016. 91 days cut-off got hit to as low as 2.69 percent during February 2016 to rise as high as 4.72 percent during July 2016. The Repo and Reverse Repo rates have been re-fixed at 6.75% (from 7.25%) and 4.75% (from 5.25%) respectively, with effect from January 2016.

Money market and its instruments are being adjusted downwards simply due to the lack of investment opportunities. Banks are slashing interest rates on deposits to adjust themselves with the prevailing market scenario. The declining trend of BGTB cut off has created more pressure on banks to cut their interest rate.

### **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 4.71% in December 2016 from 4.84% of December 2015. On a year on year basis, both interest expense on deposit and interest income on advances dropped significantly. Interest on deposit decreased by 1.02% point to 5.22% in December 2016 from 6.30% of December 2015. Whereas, interest on advances decreased to 9.93% during December 2016 from 11.18% of December 2015.

### **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 2016, interest rates on the government treasury bills and bonds decreased as a whole as most of the scheduled banks rushed to invest their excess liquidity in the government tools amid a sluggish business situation in the country.

### **Non-Performing Loan (NPL) Management**

Non-Performing Loan (NPL) is a critical challenge for the banking sector of Bangladesh, and some banks are really 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 the high level of NPLs mainly due to substantial loans provided by them on considerations other than commercial criteria.

The NPL of the banking sector came to 9.23 percent of the total outstanding loans of BDT 6,735,861 million at the end of December 2016 that was BDT 513,710 million (8.79 percent) at the end of December 2015. Of the total NPL, the share of state owned banks was 46 percent, private banks was 42 percent and specialized banks contributed 9 percent to total NPL.

At the end of 2016, the non-performing loans for MTB stood at BDT 4,983 million that is 4.36% of the total loans outstanding.

### **Implementation of Monetary Policy**

The main objective of Bangladesh Bank's Monetary Policy Statement (MPS) for the first half (H1) of the FY 17 is moderation and stabilization of CPI inflation alongside supporting output and employment growth. The aim of the policy is to support the 7.2 percent growth target and the 5.8 percent inflation target for the fiscal year 2017. As per the MPS H1 2017, reserve money is projected to grow at 14 percent and broad money (M2) at 15.5 percent, 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 16.4 percent at the end of the fiscal year 2017. Private sector credit is projected to grow at 16.5 percent and public sector credit at 15.9 percent. The Bangladesh Bank's monetary and financial policy stance is grounded on the growth supportive developmental mandate in its charter.

### **Capital Adequacy Management**

Basel III, the latest capital and liquidity standards for banks prescribed by the Bank for International Settlements (BIS), emerged in 2010 as the guideline of Basel II, the previous version of capital standard, failed to maintain financial stability during the global financial crisis in 2008.



Banking sector needed to maintain minimum 10 percent total capital ratio comprising minimum 5.5 percent Tier-1 capital and maximum 4.5 percent Tier-2 capital in 2015, and the distribution will be minimum 6 percent Tier-1 capital ratio and 4 percent Tier-2 capital ratio at the end of 2019. Moreover, banks are required to maintain 2.5 percent extra capital (gradually increasing 0.625 percent 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 bank will be 12.5 percent.

At the end of December 2016, the number of banks compliant with the minimum capital to risk-weighted assets ratio (CRAR) slightly decreased to 46 out of 57. Banking sector's aggregate CRAR at the end of December 2016 increased to 10.80 percent, which was reported to be 10.31 percent at the end of September 2016. CRAR of the private banks was 12.36 percent and that of the foreign banks 25.36 percent. However, it was 5.86 percent for the state banks. At the end of September 2016, MTB's CRAR was reported to be 11.89 percent that came down to 11.51 percent at the end of December 2016. The Tier-1 capital to risk weighted assets ratio for MTB stood at 7.34 percent at the end of September 2016 and then rose up to 7.55 percent at the end of December 2016.

### **Government Bank Borrowings**

In order to bridge its fiscal deficits, government borrows from both domestic and external sources. Government's domestic borrowing sources are banks (Bangladesh Bank and scheduled banks) and other than banks. Government borrows from banking system mainly through treasury bills, bonds and from non-banking sources through National Saving Directorate (NSD).

The government deeply downsized its targeted bank borrowing for the current fiscal year amid tremendous fund flow from the national savings schemes, which are rather costlier. However, the said stance is somewhat contradictory to government's stipulated budgetary policy on raising funds through borrowing from the country's banking system. During July-September of FY 17, total government domestic borrowings (net) from banking system decreased by BDT 9 billion against the quarterly target of BDT 75 billion. According to Bangladesh Bank, government borrowed BDT 13 billion (net) through treasury bonds and BDT 36 billion through treasury bills during July-September of FY 17. In addition to that, government borrowed BDT 116 billion through NSD instruments during the period. Net government domestic borrowing stood at BDT 109 billion during July-September of FY 17 after the adjustments with treasury bills and bonds, NSD, ways and means advances (WMA), advances to food and other ministries, overdrawn current and block accounts, accrued interest, advances and deposits of autonomous and semi-autonomous bodies, balances of GIIB fund as well as the deduction of cash balance in the form of government deposits with Bangladesh Bank and scheduled banks (i.e. including banking and non-banking sources). During the period, government deposits decreased by BDT 7 billion (net) with the banking system. Deposits with Bangladesh Bank increased by BDT 24 billion whereas deposits with scheduled banks decreased by BDT 31 billion.



**Anis A. Khan**

Managing Director & CEO



# DIRECTORS' REPORT TO THE SHAREHOLDERS



## Dear Valued Shareholders,

On behalf of the Board of Directors, I welcome you all to the 18th 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.

## Global Economy

Global economy's journey towards a synchronized growth trajectory remained unattained even several years after the last recession. Global economic growth declined to 3.1% in 2016 and is expected to recover to 3.4% in 2017 as per the International Monetary Fund's (IMF) October issue of the World Economic Outlook (WEO). The development agency had to downgrade its forecast by 0.1 percentage points for 2016 and 2017, mainly due to a more subdued outlook for advanced economies following the June UK vote in favor of leaving the European Union (Brexit) and weaker-than-expected growth in the United States. Consequently, a downward pressure was anticipated on global interest rates, as monetary policies were supposed to remain accommodative for a longer period. An improved financial market sentiment toward emerging market economies was created, fueled by expectations of lower interest rates in advanced economies, improvement in China's near-term prospects due to growth supportive financial policies, and a favorable commodity price condition. However, prospects varied across countries and regions. For example, emerging Asia showed signs of robust growth whereas, Sub-Saharan Africa was experiencing a sharp slowdown. For advanced economies, the prospect still remains mostly uncertain due to anti-integrated policy platforms and the neo-protectionism. On the other hand, several emerging markets and developing economies are still struggling with severe policy challenges in responding against weaker commodity prices. However, growth in emerging market and developing economies strengthened slightly in 2016, to 4.2%, breaking five consecutive years of decline. Yet, the outlook for these economies, according to IMF, remains uneven and generally weaker than in the

past. In sum, the global economy's struggle to get out of the "low-growth trap" continues as it is yet to recollect adequate upward momentum even years after the 2008 financial crisis.

## Bangladesh Economy

The country's economy remained robust in 2016 with favorable economic indicators, such as modest low-cost concessional external borrowing, ample foreign exchange reserves, declining inflation and interest rates, stable foreign exchange rate, controlled budget deficit, good balance of payments, less pressure on government subsidies, etc. Our GDP growth rate of around 7.0% is one of the best in the world, and the government remains optimistic of achieving higher rates in succeeding years.

Among the international agencies, Asian Development Bank (ADB) was convinced that Bangladesh economy was on the tip of a transition to a higher growth path, and accordingly, estimated Bangladesh's economic growth at 7.1% for fiscal 2015-2016. The projection was in line with the government's projection of 7.11% for the period. The International Monetary Fund (IMF), another important multilateral institution, uttered that Bangladesh's economy grew by 6.9% during 2016 despite the subdued global growth. The Government of Bangladesh announced that GDP growth rate would be 7.2% for the next fiscal year (2016-17).

However, the GDP growth forecast is dependent on some prerequisites like sustained improved private investment, timely completion of key infrastructure projects and continued political stability. Inflationary trends experienced a consistent decline throughout the whole of 2016. The twelve month average general inflation eased to 5.51% in December 2016, the lowest in more than 10 years mainly due to the lowering trend for the last couple of months. The point to point general inflation eased sharply to 5.03% in December 2016 from 5.38% in November 2016 mainly due to drop in non-food inflation. Non-food inflation decreased to 7.05% in December 2016 from 7.27% of November 2016.

The year 2016 can be marked as a year of recovery for the country's capital market. Overall improved macroeconomic and political situations made the local and global investors to possess high hopes



regarding the returns associated with the market. However, elements of fluctuations were very much prevalent during the trading sessions of 2016. Since October 2016, the benchmark index, DSEX, hovered over 4650 mark during most of the trading sessions and average turnover crossed BDT 6 billion marks. On a year on year basis, the benchmark measure DSEX, gained 6.67% and average daily turnover went up by 12.8% compared to the same period of last year. As the price level and participation both were on the rise, investors started to be optimistic and the government seemed satisfied.

Currently, the banking sector of the country is dealing with a number of depressing trends. Despite a slight decline in interest rate on lending towards a single digit, private sector credit growth declined to 15% by the end of November 2016, which was 16.8% as of June 2016. Excess liquidity in the banking system was also at a high level. Bangladesh Bank's statistics shows that, as of November 2016, the volume of idle money that remained unused for a relatively long time in the banking system amounted to BDT 2.77 trillion, which is equivalent to nearly 16% of the country's GDP. The highlights of 2016 includes the central bank's foreign exchange reserve heist, followed by a series of ATM scams and piling up of non-performing loans in the banking sector (reported to be BDT 621 billion at the end of 2016).

#### **MTB at a Glance**

During 2016, MTB gained 17.18 percent and 10.87 percent growth over 2015 in Risk Assets and Customers Liabilities, respectively. Despite the economic downturn, the bank ended the year with a credit-deposit ratio of 87.11%. In 2016, the number of branches across the country reached 110. MTB also expanded its 24/7 ATM network, POS devices, kiosks, Internet banking and SMS banking services during the year.

#### **Business Review**

MTB's vision, mission, corporate core values, strategic priorities and outlook for 2017 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, 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 110 branches, which includes 14 SME/Agri branches and two booths at Hazrat Shahjalal International Airport (arrival and departure lounges), Dhaka, 10 agent-banking centers across the country, and three wholly-owned subsidiary companies - MTB Securities Ltd. (MTBSL), MTB Capital Ltd. (MTBCL) and MTB Exchange (UK) Ltd.

#### **Strategic Plan**

MTB aims to increase its profits in a sustained and controlled manner, taking into account its main philosophy of integrity, transparency and ethics. We emphasize on profitability after complying with all regulatory requirements, using smart technology, well-trained human resources and banking capabilities in an efficient and effective manner. The following plans have been taken into consideration towards achieving the targets:

1. Emphasizing smart banking with a view to increasing sustainable business.
2. Maintaining MTB's high standards of compliance and governance.
3. Leveraging human resources, smart technology, financial capital and foresight to maximize shareholder value while ensuring sustainable growth.
4. Ensuring continuous growth of funding and liquidity position while maintaining a high level of asset quality and lower provisioning.
5. Establishing a culture of empowerment and motivation along with appropriate remuneration, thereby attracting talented and qualified individuals to join and progress with the bank.
6. Acting as a socially responsible organization with meaningful contribution to the society for economic advancement and the wellbeing of the people.
7. Ensuring appropriate use of latest technology and improving the delivery channels to provide service to the unbanked population.



8. Maintaining high efficiency levels to ensure that MTB remains one of the leaders in the banking arena.
9. Broadening portfolio to diversified sectors depending on opportunities and challenges.
10. Upgrading infrastructure for information technology services to develop new IT based products and services.

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

### **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 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 13 strategically located offices spread across the country. During the year 2016, the company made an operating profit of BDT 168 million as against BDT 126 million in 2015.

#### **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 2016, the company made an operating profit of BDT 34 million as against BDT 20 million in 2015.

#### **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 2016, a total amount of GBP 4.39 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 39.72 million in December 2016 compared to USD 16.39

million in 2015, with a growth of 142.38 percent. In 2016, the OBU's operating profit stood at USD 0.44 million, equivalent to BDT 34.79 million, as against USD 0.26 million, equivalent to BDT 19.99 million, in 2015.

### **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 (BOD), through the Board Risk Management Committee (BRMC) and the senior management team, sets up risk governance structure and risk philosophy, endorses risk strategies, 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.

### **Capital Management**

As per Bangladesh Bank's guideline, a bank is required to maintain capital equal to at least 10.625 (including Capital Conservation Buffer 0.625) 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 5.5 percent of the total capital. Tier-I includes the paid-up capital, share premium, statutory reserve, general reserve and retained earnings, and Tier-II includes general provision on unclassified loans and advances, revaluation reserves, unsecured subordinated debt. MTB's total capital registered an increase of BDT 1,253.80 million and stood at BDT 13,699.25 million in 2016. Tier-I capital grew by BDT 1,384.38 million, and was recorded at BDT 8,983.55 million in 2016. Total capital is now equivalent to 11.51 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.

### 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. 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 1,626 employees were given training both at home and abroad in different fields of banking and management practices in 2016.

### Corporate Social Responsibility (CSR)

In respect of corporate social responsibility, MTB has focused on key areas, nation-building and promotion of the workplace, support to the community and protection of 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 2016, details of which are given in the “Green Banking” and “Corporate Social Responsibility” part of this 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” of this Annual Report.

### Financial Analysis (Total Assets)

The consolidated assets of the bank stood at BDT 165,371 million in 2016 compared to BDT 146,059 million in 2015. Total assets of MTB stood at BDT 164,480 million in 2016 compared to BDT 145,563 million in 2015, with a growth of 13 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		
	2016	2015	Growth
Customer Liabilities	131,272	118,405	10.87%
Advances	114,356	97,589	17.18%
Funds Under Management (FUM)	245,628	215,994	13.72%

### 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 11,263 million in 2016 compared to BDT 9,485 million in 2015. 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 stood at BDT 8,148 million in 2016 compared to BDT 3,140 million in 2015. This was BDT 8,020 million in 2016 compared to BDT 3,131 million in 2015 for MTB only.

### Investments

MTB’s consolidated investments decreased during the year under review by BDT 4,285 million to BDT 21,962 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 114,356 million in 2016. Outstanding loans and advances of off-shore banking units was BDT 3,126 million in 2016 compared to BDT 1,286 million in 2015. Yield on loans and advances decreased to 10.73 percent in 2016 from 12.64 percent in 2015 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 of MTB stood at 4.36 percent, which was much below the industry average of 9.23 percent in 2016.

### Liabilities

The consolidated total liabilities of the bank stood at BDT 155,552 million in 2016 compared to BDT 137,130 million in 2015. MTB’s total liabilities rose to BDT 154,697 million in 2016 from BDT 136,603 million in 2015, with a steady growth of 13.25 percent. The increase in liability was mainly due to growth in deposits and borrowings.

### Customer Liabilities

MTB’s consolidated customer deposits grew by 10.87 percent to BDT 131,272 million in 2016. The growth was supported by a wide range of branch network, spread throughout the country. With the 110 branches and 226 ATMs, MTB was able to acquire more low cost funds in 2016. Fixed deposits accounted for 42.51 percent of the total deposits. Cost of deposit decreased to 5.51 percent in 2016 compared to 6.84 percent in 2015.



BDT Million			
Customer Liabilities	2016	2015	Growth over 2015
Current Deposit & Other Accounts	12,302	9,580	28.41%
Bills Payable	1,751	1,253	39.72%
Savings Deposit	23,710	17,909	32.40%
Special Notice Deposit (SND)	11,646	13,683	-14.89%
Fixed Deposit	55,803	55,708	0.17%
Deposit Products	26,060	20,272	28.55%
Total Deposits	131,272	118,405	10.87%

### Shareholders' Equity

MTB's consolidated shareholders' equity increased by 9.96 percent to BDT 9,818 million in 2016. Paid-up capital of the bank increased by 20 percent to BDT 4,432 million in 2016. Statutory reserves increased by 17.15 percent to BDT 3,188 million during the year. Total distributable profit stood at BDT 815.48 million in 2016.

Analysis of Consolidated Income Statement of MTB

BDT Million			
Particulars	2016	2015	Growth over 2015
Interest Income	11,381	10,793	5.45%
Interest Expenditure	7,503	7,980	-5.98%
Net Interest Margin (NIM)	3,878	2,813	37.86%
Net Interest Margin (NIM) Ratio	3.55%	2.94%	0.60%
Income from Investment, Commission Brokerage & Others	3,637	3,767	-3.46%
Total Net Income (Net Interest Income + Non Interest Income)	7,515	6,580	14.20%
Operating Expenditure	4,107	3,769	8.95%
Profit Before Provision	3,408	2,811	21.25%
Net Profit after Tax	1,464	1,366	7.13%

### Interest Income

Interest income increased by 5.45 percent to BDT 11,381 million in 2016. The gross yield on advances stood at 10.73 percent in 2016 compared to 12.64 percent in 2015.

### Interest Expense

Interest expenditure decreased by 5.98 percent to BDT 7,503 million in 2016.

### Net Interest Margin

Net interest margin (NIM) increased by a staggering

37.86 percent to BDT 3,878 million in 2016. The increase in interest income contributed largely to the increase in net interest margin. The net interest margin ratio stood at 3.55 percent in 2016 compared to 2.94 percent in 2015.

### Income from Investment, Commission Exchange, Brokerage and Other Operating Activities

Income from investment, commission, brokerage & others decreased to BDT 3,637 million compared to BDT 3,767 million in 2015.

### Total Operating Expense

Total operating expenses increased by 8.95 percent to BDT 4,107 million in 2016 compared to BDT 3,769 million in 2015.

### Total Operating Income

Total operating income increased by a healthy margin of 21.25 percent to BDT 3,408 million during the year compared to BDT 2,811 million in 2015.

### Provision for Classified Loans

Total provision against classified loans and advances stood at BDT 2,051 million in 2016 compared to BDT 1,182 million in 2015. The consolidated non-performing loan ratio during the year is given below:

	2016	2015
NPL Ratio	4.36%	2.08%

### Profit before Tax

Profit before tax stood at BDT 2,461 million in 2016 with a growth of 8.26 percent as against BDT 2,274 million in 2015.

### Provision for Income Tax

Provision for income tax was BDT 997.88 million in 2016 compared to BDT 907.44 million in 2015.

### Net Profit after Tax

Net profit after tax registered a growth of 7.13 percent to BDT 1,464 million in 2016 compared to BDT 1,366 million in 2015. Basic earnings per share (EPS) increased to BDT 3.30 in 2016 compared to BDT 3.08 in 2015.

### 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 466.62 million was transferred to statutory reserve in 2016.

### Dividends

The fund available for distribution was BDT 815.48 million in 2016. In order to maintain a satisfactory capital adequacy ratio of the bank, the Board has



decided to recommend 15 percent stock dividend for the year 2016.

### **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. Managing Director is paid a salary and allowances, as per 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 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 the preparation and fair presentation of the Bank's annual financial statements, incorporating its financial position in 2016, 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 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 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 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 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 Company Act, 1991, (as amended up to 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.

#### **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 3.30 and return on average equity stood at 15.61 percent during 2016. Market capitalization of MTB stood at BDT 10,237 million as at December 31, 2016.

#### **Meeting of the Board of Directors of MTB**

13 meetings of the Board of Directors of MTB were held in 2016.

#### **Appointment of Auditors**

M/S. M. J. Abedin & Co., Chartered Accountants, was appointed as External Auditors for 2016.

#### **Annual General Meeting**

The Annual General Meeting of Mutual Trust Bank will be held on Tuesday, July 25, 2017 at 10.00 a.m. at the Golf Garden, Army Golf Club, Airport Road, Dhaka Cantonment, and Dhaka 1206. The Directors' Report and financial statements were approved at 204th meeting of the Board of Directors of MTB, held on April 24, 2017 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' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are required to present a report along with the financial statements and place them before the 18<sup>th</sup> 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, 2016; 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



# CORE MANAGEMENT COMMITTEE



Name	Designation	As
1. Mr. Anis A. Khan	Managing Director & CEO	Chairman
2. Mr. Md. Hashem Chowdhury	Additional Managing Director & COO	Member
3. Mr. Md. Zakir Hussain	Deputy Managing Director & GCRO	Member
4. Mr. Syed Rafiqul Haq	Deputy Managing Director & CBO	Member
5. Mr. Goutam Prosad Das	Deputy Managing Director & GHoICC	Member
6. Mr. Md. Nurul Islam	SEVP & GHoHR	Member
7. Mr. Sayed Abul Hashem FCA, FCMA	SEVP & GCFO	Member
8. Mr. Nurul Maruf Khan	EVP & HoCRM	Member Secretary





## MANAGEMENT COMMITTEE (MANCOM)



Name	Designation	As
1. Mr. Anis A. Khan	Managing Director & CEO	Chairman
2. Mr. Md. Hashem Chowdhury	Additional Managing Director & COO	Member
3. Mr. Md. Zakir Hussain	Deputy Managing Director & GCRO	Member
4. Mr. Syed Rafiqul Haq	Deputy Managing Director & CBO	Member
5. Mr. Goutam Prosad Das	Deputy Managing Director & GHoICC	Member
6. Mr. Md. Nurul Islam	SEVP & GHoHR	Member Secretary
7. Mr. Syed Rafiqul Hossain	SEVP & HoMTB Dhaka Division Branches	Member
8. Mr. Md. Khurshed UI Alam	SEVP & HoMTB Ctg. Division Branches	Member
9. Mr. Swapan Kumar Biswas	SEVP & HoBOD	Member
10. Mr. Tarek Reaz Khan	SEVP and HoSME& Retail	Member
11. Mr. Azad Shamsi	SEVP & HoMTB Other Division Branches	Member





Name	Designation	As
12. Mr. Sayed Abul Hashem FCA, FCMA	SEVP & GCFO	Member
13. Mr. Nurul Maruf Khan	EVP & HoCRM	Member
14. Md. Shah Alam Patwary	EVP & GCIO	Member
15. Mr. Md. Bakhteyer Hossain	EVP & HoMITS	Member
16. Mr. Md. Shamsul Islam	EVP & GHoT	Member
17. Mr. Md. Nazrul Islam Mazumder	EVP & CEO, MTBSL	Member
18. Mr. Khairul Bashar Abu Taher Mohammed	EVP & CEO, MTBCL	Member
19. Mr. Malik Muntasir Reza	EVP & GCS	Member
20. Mr. Mohammad Anwar Hossain	SVP & HoCards	Member
21. Mr. Azam Khan	SVP & GCCO	Member
22. Mr. Iqbal Mahmud	VP & HoRMD	Member



# ASSET LIABILITY COMMITTEE (ALCO)



	Name	Designation	As
1.	Mr. Anis A. Khan	Managing Director & CEO	Chairman
2.	Mr. Md. Hashem Chowdhury	Additional Managing Director & COO	Member
3.	Mr. Md. Zakir Hussain	Deputy Managing Director & GCRO	Member
4.	Mr. Syed Rafiqul Haq	Deputy Managing Director & CBO	Member
5.	Mr. Goutam Prosad Das	Deputy Managing Director & GHoICC	Member
6.	Mr. Md. Nurul Islam	SEVP & GHoHR	Member
7.	Mr. Syed Rafiqul Hossain	SEVP & HoMTB Dhaka Division Branches	Member
8.	Mr. Md. Khurshed UI Alam	SEVP & HoMTBCTg Division Branches	Member
9.	Mr. Swapan Kumar Biswas	SEVP & HoBOD	Member
10.	Mr. Tarek Reaz Khan	SEVP and HoSME& Retail	Member
11.	Mr. Sayed Abul Hashem FCA, FCMA	SEVP & GCFO	Member
12.	Mr. Azad Shamsi	SEVP & HoMTB Other Division Branches	Member
13.	Mr. Md. Shah Alam Patwary	EVP & GCIO	Member
14.	Mr. Md. Bakhteyar Hossain	EVP & HoMITS	Member
15.	Mr. Md. Shamsul Islam	EVP & GHoT	Member Secretary
16.	Mr. Nurul Maruf Khan	EVP & HoCRM	Member
17.	Mr. Malik Muntasir Reza	EVP & GCS	Member
18.	Mr. Iqbal Mahmud	VP & HoRMD	Member



# SENIOR MANAGEMENT



## Managing Director & CEO

Anis A. Khan

## Additional Managing Director & COO

Md. Hashem Chowdhury

## Deputy Managing Director & GCRO

Md. Zakir Hussain

## Deputy Managing Director & CBO

Syed Rafiqul Haq

## Deputy Managing Director & HoGICC

Goutam Prosad Das

## Senior Executive Vice President

Md. Nurul Islam

Syed Rafiqul Hossain

Md. Khurshed Ul Alam

Swapan Kumar Biswas

Md. Sanawar Hossain

Tarek Reaz Khan

Md. Khalid Mahmood Khan

Abdul Mannan

Sayed Abul Hashem FCA, FCMA

Azad Shamsi

## Executive Vice President

Md. Bakhteyer Hossain

Nurul Maruf Khan

Md. Shah Alam Patwary

Mohammed Ishaque

Md. Zahidul Kabir

Md. Nazrul Islam Mazumder

Md. Abdul Latif

Khairul Bashar Abu Taher Mohammed

Md. Shamsul Islam

Malik Muntasir Reza

Syed Mahmud Akhter

Md. Amirul Islam

Syed Mahbub Morshed

K. M. Abdul Wadood

## Senior Vice President

Touhid Ahmed

Md. Monwar Hossain

Md. Ifthakhar Hassan

A.K.M. Zahirul Islam Khan

Md. Humayun Kabir

Md. Shamsul Alam

Md. Kamal Uddin

Salek Sabbir Ahmed

Kazi Humaun Kabir

Md. Azam Ali Khan

Amitav Kaiser

Mohammad Anwar Hossain

Abu Zafar Md. Saleh

Syed Golam Faruk

Md. Nurul Islam Sarker

Marcus Cornelius Gomes

Khair Uddin Khan

Khandaker Abdus Salim

Md. Habibur Rahman

Md. Tauhidul Alam

Md. Ashraful Islam

Suvash Chandra Biswas

Md. Shoab Khan Chowdhury

Md. Anisur Rahman

Mohammad Rajib Hossain

Mohammad Mamun Faruk

Md. Humayun Kabir

Mohammad Shaheen Khan

Irfan Islam

Giash Uddin Ahmed

Dewan Imteaz Ahmed

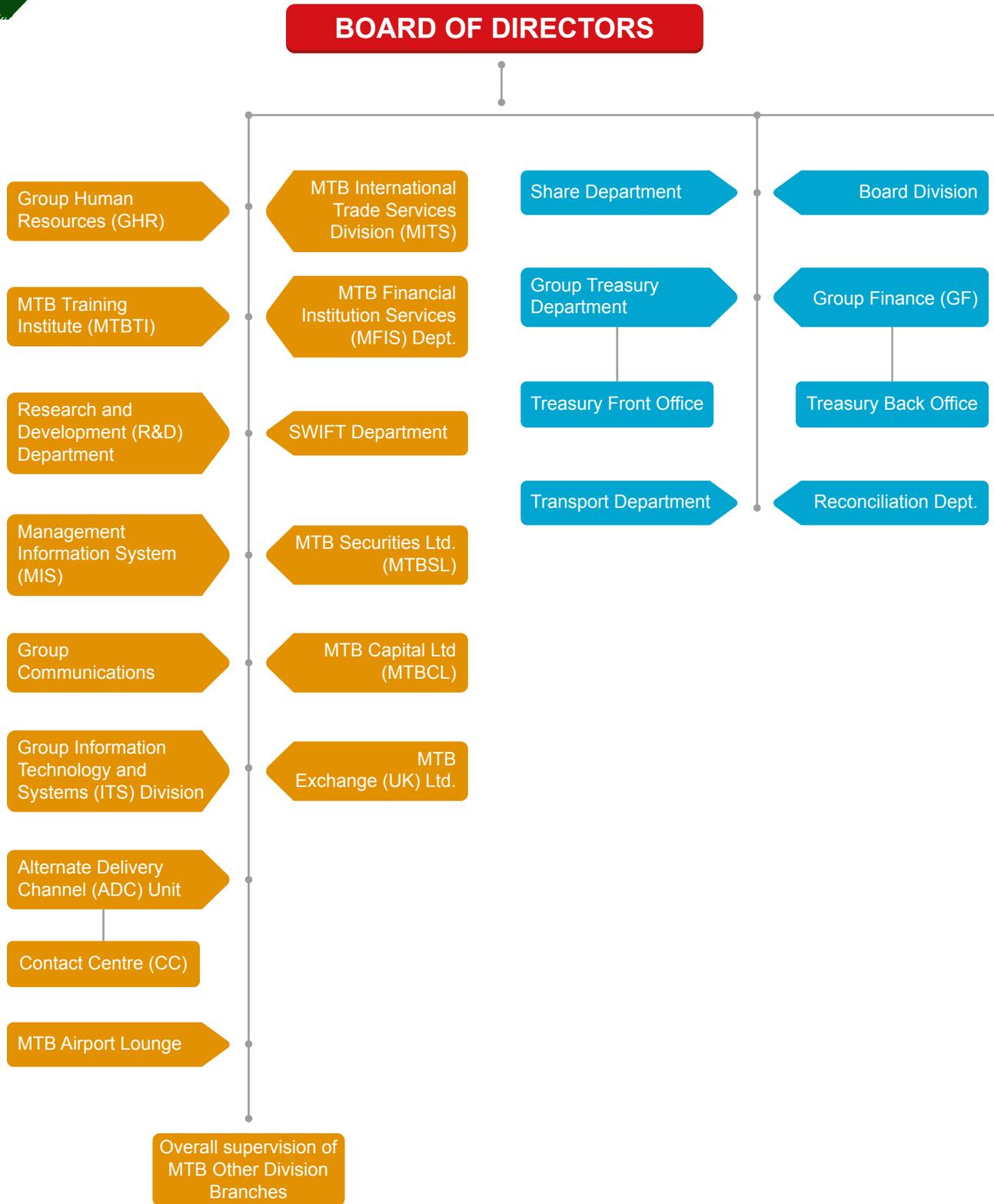
Md. Towfiqul Alam Chowdhury

Azam Khan



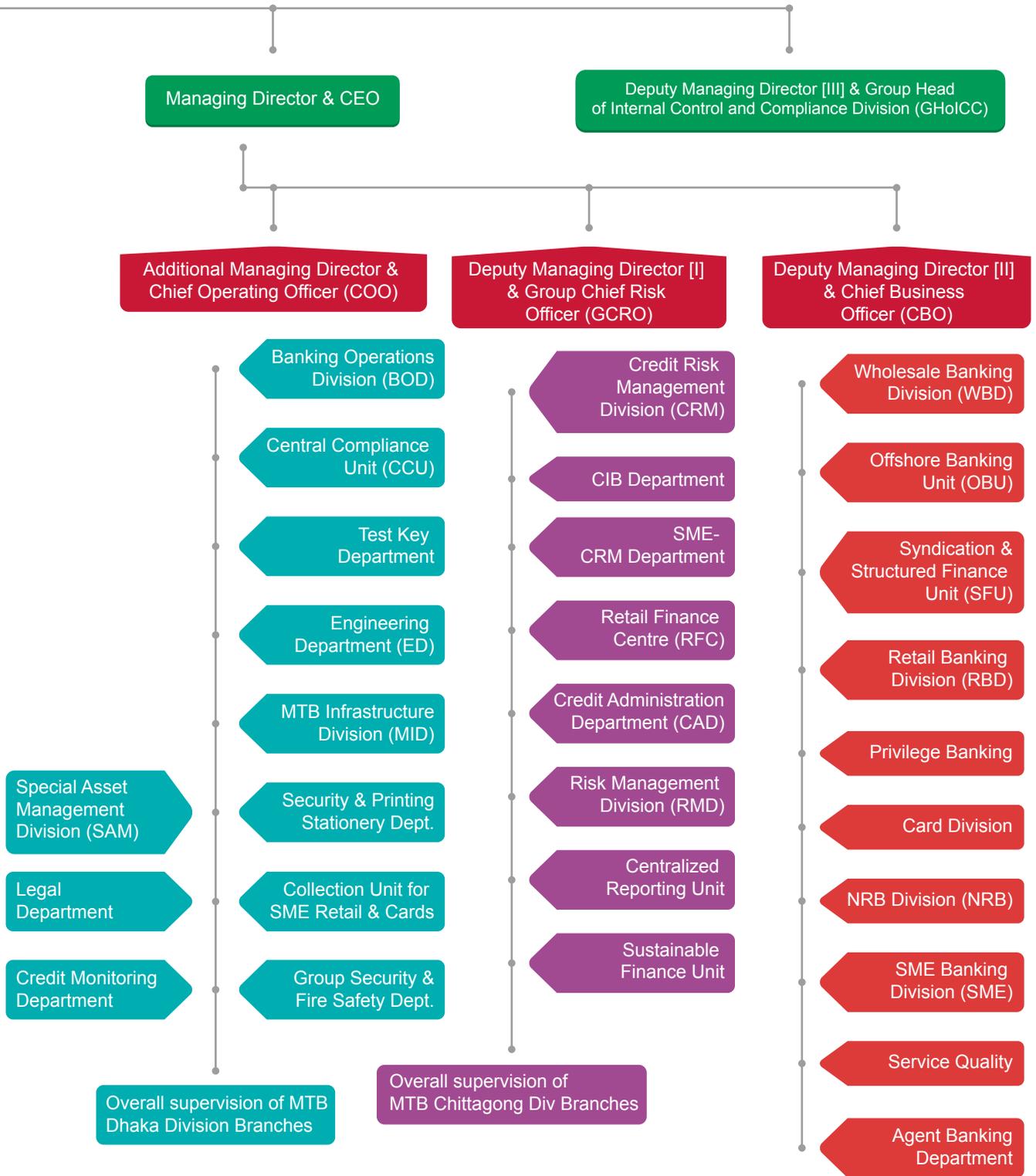


# ORGANOGRAM



[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 place those to the Board of Directors for their approval, as required.]





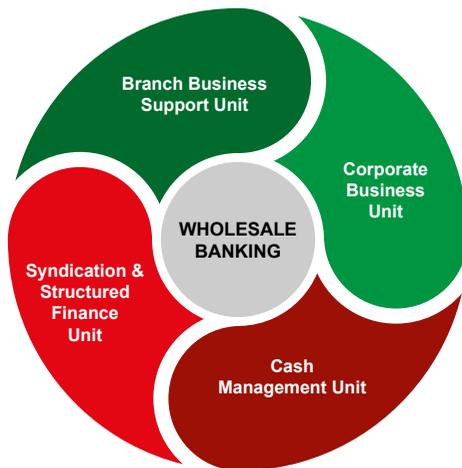


# MANAGEMENT DISCUSSION & ANALYSIS

## WHOLESALE BANKING DIVISION (WBD)

Despite many challenges in 2016, MTB Wholesale Banking Division (WBD) achieved balanced growth by leveraging strong customer relationship and providing innovative solutions to meet the growing financing needs of the customers.

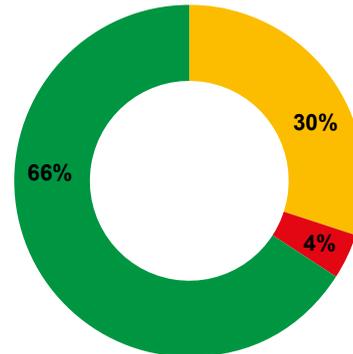
- While the wholesale banking business team operates in a centralized system through the specialized Corporate Business Unit, it operates in a decentralized system through the strategically located MTB branches across the country. The Corporate Business Unit calls corporate and emerging corporate clients and allocate them to branches that are convenient for business transactions of those clients. Branch corporate business is catered by the Branch Business Support Unit in WBD.



- As on December 31, 2016, the total lending portfolio of the bank stood at BDT 114,356 million, out of which the Wholesale Banking Division contributed BDT 91,944 million, which constituted 80.40% of the entire lending portfolio of the bank.
- In 2016, the portfolio of WBD surged by 18.30% from BDT 77,719 million in 2015 to BDT 91,944 million in 2016.

- Out of the overall WBD portfolio as on December 31, 2016, contribution of the Branch Business Support Unit was BDT 61,041 million (66%), contribution of the Corporate Business Unit was BDT 27,431 million (30%), and contribution of the Syndication & Structured Finance Unit was BDT 3,472 million (4%).

### BRANCH BUSINESS SUPPORT UNIT (BSU)



- Branch Business Support Unit
- Corporate Business Unit
- Syndication & Structured Finance Unit

- The Branch Business Support Unit acts as support center for the credit proposals of MTB branches. This unit manages approval, structuring, monitoring, compliance support and other relevant services for the clients signed in by the MTB branches. BSU extends the corporate banking facilities throughout the country using MTB branch network.

### CORPORATE BUSINESS UNIT (CBU)

- The Corporate Business Unit, which consists of 4 corporate relationship units, is strongly driven by relationship management teams. This unit offers full-fledged, innovative, customized solutions and structured services to its corporate clients.
- The Corporate Business Unit acts as a single point solution provider for all the banking needs of the corporate clients.



- CBU relationship managers, who are highly skilled and equipped with sound knowledge



WBD Financed Project

of the industry, approach clients with proper solutions to their financial problems.



WBD Financed Project

### SYNDICATION & STRUCTURED FINANCE UNIT (SFU)

- SFU is a specialized unit of WBD. Being one of the leading structured finance solution providers, MTB SFU plays a pivotal role in product structuring, syndication arrangement, increasing liquidity or funding sources. This unit focuses on being innovative to offer new financial solutions to the growing needs of the corporate clients of the country and acts as the lead arranger for large loans and other auxiliary services to our existing and potential clients.
- Beside acting as agent and trustee, SFU offers a wide array of financial solutions including short term finance, long term finance and various non-funded facilities.
- SFU has been working for arrangement of USD fund from different multilateral organizations like DEG, FMO, ADB, IFC and others.
- Under SFU's initiative, MTB signed loan agreement for USD 20 million with DEG for its Off-shore Banking Unit. Under the arrangement, MTB will be able to finance customers in foreign currency in the long term.
- MTB also signed Trade Finance Program (TFP) agreements worth USD 13 million with the ADB. Under this agreement, ADB and Swiss Re approved guarantee facility under Trade Finance Program (TFP) line.
- Acting as the lead arranger, SFU facilitated the issuance of redeemable cumulative preference share worth BDT 935 million of Star Ceramics Ltd. 11 other banks/financial institutions invested in the preference share.

- As part of the SFU's ongoing effort to increase liquidity/funding sources, both in USD and BDT form, the unit signed (i) agreement with Bangladesh Bank for Long Term Financing Facility (LTFF) under the Financial Sector Support Project (FSSP), funded by the World Bank (ii) agreement with Public-Private Partnership (PPP) Authority of the government under the PPP finance authority.
- Besides, MTB SFU maintains a mentionable portfolio (term loan and working capital loan) of above BDT 4,000 million through participating in the syndication deals led by other banks/financial institutions.

### CASH MANAGEMENT UNIT (CMU)

- Cash Management Unit plays an important role in providing 'transitional value' to its clients in an increasingly competitive market for fund mobilization at reasonable rates to strengthen the bank's low cost fund base.
- CMU offers liquidity management, payments management, collection management and reconciliation and MIS services in an efficient way. The Cash Management Unit has been successful in gaining the confidence of various government, autonomous and private institutions like DPDC, WASA, DESCO, BRTA, CPTU, RJSC, etc.
- Major initiatives accomplished by the MTB Cash Management Unit in 2016 are as follows: (a) Online Telecom Bill Collection Service Agreement with Bangladesh Telecommunications Company Limited; (b) NID Fees Collection Service Agreement with the National Identity Registration Wing, Bangladesh Election Commission; (c) Insurance Premium Collection Agreement with Guardian Life Insurance Company Ltd.



## STRATEGIES & PRIORITIES FOR 2017

- Maintaining quality of existing portfolio with focus on trade and structured financing.
- Ensuring continued investment in people and technology to improve productivity and customer satisfaction.
- Launching innovative products to tap into the growing cross-border opportunities.
- Managing and growing corporate deposits through integrated customized solution.
- Establishing sustainable new business relationships that have long term beneficial prospects for both parties.
- Putting more and more efforts to explore new avenues for low cost deposits; including different multilateral organizations.
- Ensuring better management and supervision of the Bank's corporate loan portfolio.
- Maintaining NPLs at an acceptable level.
- Focusing on untapped large corporate clients.
- Providing the best services to corporate clients by improving internal process and ensuring enhanced employee capability.

## RETAIL BANKING DIVISION

Bangladesh is one of the fastest-growing financial markets worldwide. A recent research conducted by Boston Consulting Group (BCG) which involved 2,000 Bangladeshis, shows that Bangladeshi consumers now have a higher purchasing power for buying a broad variety of consumer goods. The middle and affluent class (MOA) of Bangladesh now share 18.9% of the total population and it can be hoped that Bangladesh will soon reach even the percentage captured by Thailand and Indonesia.

Moreover, we can no longer ignore the fact that Bangladesh is crossing a one-time "demographic window of opportunity". This can only be converted into a "demographic dividend", only if the right investments are made, especially on young people, who now add up to almost 40% of the total population.

Upward Shift of  
**Consumerism**  
in the Economy

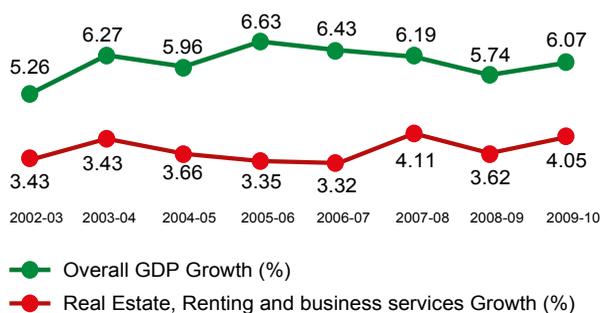
**URBANIZATION**

**DEMOGRAPHIC SHIFT**

**ENHANCED  
PURCHASING POWER**

Urbanization, a sizeable middle class with strong purchasing power and appetite for amenities and the demographic window of opportunity - all these play a huge role in the upward shift of consumerism trend in Bangladesh.

By penetrating more deeply in retail banking industry, MTB is actually contributing towards the economic growth of the country. As a prudent lender, the bank has always focused on secured lending. In 2016, MTB, slowly but gradually, started penetrating in home loan sector as well. Growth in construction sector is a by product of the growth in real estate sector which will only blossom through the growth in Home loan industry. The building construction industry is considered as one of the fastest growing and largest sectors in Bangladesh. Real Estate Development in private sector in this country started in pre-liberation days. According to Bangladesh Bureau of Statistics, the construction sector accounted for a record 9.1% of GDP (Gross Domestic Product). The following graph shows the comparison between overall GDP growth and growth of Real estate, renting and business services:



The growth rate of real estate, renting and business service sector has increased over the 2002-2010 period. However, compared to overall GDP growth, this sector expanded at a slower rate, which explains



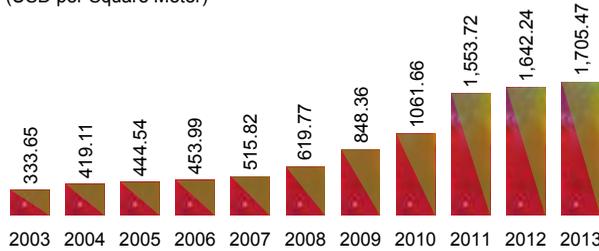
the downward trend in real estate as a percentage of overall GDP. There are multiple reasons behind this slow growth rate. Most notables are unfavorable government embargos and increasing land acquisition cost that ultimately increases the apartment prices.

### Housing Price Trends

Apartment price in Dhaka has been on the rise since 2003 and according to the last updated statistics it is USD 1,705.47 per square meter.

#### Average Apartment Price in Dhaka

(USD per Square Meter)



The rising trend of consumerism is good news for business. It is one of the indicators that says an economy will flourish. However, the burning question in this economic context is, if the banks are ready to support the needs of this consumerism centric economy. Now a days more and more people go out to eat in fancy restaurants rather than just making arrangements at home, nearly all good hotels reply “overbooked” to reservation requests during vacation seasons, and people prefer to buy their own cars or get access to their own home by purchasing an apartment of their own rather than renting. All these factors ultimately lead to one thing- importance of retail banking to support these needs of the economy. According to Bangladesh Bank reports the retail lending business in our country is a whopping 702.29 billion dollars. And according to financial specialists there are ample opportunities for this number to go far upwards.

Products	No. of Accounts	Amount USD Bln
Mortgage- Home Loan	24,410	67.88
Mortgage- Home Equity	83,485	177.62
Auto	39,498	19.37
Personal Loan	652,605	151.43
Secured Personal Loan (Cash Backed)	565,258	255.6
Credit Cards	539,823	30.39
<b>Grand Total</b>	<b>1,905,079</b>	<b>702.29</b>

Apart from the huge chances to serve the economy and to grasp the prospects that the economy offers,

retail banking creates many opportunities for the bank itself. Retail banking ensures sustainable growth by diversifying risks, cross selling, growth of channel, capacity building, process re-engineering and so on.

## RETAIL BANKING CREATES SCOPE FOR

Portfolio Risk Diversification

Higher yield on advances

Higher Spread

Cross Selling

Long term relationship building  
through personalized Banking

In 2016, MTB Retail Banking Division continued its pursuit of customer satisfaction by providing standard and convenient banking services for:

- Improving customers' experience by coming up with need based and value added new product offerings.
- Diversifying risks through a gradual shift from high cost term deposits to low cost current accounts & savings accounts (CASA).
- Protecting customers' welfare with the help of investment approach in technology.



Key Highlights of 2016

**RETAIL  
LENDING GROWTH  
26.50%**

**Savings Deposit Growth 32.40%**

**Savings Accounts Growth 16%**

MTB Deposit Products

<p><b>MTB Education Plan</b> Education is the Best Investment for the Children's Future</p>	<p><b>Fixed Deposit</b></p>
<p>আমার পিটার আছে, আমার ব্যাংক আর্কাউন্টও আছে।</p> <p><b>MTB Graduate</b></p>	<p><b>MTB INSPIRE</b> a savings account that brings more!</p>
<p>আমার ক্যামেরা আছে, আমার ব্যাংক আর্কাউন্টও আছে।</p> <p><b>MTB Junior</b></p>	<p><b>MTB Kotipati</b></p>
<p><b>MTB Millionaire Plus</b></p>	<p><b>MTB Monthly Bonifit Plus</b></p>
<p><b>MTB RUBY</b> Pleasure of Being Unique</p>	<p><b>MTB SENIOR</b> Pleasure of Seniority!</p>

MTB Loan Products

<p><b>MTB Professional Loan</b></p>	
<p><b>MTB Home Loan</b> pleasure of home ownership</p>	<p><b>MTB AUTO LOAN</b> pleasure of car ownership</p>
<p><b>MTB Home Equity Loan</b> pleasure of rediscovering your home</p>	<p><b>MTB Personal Loan</b> pleasure of making own choice</p>



Apart from these customer-need-based products MTB launched two brand new retail loan products in 2016. "MTB NEER" and "NRB HOME LOAN". MTB Retail banking division provides client focused services and because of launching of these products more customers can avail home loan facilities according to their needs because of laundering of these products.

### New Product Initiatives at 2016

In 'Bankers' Summit' at BRAC Centre for Development Management (BCDM) in 2012, Dr. Farashuddin, the former Governor of the central bank, expressed his particular disappointment with the 'product scarcity' or very few product offering in our banking sector. In a financial market with 56 commercial banks, it is indeed a case of great frustration that there are not sufficient, let alone, tailor-made products.

MTB however, as part of its continuous endeavor to bring in new product initiatives for its clients, brought in two exciting products towards two largely under-served customer segments.

### MTB NEER

House is one of the basic needs of human beings. Over the years, housing structure and housing condition have improved to a great extent. The type of housing and housing condition are influenced by local environment and availability of construction materials locally and level of development of the country. Housing condition and housing facilities also focus on the economic condition of the household. Amidst a growing demand for Semi-Pucca house construction in the industrial belts of the country, the bank launched MTB NEER to meet construction/expansion/renovation of Semi-Pucca residential needs of the creditworthy individuals residing in urban/suburban areas.

It is believed that the working class group residing in the vicinity of industrial belts would be greatly benefited in finding easier and better housing solution through this exquisite MTB Semi Pucca Housing initiative. The landlords in those areas will have better access to loans from MTB to contribute to improving the housing facilities for the working class group. The facility will also provide MTB a better growth opportunity through Secured Lending.

### MTB NRB Home Loan

Non-resident Bangladeshis (NRBs) are a true growth engine of remittance inflow in Bangladesh. They are directly contributing to the macro and micro economic growth of the country. Due to absence of policy for the NRBs to obtain home loan, they were unable to invest in real estate in Bangladesh. Though many NRBs used to invest through cash, as opposed to the extent of the opportunity, the

investment remained very paltry. Sensing this, with a view to providing impetus to the growth of Real Estate sector, MTB came up with this product to support NRBs in this context.



As retail portfolio management is essential for ensuring sustainable development of the bank and also very important for the country's economy, MTB management puts long term strategic focus on Retail Banking growth. So, throughout the year 2016, all the branches and different departments of MTB Retail Banking Division worked together coherently to ensure that valued customers receive quality customer service while contributing to the sustainable growth of the bank.

### MTB Payroll Banking

MTB Payroll Banking Unit has been one of the increasingly growing units with over 35% CASA growth and over 54% salary disbursement growth. The year 2016 has been a year of continuous progress for MTB Payroll as the unit continued to accelerate the growth rate in pretty much every component of the portfolio composition.

Salary account is an attractive component for sound growth from the bank's perspective since the bank can get access to low cost fund through salary accounts and can build long term customer relationships with the help of cross selling. Clients also benefit hugely from these accounts considering the service provided is opportune, solution focused and client centric. That is why MTB Payroll Banking provides customized payroll services to minimize costs, eliminate paperwork and enhance security of the prospective organizations. Moreover, the unit focuses on providing practical services to clients' employees. The unit routinely communicates with the customers in order to get insights about their needs and wants. This ultimately helps to introduce discounts and privilege arrangements for catering the needs of individual target group.

### 2016 Highlights

- Company Acquisition: MTB Payroll Banking onboarded quite a few companies this year which include MNCs as well as local companies.
- Accelerated CASA Growth: Accumulated CASA



growth of by 31%, compared to that of previous year.

- **Mentionable Retail Loan Penetration:** Payroll accounts for almost 18% of the total retail loan portfolio. In the year 2016. The contribution of MTB payroll to retail loan portfolio increased by almost 6%.

### Plans for 2017

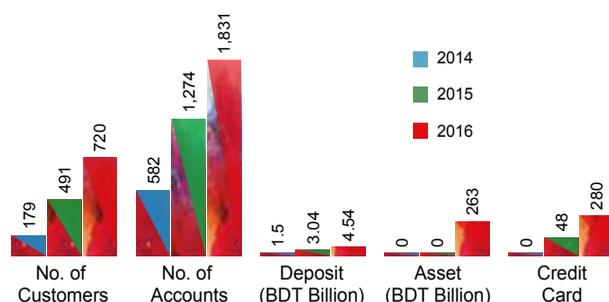
In the year 2017, key priorities of MTB payroll banking division is to focus on increasing company acquisition, providing client centric services and ensuring cross business relationship to enhance overall business portfolio.

## PRIVILEGE BANKING

With a view to serving the ever increasing need of the Bank's high net worth clients, MTB Privilege Banking commenced its operation in October 2010 with a modern and state of the art Privilege Banking Centre located inside the MTB Corporate Head Office. MTB Privilege Banking aims to cater to the need of the high net worth segment of the society, providing them 360 degree solutions. MTB Privilege Banking was re-structured in 2014 to make it a time befitting unit to serve the need of the ever demanding clientele, and since then, it is aspiring to become the top premium banking service provider in the country.

Post restructuring of the unit, MTB Privilege Banking added seven new centers, with six in Dhaka and one in Chittagong. Currently, there are eight Privilege Banking Centre's strategically located in Dhaka and Chittagong metro areas and these are located within the close proximity of premium segment clients.

### MTB Privilege Banking Year Wise Growth



MTB Privilege Banking with its efficient centers manned by trained and dedicated relationship managers thrives to offer state of the art banking facilities to its clients through tailor-made products and services. The MTB Privilege Banking relationship managers act as the personal financial advisors to the clients to ensure higher financial returns on their

investments with a view to rewarding them for their overall banking relationship. The privilege clients are also offered market aligned customer value propositions and services, which include attractive offers on shopping, dining and entertainment, complimentary airport limousine service, airport protocol service, airport lounge facility, and health check-up support at leading hospitals, both in Bangladesh and abroad.

MTB Privilege continues to delight its customers through a host of programmes and facilities, including specially designed Privilege Banking events, where the privilege customers are invited, exclusive car parking on the lounge premises, privilege branded free debit cards with higher withdrawal limits, pre-approved VISA Signature Card and MasterCard World, free Internet at lounges, free online banking services, free SMS, and mobile banking. Apart from these, MTB Privilege Banking has partnered with 43 premium brands from different industries, where the privilege clients can enjoy attractive discounts and value added facilities.

### Key Priority in 2017

- Establish a dedicated lounge at the Hazrat Shahjalal International Airport to cater to the need of the MTB Privilege Banking clients
- Concentrate in innovation towards meeting the ever increasing need of the clients
- Partner with relevant divisions/departments of the Bank to innovate retail lending products and high value card products, which will suit the requirements of the premium segment.

In 2017, MTB Privilege Banking strives to retain its clients and grow with new base of customers by infusing dynamism through extending supreme services and offering innovative products to the clientele. MTB Privilege Banking will continue to explore expansion in the catchment area by optimizing MTB Branches and will work for the sustainable growth of the organization.



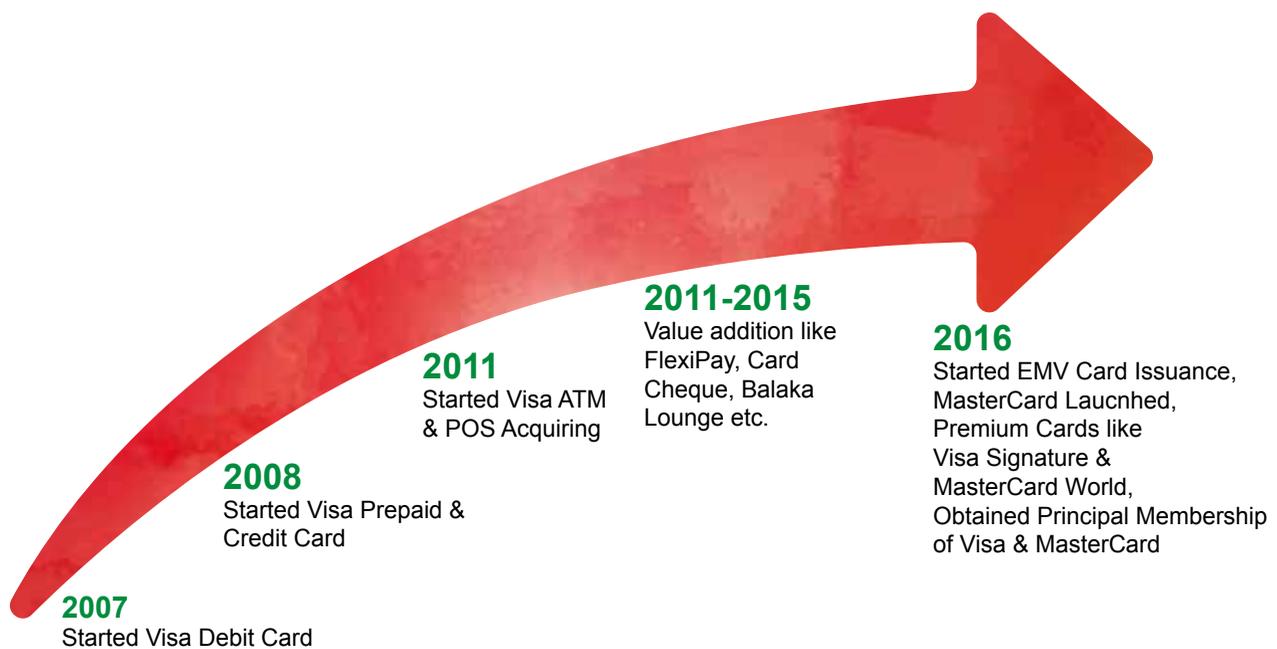
MTB Privilege Centre, Gulshan



## CARD DIVISION

MTB Card Division is an integrated and specialized business and service unit of MTB, dedicated towards providing safe, fast and trouble-free card services for clients across the country. As the motto of MTB Card Division - "working towards cashless society"- suggests, we strive to cater innovations with state-of-the-art technologies to our clientele. Amidst cyber security concerns in the first quarter of 2016,

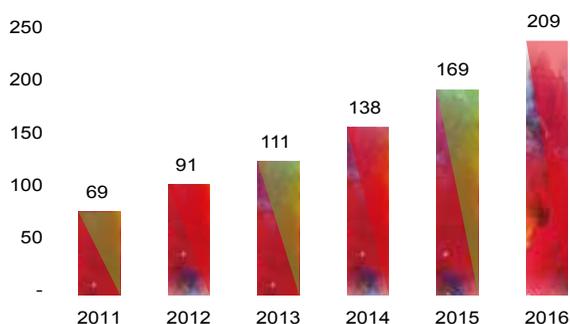
MTB Card Division was extremely fast in adapting the most secured and advanced technology like Europay, MasterCard and Visa (EMV) to ensure the highest security for its cardholders, and to give peace of mind while transacting with an MTB Card. Since its inception in 2007, MTB Card growth followed the chronology provided below:



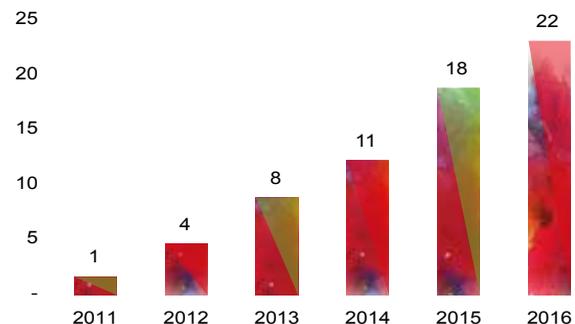
MTB Card Division is maintaining sustainable and steady growth in terms of all key indicators in Card

Business. Below is the graphical representations of all the key indicators over the past 6 years.

**Debit Card**  
No. in Thousand

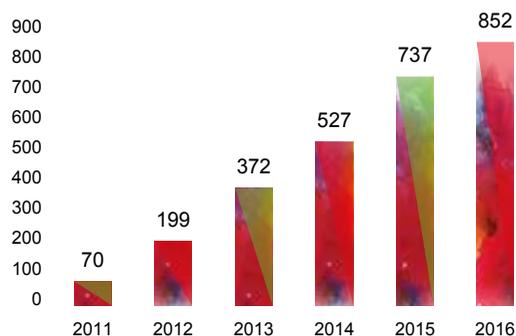


**Credit Card**  
No. in Thousand

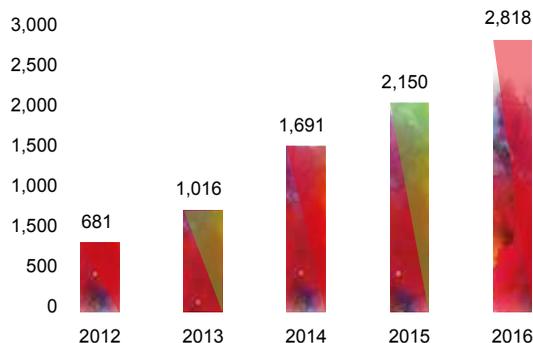


### Credit Card Outstanding

BDT Million



### No of POS



### 2016 Highlights

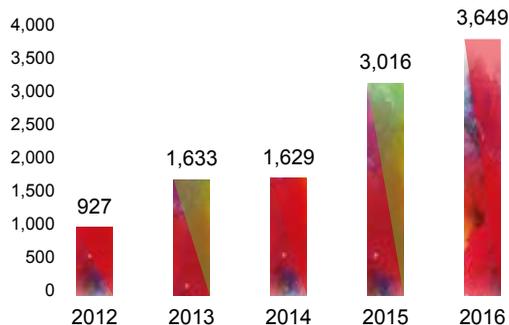
#### EMV Chip & PIN Card

In June 2016, in response to the cyber attack in the first quarter of 2016, MTB Card introduced EMV Chip Cards with Online PIN verification, which is the ultimate security in the industry to date. This technology makes it nearly impossible to copy and reproduce cards, thus ensuring the highest level of security for the customers.

Launching Complete Range of Master Card Products in 2015, we partnered with Master Card, as a Principal Member, and, since then, both MTB and Master Card had been working together to bring state-of-the-art technology with a suite of premium products from the Master Card portfolio to Bangladesh. While we invested in such cutting edge technology in card payments, we have also designed our MTB Master Card card products with competitive advantages. We have brought Master Card World - the top premium product of Master Card - with a world of privileges like Priority Pass, which enables the card holder to access over 900 airport lounges around the globe, world famous golf courses, over 1,000 discount partners, enjoy reduced interest rates and MTB health protection plan, locally, and, hopefully, internationally in the future. Apart from this exclusive product, we do also have a wide range of Master Card Debit and Credit

### POS Volume

BDT Million



products such as Master Card Titanium, Master Card Gold and Master Card Classic, from which a valued customer can pick and choose the one which suites her/him the best.

MTB Card Division has introduced premium products like Visa Signature, Platinum, Master Card World, Master Card Titanium with loads of privileges and benefits like Priority Pass, Airport Pick & Drop Services, Buy 1 Get 1, reduced interest rates etc.

MTB Card Division is also focused on increasing card based transactions across the country. As a result, in 2016, MTB deployed additional 1,000 Point of Sale (POS) machines with renowned merchants.

#### System Migration

The year 2016 proved to be a year of advancement for MTB Card Division. MTB invested in system migration for enhancing cyber security during the year. This investment approach is focused on improving service quality as well as to drive long-term value for customers. The system migration will not only help to produce better financial results in the long term but also ensure better quality services.

#### Partnership Benefits

As of December 2016, MTB had over 110 discount partners with offers of up to 75% discounts for MTB cardholders, over 50 FlexiPay Partners and over 15 Buy 1 Get 1 Free offers for the convenience of customers.

#### Plans for 2017

MTB Card Division aims to continue with innovation in 2017 while ensuring the highest possible security standards. The division plans to significantly broaden and diversify its client base by acquiring new customers in priority industries and segments. MTB Card Division also aims to strengthen its card transaction facilities and launch co-branded cards with market leaders such as POS, Payment Gateway, SME Cards and Payroll Card.



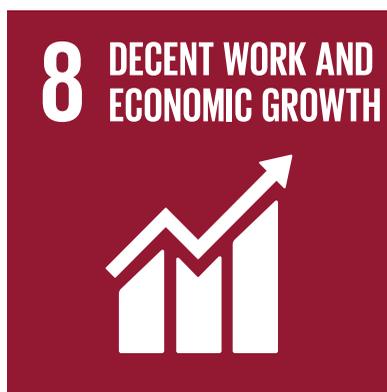
## SME DIVISION

The Developing Countries have started refocusing their attention on Small and Medium Enterprises (SMEs) to enhance their role in introducing structural changes in their economies. In that situation Cottage, Micro, Small, and Medium Enterprises (CMSME) in Bangladesh have special significance for employment creation, poverty reduction and potential contribution to the overall industrial and economic growth. Both equity and growth being of concern to the Government, the priority is to accelerate GDP growth in a pro-poor manner. CMSMEs, the heart of growth of economies worldwide, are emerging as the

most powerful and sustainable pillars of Bangladesh economy. This segment in Bangladesh is no longer concentrated to low-tech, traditional and agro-based economic activities only; and is expanding to include non-traditional manufacturing and service sectors as well.

Globally Sustainable Development Goals (SDGs) are being set as a priority agenda. SDGs are a universal call to action to end poverty, protect the planet and ensure peace and prosperity for all. Though the SDGs are interrelated to all aspect of human life it is assumed that the financing in CMSMEs will directly assist to achieve 5 SDGs out of 17 goals.

**SUSTAINABLE  
DEVELOPMENT  
GOALS**



Source: [www.sustainabledevelopment.un.org](http://www.sustainabledevelopment.un.org)

### SME Finance: National level

Total SME Loan Outstanding is BDT 1726.39 Billion (December 2016). The disbursement of SME loan is increasing, SME loans by banks and non-bank financial institutions increased by 16.03 % at the end of December, 2016 compared to the end of December, 2015. Total SME loan disbursement in 2013-2014, 2014-2015 and 2015-2016 was BDT 906.05 Billion, BDT 1102.87 Billion and BDT 1250.41 Billion respectively. Bangladesh Bank set the revised target of SME disbursement of BDT 1135.03 Billion in 2016. The increase of institution wise SME loans shows that the private commercial banks are leading the finance to SME.

### Institution wise Share of SME Loan

December 2016

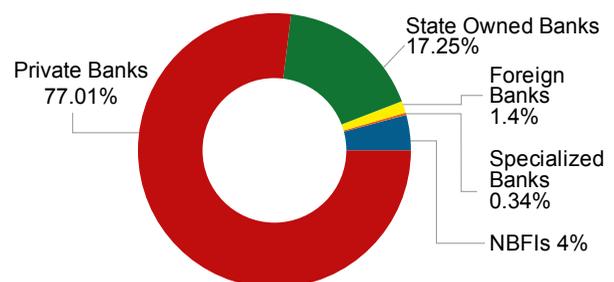


Figure: Institution wise SME Lending share  
(Source: Major Economic Indicators: Monthly Update, Monetary Policy Dept. Bangladesh Bank)





SME Women Entrepreneur



SME financed industry

**MTB SME landscape in 2016**

MTB SME Banking commenced its journey in 2007 and within a period of seven years of being involved in SME financing activities, in 2014, MTB won two prestigious awards given for the first time, jointly by Bangladesh Bank and the SME Foundation, **SME Bank of the Year 2014** as well as **Women Entrepreneurs’ Friendly Bank of the Year 2014** at the SME Financing Fair 2014.

Since then, the bank revamped its SME financing activities in different sectors with a renewed commitment. Long-term strategic plan was formulated to meet sectoral demands. Product diversification, enhancement and other market alignments are few of the initiatives.

Few facts and figures on trend of MTB SME Finance are given:

**MTB SME Portfolio**

BDT Billion



**MTB SME Financial Highlights in 2016:**

- The growth of SME portfolio remains continued and last year it was increased by 24.06 % over 2015
- Non Performing Loan of the division decreased 0.53% in 2016
- In 2016, total SME loan disbursement of the SME Banking Division (including agri loan) was BDT 4,225 million.
- Total SME deposit reached to BDT 457.23 million in 2016

MTB SME Banking Division is serving the dedicated entrepreneurs over the years. As a result it is not surprising that each year national level award and recognition list include SME entrepreneurs who are financed by MTB.

**Award Winning MTB SME Client: QVC BD Ltd.**



QVC BD Ltd. received the “National SME Entrepreneur Award-2016” under the category of Best Entrepreneur (Male) - Medium Segment at the 4<sup>th</sup> National SME Fair 2016 on April 03-07, 2016 organized by SME Foundation. MTB started financing the company in its startup phase in 2013 while they approached with innovative idea of first ever bicycle chain manufacturing factory in Bangladesh.



### MTB SME: A Catalyst in Poverty Alleviation & Economic Emancipation

MTB is considered as one of the key players in CMSME financing arena of the country. MTB has a wide product range catering to all possible financing needs of CMSMEs operating in different sectors including agriculture, agro-based and light engineering sectors etc. Also MTB has separate products for women entrepreneurs. Since inception, MTB SME Banking Division has been giving priority to the equal growth of rural as well as urban economy of the country.

With a view to ensuring inclusive growth, MTB SME Banking Division has been focusing on unbanked rural population of the country through different

channels i.e. direct lending through branch network, wholesale lending to MFIs for onward disbursement to the low income and marginal population and also lending through MTB Agent Banking to ensure coverage in unbanked areas.

MTB actively participates in the initiatives for financial inclusion. MTB has financed borrowers with BDT 2.50 to 10.00 Million through its own network as well as through collaborations with MFIs in different districts. The farmers in Tangail and Thakurgaon districts were financed under Bangladesh Bank refinance scheme of special subsidized lending to import substitute crops, spices and maize through its own network.

#### Inclusive Finance to marginal communities

MTB financed marginal farmers from Shantal Community in Tangail area. Here in MTB, we believe the benefit of inclusive financing must reach marginal people who are capable of potentially bringing benefit out of this financing. Mr. Atul Simsang, a marginal farmer from Santal Community, is seen receiving a cheque of BDT 1,00,000 disbursed as credit under MTB Lauhati Bazar Agent Banking Centre from MTB Senior Management Team and local dignitaries.



#### MTB Agriculture Financing

MTB is continuing its contribution to agri finance in an increasing rate as a part of its underlying fundamentals to stable growth of national economy. MTB is striving hard to finance in the agricultural sector as a result, MTB is superseding agri loan disbursement target set by Bangladesh Bank over the last few years.

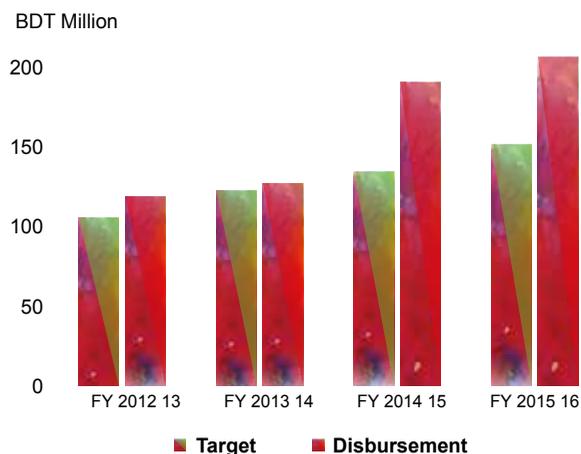
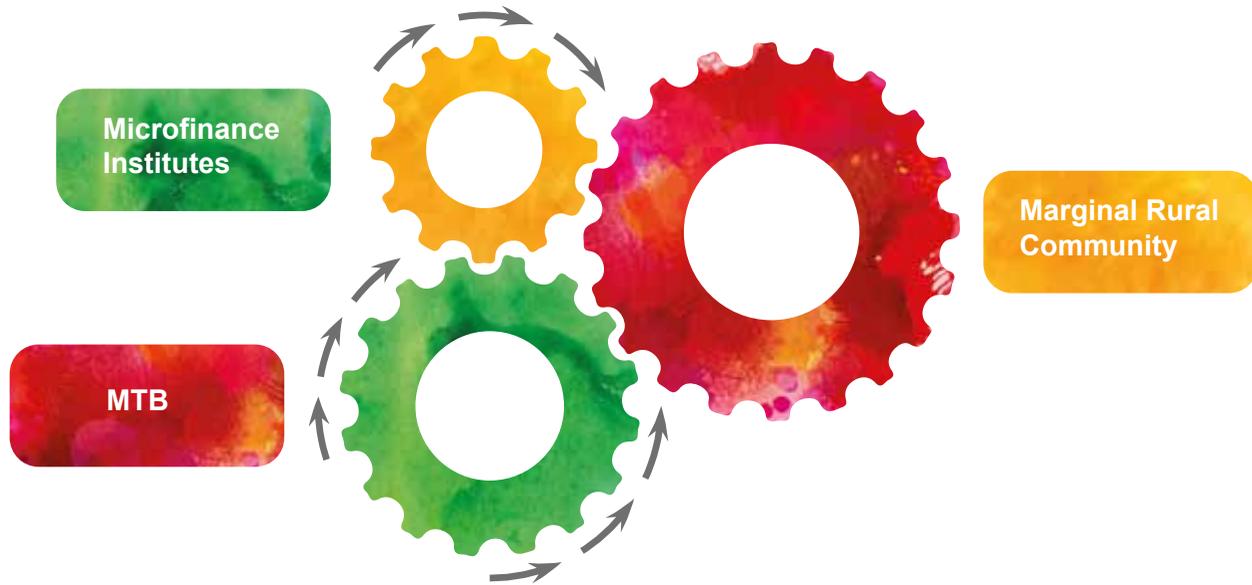


Figure: Agricultural loan disbursement - Bangladesh Bank target versus achievement

- As recognition of this, MTB received letter of appreciation from Bangladesh Bank for agricultural loan disbursement for the financial year 2012-13, 2013-2014 and 2014-15.
- MTB is continuing the support to rural agricultural sector through bank's own branch network as well as extensive collaboration with Micro-finance Institutes (MFIs).
- MTB adopted group lending approach for agri loan disbursement to the marginal farmers of remote area. MTB disbursed agri loan more than thousand farmers clustered under 14 farmers group (Somobay Samity).
- MTB has also disbursed agricultural loan to the farmers of newly abolished Dahala-khagrabari enclave.

**Partnership with Micro-finance Institutes (MFIs):** MTB believes that combining the strength of MFIs and experience of MTB creates a great scope for maximizing credit services to reach unbanked or under banked population. MTB has financed more than hundred MFIs since 2007. The list includes national level MFIs as well as very small MFIs.

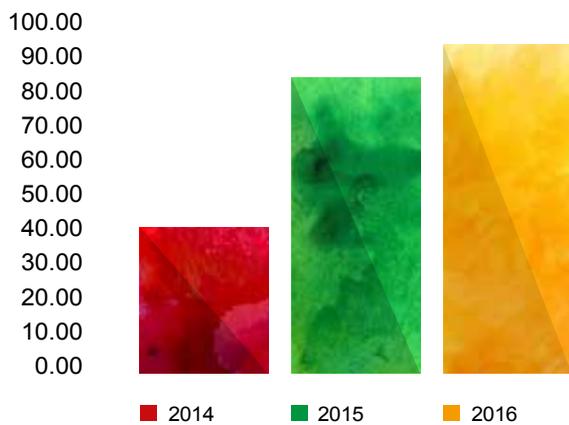




**Diagram: MTB Agri lending model in collaboration with MFI**

**MTB Women Entrepreneur Financing**

MTB Bhagyobati and MTB Gunabati are two innovative financial products for women entrepreneurs and have a strong presence in SME credit market for their unique features and easy access to financing. Financing to women entrepreneurs is steadily growing.



them with a tailored solution combined of multiple products; and SKY NEER opened their showroom in Banani area. Their factory, located at Maradia area of Khilgaon and equipped with 20 machines, now creates employment of 25 persons, mostly female.

Their struggles and success were recognized at 11<sup>th</sup> Citi Micro Entrepreneur Awards Ceremony. She won the runner up award in the category for the Best Entrepreneur of the Year 2015.

MTB SME is proud to be a partner of such dream coming true success.

**SKY NEER: The Best Entrepreneur of the year 2015 (awarded by Citi Foundation)**

Ms. Hasina Islam started her entrepreneurial journey with 2 embroidery machines and very small capital with a dream to open an outlet in Dhaka in 2012. Her husband, Mr. Amirul Islam, left his job to support her by selling the embroidered products. He carried the products in a suitcase at the back of his motorcycle and went door to door. MTB financed their initiative SKY NEER, with a sum of BDT 7.5 lac in 2014 under 'MTB Bhagyaboti' scheme. They successfully utilized the fund for growth. In 2016, MTB SME financed

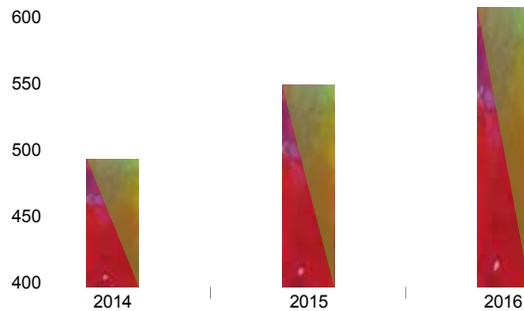


**Green Finance**

An entrepreneur can choose from different products of MTB as per his/her business need. In addition to the regular loan products MTB have a specialized product, MTB Green Energy Loan to support the pro environment initiatives. The scope of the product covers any environment friendly technology i.e. modern technology in brick kiln, ETP in factories as well as renewable energy projects, such as solar, biogas, wind, hydro and any other potential renewable energy generation to reduce the carbon footprint and thus protect the environment. In the last few years the energy sector of Bangladesh has seen a lot of change, a large off grid area has come under nationwide electric service. Different stake holders are planning and implementing larger scale Mini Solar Grid based electricity service, earlier which was pre dominated by individual solar home system. MTB SME Banking Division's Green Energy loan has had a good growth over the years.

**MTB Green Energy Loan**

BDT Billion



**MTB SME Product Capability**

The mission statement of MTB is, "We aspire to be the most admired financial institution in the country, recognized as a dynamic, innovative and client focused company, that offers an array of products and services in the search for excellence and to create an impressive economic value."

Aligning with the mission statement, MTB SME Banking Division offers a diversified array of products as shown below catering to the varied needs of CMSMEs and special segments such as business entities engaged in light engineering, agro based industry, renewable energy and MFIs etc.

**MTB SME Banking Products**

- For Any Sector and segment

  - MTB Small Business loan
  - MTB SME Cash Credit (Hypo)
  - MTB Mousumi
- For Women Entrepreneur

  - MTB Gunabati
  - MTB Bhagyabati
- For Agriculture, agro processing and inclusive finance

  - MTB Krishi
  - MTB Krishijat
  - MTB Microfinance
- For renewable energy and environment friendly initiatives

  - MTB Green Energy
- For light Engeneering

  - MTB Light Enegenering

- NON Funded Products & Services for SME

  - LC
  - BG
- Specilized deposit scheme for CMSME

  - MTB Buniad
- Specilized transaction A/C for CMSME

  - MTB Probaho



## Strategic Outlook

Bangladesh is growing at a rapid pace, and now it is being considered as Middle Income Country. MTB SME Banking Division has taken initiatives to serve the rapid growth of the economy. MTB SME Banking Division has formed its strategy to ensure the demand of rapid growth of SME and other relevant segments.

The thematic area of MTB SME strategic outlook is Consolidation, Expansion and Innovation in consideration national level SME lending performance another area for onward journey will be Protection of bank and client interest. Activity and way forward in the thematic area are as follows:



## NRB DIVISION

Remittance is one of the main blood streams of Bangladesh economy. Bangladesh is the 7<sup>th</sup> most remittance earning country in the world. Remittance is the second-highest contributor to the record reserve of foreign currency and accounts for almost 8% of our GDP. In 2016, Bangladesh earned remittance of a staggering USD 13.61 billion. About 10 million Bangladeshi expatriates, working in 160 countries around the world, are contributing greatly to the country's foreign currency reserve as well as the socio-economic development of Bangladesh. To ensure the smooth flow of inward remittance, a strong remittance network is active throughout the world. MTB NRB Division is proud to be a part of this network.

### Mission of MTB NRB

MTB NRB Division is committed to ensuring safe, convenient and easy inflow of hard-earned money of our overseas workers. The mission of MTB NRB Division is to increase the share of inward remittance handling by adding new services with existing exchange houses, establishing relationships with new exchange houses, expanding domestic network for the beneficiaries through strategic alliances, developing new deposit and investment products for NRBs and ensuring technological innovation.

### Remittance Network

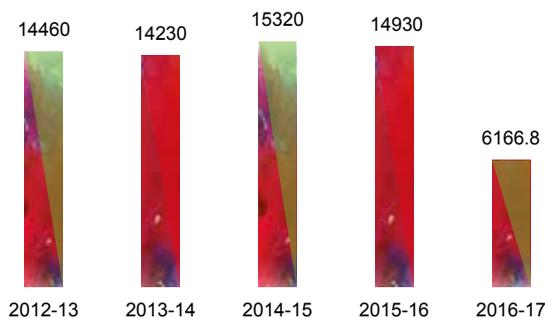
MTB NRB Division is an integrated and designated division to reach Bangladeshi expatriates and

bring them under the MTB remittance network. Remittance network of MTB is expanding day by day to make it convenient for our overseas workers. Currently, we are maintaining relationships with 28 exchange houses in different countries. Aiming to meet the demand of our migrant workers, we have a fully-owned subsidiary, MTB Exchange UK, based in the UK, and we have a strong presence in the Middle East as a majority of our migrants work there. MTB's remittance partners are the world's top money transfer companies like Western Union and MoneyGram, UAE Exchange, Wall Street Exchange, Xpress Money, Instant Cash Worldwide, Ria Financial, etc. MTB NRB Division is working to expand its remittance network in Saudi Arabia, Malaysia, Australia, Italy and other European countries to address the needs of migrant workers. Moreover, we have two foreign currency exchange booths in the arrival and departure lounges of the country's premier gateway, Hazrat Shahjalal International Airport (HSIA) to serve the NRBs and other travelers.

### Remittance Inflow

With extensive presence of MTB remittance network throughout the world, we received inward foreign remittance of USD 191.27 million in 2016. Amidst the intense competition in the industry, MTB NRB has been maintaining a healthy growth of remittance procurement over the years. In 2016, inward remittance through MTB NRB network increased by 11%

**Total remittance inflows in Bangladesh**  
(USD Million)



Year-wise trend of inward remittance shows that inflow of remittance through MTB network has significantly increased over the last four years. Considering the huge impact of remittance on our economy, NRB Division is aiming to ensure maximum financial inclusion using MTB's 110-branch network and 10 MTB Agent Banking Centres. Disregarding profit base, MTB is focusing on macro-economic

**Total remittance inflows through MTB network**  
(USD Million)



development of our country by ensuring safe and easy channel of remittance flow and enhancing financial inclusion.

### NRB Products

MTB extends additional privileges to Non-Resident Bangladeshis considering their remarkable contribution to the economy. We have several



products only for Non-Resident Bangladeshis with higher interest rates than that of other conventional products. NRB Regular Savings, NRB Fixed Deposit and NRB Pension Deposit Scheme are designed exclusively for NRB customers. These specially featured products have been able to attract Non-Resident Bangladeshis and have a positive impact on the deposit base of MTB NRB deposit has been trending upwards and as of December 2016, NRB deposit was BDT1,706 million.

### Major Operational Achievement in 2016

MTB NRB Division always strives for innovation to simplify its operational activities as well as reporting systems. To excel in this era of technological advancement, we have successfully introduced API (Application Program Interface) connectivity platform, through which, we are now able to connect to any app or system of remittance companies, map and transform data in any format, design complex business processes and connect any system, securely. In 2016, our valued remittance partner Index Exchange, UAE integrated with MTB API platform to facilitate 24/7 real-time account credit service for MTB account holders. In addition, Index Exchange will also provide the following services:

- Account Enquiry
- Credit to Other Bank Account (BEFTN)
- Cash Over the Counter Payment
- Status Enquiry, and
- Reconciliation

### Priorities in 2017

- Expand MTB NRB network throughout the world to reach every Bangladeshi expatriate
- Ease operational procedures of inward remittance
- Enhance the safety of inward remittance
- Bring the still-unbanked Bangladeshis under MTB NRB network.

## INTERNATIONAL TRADE

### Global Perspective

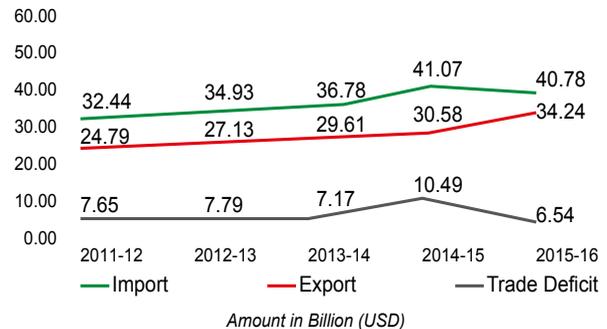
World trade in 2016 can be summed up in three words: China, Oil and Commodity. Being the second largest importer of global merchandise goods, the transitional phase of Chinese economy, from 'export driven' to 'consumption led', has had enormous external impact on global trade outlook. The consequence of sharp drop in oil and commodity price index has continued to have far-reaching effect on overall global balance of trade pattern. Sluggish global trade growth has been a continuous headache to the global policy makers throughout the year 2016. On September 27, 2016 the World Trade Organization projected that the trade volume growth would be slower than the GDP growth for the first time in 15 years as it slashed its forecast

for growth in trade of goods from 2.8% in 2016 to just 1.7%. Moreover, in an ICC survey titled "2016 RETHINKING TRADE & FINANCE", the projection for growth in low-income countries was slightly trimmed by 0.9 percentage points, from 6.2 percent to 5.3 percent for the year 2016.

Experts believe that the present plummeting trend, both in prices of oil and commodity, is not likely to rebound without major positive shift in political and economic aspects in 2017. In addition to that, Brexit, the exit of the United Kingdom from the European Union (EU), may have a negative impact on trade and investment flows not just for the UK, but also for the countries with the largest exposure to the UK. Therefore, the downward trend of global trade may continue for the year 2017 as well.

### Bangladesh Perspective

Historical trend shows that trade deficit is an inseparable feature of the economy of Bangladesh. The total import payment of the country has been significantly higher than the export earnings over the last 5 years. According to Bangladesh Bank data, overall import slightly decreased by 0.71% whereas, export increased by 11.97% from fiscal year 2014-15 to 2015-16.



Source: Bangladesh Bank

Bangladesh imports a variety of products including petroleum and petroleum products, cotton and cotton yarn, cement clinker, chemicals, plastic and rubber. On the other hand, the country's export basket is relatively fixed, mainly comprising ready made garments, leather products, frozen foods, jute and jute products, terry towels, various headgear, engineering products, furniture and pharmaceuticals. Ready made garments (RMG) account for nearly 82 percent of the total exports.

Export earnings over the years have shown a steady growth and risen to USD 34.24 billion, an all-time record for export earnings in a single financial year, during last fiscal year. Relative political stability and policy supports to industry by the government coupled



with increasing levels of compliance towards worker rights and safety standards have helped the country to achieve this new height. In order to maintain the sustainability of existing momentum and achieve full potential to become an export power house among its East Asian neighbors, Bangladesh needs to adopt four policy levers i.e. improving business environment, connecting firms to the Global Value Chain, maximizing agglomeration benefits, and strengthening firm capabilities as articulated in a World Bank report titled South Asia’s Turn: Policies to Boost Competitiveness and Create the Next Export Powerhouse, published in November, 2016.

**MTB Perspective- Export**

MTB is engaged in facilitating export of traditional items such as ready made garments, jute, jute products, raw jute, leather, etc. MTB has seen its export grew by 8.70% as compared to the last year and total export volume for the year 2016 stood at USD 625.79 million.

**MTB Perspective- Import**

Despite slight decrease in the country’s overall import growth in fiscal year 2015-2016, MTB maintained its growth momentum in import business at a rate of 22.77% compared to last year. MTB’s import volume was USD 1,005.28 million. MTB has

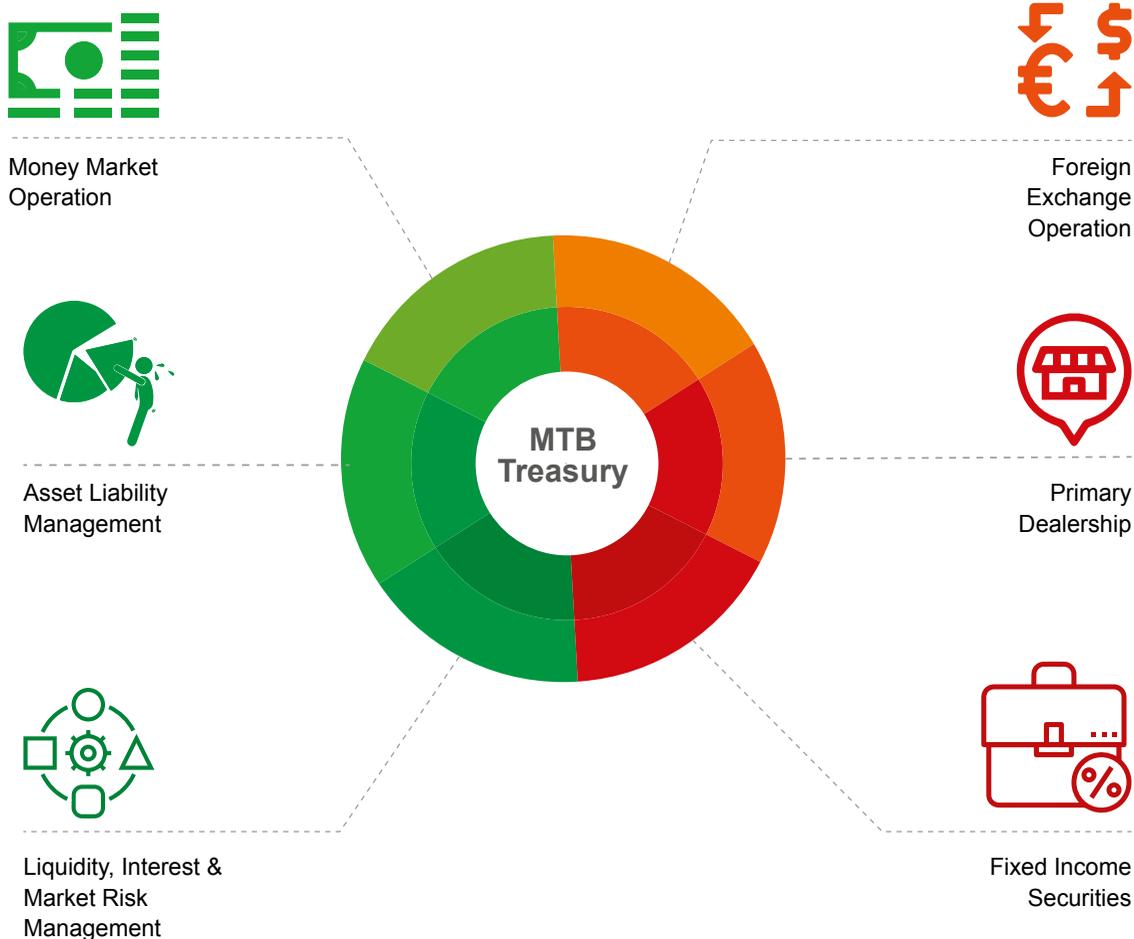
shown its resilient approach in sustaining its growth trajectory despite weakness in global trade.

**Business Outlook**

Over the last few years Bangladesh has invested substantially in the power and infrastructure sector. These invaluable initiatives in line with sound macroeconomic indicators and stable political environment are expected to make the country an attractive destination for foreign investors. These endeavors beckon huge potentiality in international trade and business.

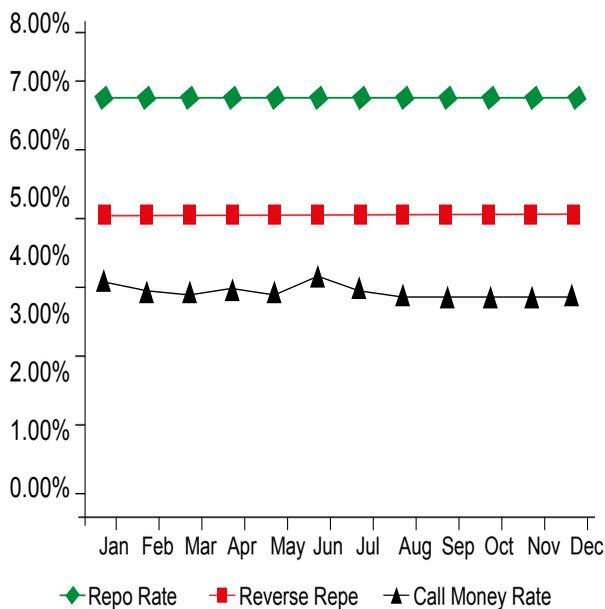
**TREASURY OPERATION**

MTB Group Treasury is responsible for the overall management of treasury functions comprising regulatory compliance, liquidity management, asset liability management, and, most importantly, risk mitigation, both in treasury activities and balance sheet of the bank. It managed to stay ahead of the market through accurate forecasting and efficient strategy formulation amid surplus liquidity in the local market and unstable international market due to BREXIT and declining crude oil price. MTB Group Treasury has to perform an array of functions in different risk areas to manage and mitigate risks to achieve its organizational goals.



**Money Market Operation**

Money market scenario of Bangladesh did not change much in 2016 and continued the previous year’s trend of declining call money rate due to excess liquidity and low credit demand. Throughout the year, interbank call money rate hovered around 3.00 to 4.50 percent indicating a very liquid money market. The repo and reverse repo rates were also reduced by 25 basis points, respectively. Government borrowing declined by 3.59% from the previous year on a point to point basis (Bangladesh Economic Data, Selected Indicators, Bangladesh Bank). During the year, the interbank call money rate stayed below repo and reverse repo rates, as shown below, mostly due to the highly liquid money market. The treasury team of MTB was able to keep abreast of this macroeconomic situation to maximize the Bank’s earning as well as minimize interest rate and liquidity risks.

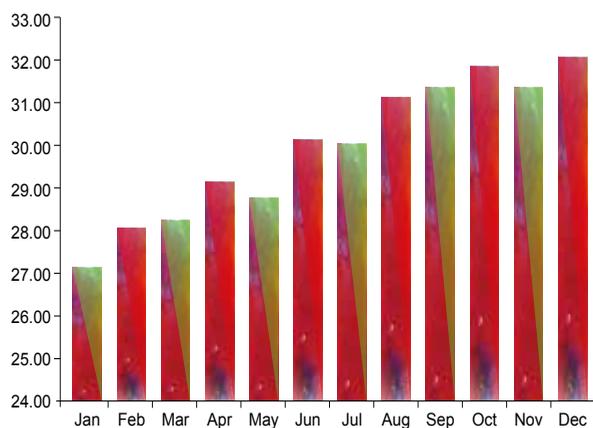


Source: Economic Data, Bangladesh Bank Website

**Foreign Exchange Operation**

When BREXIT, Britain’s shocking referendum on exiting European Union, resulted in a sharp decline in the price of pound sterling, foreign exchange market became slightly volatile in the middle of the year causing discomfort in the overall foreign currency market. The price of crude oil in the international market continued its declining pattern, floating around USD 40 to USD 55 throughout the year. MTB monitored and observed these global economic phenomena closely to formulate its strategies and carefully positioned its holdings in foreign currency considering business need and investment opportunity.

Fig in Billion USD



Source: Economic Data, Bangladesh Bank Website

BDT to USD exchange rate remained almost stable throughout the year, apart from certain movements in the last couple of months of 2016. Interbank market of BDT to USD moved from 78.40 to 78.85. Bangladesh foreign exchange reserve maintained its strong position during the year as well and crossed USD 32 billion mark for the first time in its history. This is due to multiple factors including increased export earnings, almost stable remittance flow, decrease in fuel price in the international market and, finally, less food import. MTB FX Desk was able to forecast these economic phenomena enabling the Bank to manage risks associated with foreign exchange business operations and thus ensuring management of regulatory requirement and increase profitability.

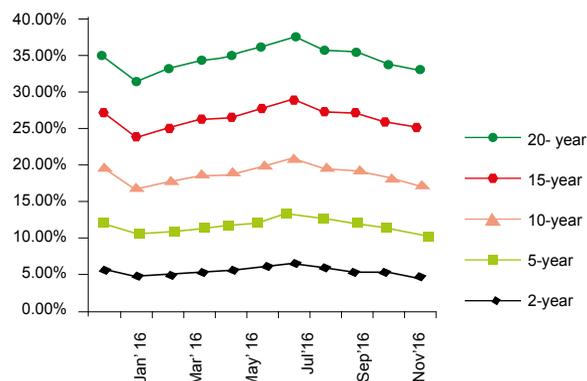
**Primary Dealership & Government Securities**

As a member of Primary Dealers Bangladesh Limited (PDBL), MTB plays an important role in implementing national budget of the country by underwriting of government securities. MTB is obligated to underwrite a certain percentage of government securities in auction, based on its average demand and time liability. Moreover, to comply with the SLR requirement of 13%, MTB needs to hold a certain amount of government securities. Generally, MTB holds a considerable amount of investment in government securities generating a healthy return through interest income and capital gain. MTB has been playing a vital role in developing an active and vibrant interbank secondary market of government securities from the very beginning. It also provides advisory services to its existing and potential corporate customers for making investment decisions on fixed income

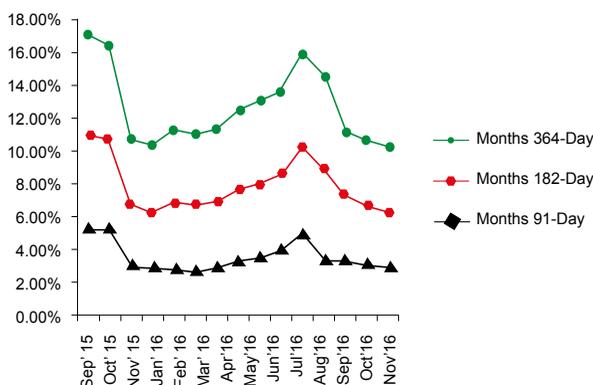


## trading.

Yield Trend: Bangladesh Govt. Treasury Bond (BGTB)



Yield Trend: Treasury Bill (T-Bill)



Source: Bangladesh Bank Website

## Asset Liability Management (ALM)

ALM Desk is responsible for providing key insights on overall balance sheet risk and recommending effective way forward in terms of interest rate and policy prioritization. MTB Group Treasury Department has done exceptionally well in this area by keeping management abreast of crucial developments in the market. A total of 14 meetings of MTB Asset Liability Committee (ALCO), a committee comprised of senior management, including 2 special ALCO meetings, were held during the year 2016. ALM Desk analyses and evaluates the market outlook on a regular basis to ensure the right balance between product profile, cost and risk exposure. MTB Asset Liability Committee meets monthly to discuss the current local and global market outlook and to decide on policy regarding interest rates and thrust sectors. In 2016, ALCO took some important and timely decisions regarding interest rates, liquidity positions and other various risks associated with balance sheet that helped maintain sustainable growth of the Bank.

## AGENT BANKING

With a view to providing banking and financial services to the un-banked population across the

country, Mutual Trust Bank started its agent banking operation on June 6, 2016 with the first MTB Agent Banking Centre in Jahapur Bazar, Muradnagar, Comilla. Agent banking offers limited scale banking and financial services to the underserved population by engaging agents under agency agreements. An agent, who is the owner of a centre facilitates banking transactions on behalf of MTB. Agent banking is an additional delivery channel, which offers convenience and extends the outreach of quality and affordable financial services, particularly to the underserved, in a cost-efficient manner and, in places, where a financial institution does not have sufficient incentive to establish a full-fledged branch.

As of December 2016, MTB has launched 10 MTB Agent Banking Centres in Comilla, Feni, Tangail, Pabna and Dhaka districts. Till December 31, 2016, MTB Agent Banking has opened 2,523 accounts with a total deposit of BDT 36.52 million and the cash disbursement figure against foreign remittance during the period was BDT 1.24 million. The year 2017 will be the 'Year of Agent Banking', as we plan to increase the number of centers from 10 to at least 50 by December 2017.

We have installed state-of-the-art Agent Banking Software (ABS), which is truly online and real time. Each transaction/activity is authenticated (2FA) through a process, which involves scanning the fingerprints of the customer and the agent using a biometric device. Customer receives a system-generated printed receipt for each transaction/activity and also an SMS notification on his/her mobile phone. Services currently being offered at the MTB Agent Banking Centres include opening different types of accounts such as individual, minor, joint and institutional accounts (savings, current), recurring deposit accounts and term deposit accounts. The centres also offer other facilities such as cash deposit and withdrawal, account balance inquiry, fund transfer to any MTB account or to other bank account through BEFTN, inward foreign remittance disbursement, debit card issuance, cheque book request, school fee collection, insurance premium collection, payroll banking, social safety net cash payment, SME and agro-loan processing, etc.

MTB is proud to have launched, for the first time in Bangladesh, Internet Banking for agent banking customers of MTB Chowdhury Bazar Agent Banking Centre, Chaudhagram, Comilla on October 25, 2016. MTB has also launched Agriculture Loan for extending credit facility to rural farmers in MTB Lauhati Bazar Agent Banking Centre, Delduar, Tangail on August 8, 2016.

MTB aims to expand its agent banking network all over the country so as to contribute to the financial



inclusion of the under served community. MTB plans the following for doing so:

- To provide low cost banking services to the un-banked people, who cannot afford to travel long distances to carry out banking transactions.
- To appoint agents instead of opening more branches.
- To ensure banking facility for customer segments having little or no education.
- To increase distribution channels and make the Bank more accessible to its customers.
- To have an efficient delivery channel for offering banking services in a cost effective manner.

## Human Resources Division

MTB Group Human Resources (GHR) plays a contributory role in fortifying the future success of MTB. This contributory function is led by MTB's home grown philosophy, MTB3V, ensuring a congenial working environment, where MTBians can surge and are capable of delivering sustainable organizational performance. GHR enables the MTBians to develop expertise to take new contributory roles within the organization, with the bank supporting internal career mobility by identifying redeployment opportunities and offering scopes for training and development.

### Strategic Priorities of MTB GHR

1. To contribute to sustainable organizational performance;
2. To apply MTB's human capital expertise more vigorously to support the business divisions and operational functions;
3. To be a successful contributor to the control function of MTB for managing human capital risks;
4. To communicate and create a more open and transparent environment;
5. To foster reward culture based on performance and merit.

### MTBians in 2016

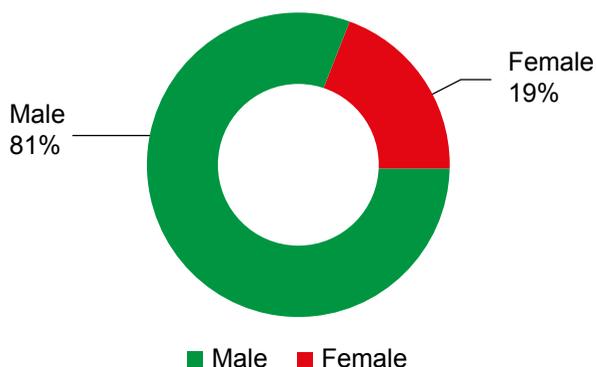
MTB conducted a significant number of highly impacting internal awareness campaigns, seminars and workshops on professional values, moral ethics, beliefs, etc. for employees in 2016. GHR's focus has now got a new height. It urges the MTBians to continually be more engaged with MTB3V, and corporate values and beliefs in day-to-day banking operations. Being a noteworthy compliant bank, MTB also rolled out some new compulsory training courses for MTBians apart from training on basic banking, MTB Code of Conduct,

MTB business ethics, Anti-Money Laundering & Combating Financing of Terrorism (AML&CFT) and other important banking issues to protect interest of stakeholders from all spheres.

### Assortment at MTB

MTB, aspiring to be a world-class bank, ensures the inclusion of all cultures along with diversity of employees, clients and communities. It aims to attract, develop and retain the most capable employees from all beliefs, backgrounds and experiences. Assortment in the workforce is central to MTB's culture and MTBians are expected to foster an inclusive and reverential working environment, where all employees can contribute their best and flourish based on merit.

### Gender position as on 31<sup>st</sup> December, 2016



Breakdown of positions of female employees as on 31<sup>st</sup> December, 2016

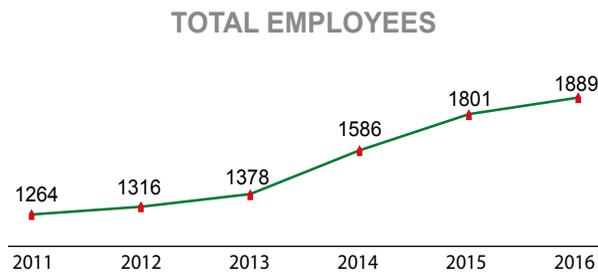
Particulars	No. of Female Staff	(Share in %)
Executive Level	18	5.06%
Mid-Level Officers	93	26.12%
Junior Level Officers	244	68.54%
Non-Officer	1	0.28%
Total	356	100.00%

### MTB's Employee Governance

In 2016, MTB GHR reinforced its governance by ensuring unswerving, well-thought-out, merit-based hiring practices for all target groups. This has included further improvement and tightening of controlling policies on hiring and workforce appointments in line with heightened industry standards as well as risk management and regulatory requirements.



### Total Human Resources (2011-2016)



### Performance Management Process

Performance management is about getting the things done well and effectively. It is the way one keeps track of SMART (Stretching, Measurable, Agreed-Upon, Realistic, Time bound) objectives that are the heart of the Performance Management System (PMS). GHR categorically focuses on ongoing job requirements, projects and assignments, people development, and self-development for performance management. PMS comprises objective-setting early in the year, a mid-year review and a year-end review, with employees' self-assessment playing a critical role. By facilitating professional and personal development to enable MTBians to surge their potential and get the most out of their career, GHR promotes the continuous development of its staff.

### Developing Employees and Creating Future Leaders

MTB believes that its business performance relies, first and foremost, on its employees. Therefore, talent and development activities in MTB are aligned with some priorities: building leadership capabilities and developing future leaders; fostering an environment that supports sustainable performance; and promoting continual opportunities for the development of MTBians.

MTB offers "MTB Management Trainee (MMT)" program, with an exciting career addressing new graduates as Junior Assistant Vice President (JAVP). The MMT program consists of learning of leading people, driving business and shaping culture. There are also other variegated entry programs for new entrants, who have the potential to be future leaders, preparing them for the next stage of their development and ensuring they gather the right skills and experience to accelerate their careers.

### A Balanced Approach to Talent Acquisition

MTB GHR has adopted a balanced approach to talent acquisition. It relies both on leveraging the skills and experience already available within MTB, while bringing in the required capabilities that will help the Bank position for long-term sustainable performance. In accordance with that, the Bank continues to strengthen its internal career mobility

activities to surge greater career development and retention of all MTBians. The current focus is on maintaining communication, creating greater visibility of development opportunities, enabling all MTBians and setting a suitable framework to achieve MTB3V. The MMTs get introduced to business culture as well as acquisition of relevant technical and professional skills in the banking industry. Other entry programs for new graduates ensure recruitment of dynamic and progressive workforce in MTB. As a result, new entrants are offered improved career opportunities, a key factor determining MTB's overall ability to retain people with the requisite skills.

### Manpower Status as at 31<sup>st</sup> December, 2016

Year	MTB	MTBSL	MTBCL	Total
2016	1,814	68	7	1,889

### Training and Development

Total number of training participants in 2016 was 1626, an increase of 6.27% over the previous year. The Bank maintained a variegated schedule of 113 training programs. In accordance with the strategic priorities of MTB, there has been a bigger focus on regulatory and compliance topics, with the participation rate rising compared to 2015. A significant part of the training sessions is delivered in an excellent learning environment at MTB's own state-of-the-art training institute. The number of training held from 2012-2016 is giving below:

Training Type	2012	2013	2014	2015	2016
In House Training	52	70	74	131	113
Local / Outsourced Training	33	66	70	80	140
Foreign Training	6	3	13	18	10
Total Training	91	139	157	229	263

Year wise number of participants in the training programs:

Year	2012	2013	2014	2015	2016
Number	858	1187	1467	1530	1626

### Aligning the Reward System with Evolving Requirements

Professional growth and industry benchmark compensation play an integral role in the successful delivery of MTB GHR's strategic objectives. Attracting and retaining the most capable MTBians is central to the MTB's compensation strategy. The keystone of this is the concept of pay for performance, within a sound risk management and



governance framework, and with due consideration of market factors and societal values. As MTB seeks to align compensation with evolving external and internal expectations, reward structures are regularly reviewed as needed.

### MTBians' Health and Wellbeing

MTB GHR offers core long-term health offering including preventive medical examinations for its employees. All relevant fields of prevention: medicine, mental health, fitness and nutrition are covered in the examinations. Reports show that the examinations contribute to improvements in physical fitness, nutrition habits and so on. In 2016, MTB extended financial support of BDT 71,66,524 (BDT seventy one lac sixty six thousand five hundred and twenty four) to its employees as medical facility.

### Employee's length of company service as of December 31, 2016

Length of Service	No. of Employees
Up to 4 years	824
4 years to 10 years	773
More than 10 years	292

### MTB HR Benefits

MTB GHR has its own policies regarding all types of compensation and benefits for its employees. MTB has in place the following for the MTBians:

- MTB Employee Death Benefit Plan
- MTB Employee Provident Fund
- MTB Welfare Fund
- MTB Medical Assistance Fund
- Incentives for IBB Diploma Holders
- MTB Gratuity Scheme for Employees
- Mandatory Medical Checkup
- Rewards for Good Deeds in Terms of Integrity

## INFORMATION TECHNOLOGY

The technical capabilities of MTB were enhanced significantly during 2016 with several market-leading initiatives introduced throughout the year to improve user experiences for our customers and reduce operational costs, enhancing stakeholder confidence in Information Technology (IT) and its contribution to the long-term success of the Bank.

The security and protection of our customers' information is crucial, and in 2016 the Bank has implemented most of the recommendations of the Bangladesh Bank as applicable, related to information security, electronic banking, technology

risk management and cyber threats. The Bank is committed to implementing the security posture and providing safe and secure banking services to its customers. As part of its commitment, various security solutions have been deployed to protect customer data security and prevent external and internal attacks.

### Cyber Security Preparedness

In 2016 IT security and cyber threats were the buzzwords in the industry. Giving high priority to IT security, a new IT Security Department was created in the Bank and an IT security expert was appointed as the Chief IT Security Officer (CISO). The main goal of the department is to ensure information security, cyber security, security governance and build a strong Governance, Risk and Compliance (GRC) foundation. **Security is a combination of people, process, and technology.** The department is trying to push the idea that people and process needed to be incorporated into an overall security system.

The Bank incorporated Cisco Next Generation Firewall with FirePOWER services, the latest firewall technology, to strengthen network security at Data Center and Disaster Recovery Center. Security measures were also beefed up in the areas of MTB SWIFT, MasterCard and VISA Network by implementing security layers. Policies on security appliances were made more stringent to curb the proliferations of security threats.

To make the employees more aware on the cyber security threats, a handbook titled "**ICT Security Awareness Handbook for MTB**" was developed and distributed. The handbook covers many security tips and techniques including tips for ATM & POS transactions, Internet Banking and E-Commerce transactions.

### Revision of IT Security Policy

In 2016, the IT Security Policy of the Bank was revised to version 3.0 in light of Bangladesh Bank ICT Security Guideline v3.0. The main focus of this policy is to prepare a guideline for MTB for setting up a secure and stable IT platform to protect the Bank's business information and customer information within its custody by safeguarding its confidentiality, integrity and availability. This policy is applicable to all the MTBians, both permanent and temporary. This policy is also applicable for all equipments owned, leased, operated, or maintained by the Bank.

### Central Business Continuity Plan of MTB

The Central Business Continuity Plan (BCP) is an essential part of a bank's response planning that sets out how the business will operate following an incident and how it expects to return to 'business as



usual' in the quickest possible time afterwards. MTB as a compliant bank is working towards establishing a comprehensive BCP Plan based upon Business Impact Analysis (BIA). MTB arranged an effective training and awareness session to educate both senior management and functional owners of the respective business areas to understand the nitty-gritty of business continuity. Committees have also been formed to develop the plan.

### **Training & Awareness Programs**

To develop skill and awareness on the latest technology trends, IT & ADC officials received training at various local and overseas training programs and attended conferences throughout the year. Apart from developing its own experts, IT related trainings were also imparted to the general users on an ongoing basis to empower them to use technology platforms. Trainings such as "Business Continuity Planning and Disaster Recovery Management", "IT Security and Risk Management in Banks" and "ISO 27001" are a few of the trainings that helped the bank users become aware of the risks of using digital technology and the new technology initiatives in the offing.

### **Improvement in Other Areas**

Technology has enabled customer accessibility of products across all channels through seamless multi-channel integration. To achieve this, the Bank has been simultaneously focusing on 'digitization' of its back office processes and empowerment of its employees. The Bank has also focused on further improving the governance processes and compliance requirements in IT. The Bank's continuous focus has been to use technology to further improve the customer's experience while transacting with the Bank.

### **Transformation of Core Banking Solution**

The Bank has started its journey towards transformation of its existing core banking system to a new and robust one. A roadmap to achieve the goal has been chalked out and accordingly a consulting firm has been appointed to carry out the preparatory tasks of (a) existing system study i.e. AS-IS study, (b) TO-BE preparation and (c) RFP preparation.

### **Enhancements in Core Banking System**

During the year, the existing Core Banking System (CBS) has also seen a number of customizations to accommodate various changes required by different business units. As part of the customization, the Central Compliance Unit (CCU) was provided with a number of reporting and monitoring tools such as off-site monitoring report, customer information, business profile and transaction trend to centrally paving the way to ensure AML & CFT guideline of Bangladesh Financial Intelligence Unit.

### **Improvement in Storage Capacity**

With the increase in technology based services and subsequent regulatory recommendations of preservation of data logs, the bank was in need of having large capacity storage systems. In 2016, storages were installed having storage to storage replications resulting in maximum availability.

### **Introduction of Agent Banking**

As part of the Bank's vision to extend its services to the unbanked segment of the population and thereby helping the country towards its journey to becoming the most financially inclusive emerging economy, Agent Banking was initiated in 2016 where IT played a pivotal role in automating the system. Since the operations of Agent Banking were unlike the conventional banking system and dependent upon the technology mostly, a new system was implemented this year called Agent Banking System (ABS). The ABS is integrated with the CBS and is able to provide almost all kinds of banking services to the customers at the agent points.

### **Expansion of ATM & POS**

Since the inauguration of first MTB ATM in the year 2011, the bank now has over 230 ATMs across the country in 190 strategic locations, making MTB one of the top ATM service providing banks in the country. Constant effort is being given to further expand the ATM network and broaden the customer reach. MTB ATM Installation Committee (MAM) is also taking regular statistics on the transaction of every ATM and analyzing the transaction behavior to decide whether MTB needs further ATMs in a particular area or relocate the underutilized ATMs elsewhere. With increase in ATMs in strategic areas, the bank has become successful in directing the MTB card users to use MTB ATM. This shift was possible only due to the cardholder's confidence in MTB's ATM services. MTB has 10 cash deposit machines (CDMs) countrywide to facilitate round the clock cash deposit.

At present, approximately, 98% of cash withdrawals by the MTB cardholders take place through MTB's own ATM network while 2% through the National Payment System Bangladesh (NPSB) and VISA and Master Card network. A study shows that MTB customers perform cash withdrawal of more than BDT 1,300 Million per month through MTB ATM network, and make 55,000 requests for balance inquiry and mini statement per month. In 2016, cash withdrawal amount by cardholders of other banks was more than BDT 5 Billion and the total number of such withdrawal transactions through MTB ATM network was 0.5 Million.

MTB POS network also expanded at a fast pace. Presently there are about 3,000 (as of December



31, 2016) POS machines deployed across the country contributing towards generation of a handsome amount of low-cost fund. Every month, MTB Card Division is adding 50-60 POSs to the network resulting in a continuous increase in overall transaction volume.

### **Transformation of Card Management System (CMS)**

In 2016, MTB migrated to a renowned card management and switching system software Tranzware, which is capable of handling standard transactions of all types of payment systems.

### **Mobile Recharge from ATM**

MTB started offering mobile recharge from MTB ATM for its debit cardholders. Mobile recharge for all operators is possible through MTB ATM.

### **New Features in Mobile Apps**

During the year, MTB added new features in

Mobile Application, such as card discount partners' information and MTB Flexipay information.

### **SMS Push Pull Notification**

Balance enquiry or obtaining a mini statement has become easier for MTB customers as they now can get these services by sending a simple SMS to a specific mobile number.

### **Contact Centre**

2016 has been an amazing year for MTB Contact Centre completing its fifth successful year of operation. In 2016, MTB Contact Centre received an average of 27,000 inbound calls monthly with 88% service level and successfully served each and every client. The Contact Centre also made outbound calls to an average of 15,500 customers per month. With an average 25% increase in call volume per year, MTB Contact Centre has redefined customer convenience.

## **Risk Management Division**

### **Risk Management**

Risk is the probability of an adverse occurrence intensified by the impact of the same. In MTB, 'Risks' are considered as an integral part of doing business. Taking judicious care of a variety of unfavourable events that might create hindrances to the fulfilment of organizational objectives is of paramount importance. It is perceived that a 'risk event' can arise from anywhere, at anytime, in any form, and in unexpected ways. Keeping these fundamentals about risks in mind, risk management in MTB is being conducted a forward-looking vision about the business and economic environment within which it operates. Thus, ensuring the economic risk-adjusted returns of the stakeholders' value by taken risk aware decisions, and growing in a sustainable manner has become MTB's top priorities. Vigilant risk management is, in that perspective is, among MTB's foremost responsibilities. Prudence and circumspection are the cornerstones to ensure sustainable profitability, and build further upon its continuous growth, and achievements.

For appropriate trade-offs between risk and return, a well-structured, and proactive risk management system is in place within the bank. Policies, procedures, guidelines, and processes are also in place to proactively identify, measure, mitigate, and monitor risks relating to credit, market, operations, information and technology, asset-liability mismatch, foreign currency, money laundering, terrorist financing, reputation, settlement and so on.

MTB's risk management structure includes independent risk management division and clearly identifies the duties and responsibilities of relevant divisions/departments. Besides, MTB encourages its employees at all levels to adhere to the regulatory, as well as internal, policies, guidelines and procedures in an ethical way, abiding by the MTB Code of Conduct for better protection against any probable risk.

### **Risk Governance**

MTB's risk governance structure specifies the policies, principles and procedures for overall corporate risk management decisions. MTB follows an active risk governance structure, which is designed to improve the results of the organization by identifying and removing the causes that hinder its growth and by mitigating and managing the associated risks. MTB's risk governance is characterized by the following features:

- MTB has an effective Board of Directors (BoD) which steers the company to meet its business goal both in the short term and long term;
- The BoD has an appropriate mix of skills, experience and independence that enables its effective discharge of duties and responsibilities;
- BoD appropriately empowers its various committees;
- BoD formulates strategies by considering risk and reward over time;
- BoD informs shareholders and, where applicable, other stakeholders of its stewardship;
- MTB operates its risk management and control activities independently.



## Risk Governance Structure at MTB



- MTB's Risk governance evolves and improves over time in line with the broader principles of corporate governance.

Board and senior management oversight plays a pivotal role in risk governance structure. They define risk appetite, design the organizational structure to manage the risks within the bank, understand the inherent risks of the bank, review and approve risk management policies, limits and review the same at least annually, enforce and use adequate record keeping and reporting system, monitor compliance with overall risk management policies and limits.

### 1. Organizational Focus & Arrangement

To ensure robust risk management structure, MTB's transparent and sturdy governance made it possible to have different policies in place, which are reviewed by the Board Risk Management Committee (BRMC) and approved by the Board. Risk management policies are:

- i. Credit Policy with Credit Risk Management Guidelines;
- ii. Asset Liability Management Manual;
- iii. ICC Policy;
- iv. AML & CFT Policy guideline of MTB;
- v. Foreign Exchange Risk Management Policy & Guideline;
- vi. ICT Policy;

- vii. Wholesale Borrowing and Funding Guidelines;
- viii. Liquidity Contingency Plan;
- ix. Management Action Trigger;
- x. Fraud Detection and Management Process;
- xi. Valuation Methodology of Collateral;
- xii. Internal Capital Adequacy Assessment Process (ICAAP).

### 2. Risk Identification

MTB, through its experienced risk management team, and strong framework, identifies risks namely, credit risk, market risk, operational risks, residual risk, strategic risk, liquidity risk, concentration risk, reputation risk, asset liability risk, money laundering risk, foreign exchange risk, information and communication technology risk, environmental risk, interest rate risk, and other material risks.

### 3. Risk Measurement

Measuring the risks paves the way to decide, how much risk the management can mitigate, and in which ways. MTB applies a variety of qualitative and quantitative methods to measure risks in a proper way. These methods are Capital to Risk Weighted Asset Ratio (CRAR), Internal Capital Adequacy Assessment Process (ICAAP), Financial Spread Sheet (FSS) analysis, Credit Risk Grading (CRG), credit concentration, market concentration, and credit rating conducted by External Credit Assessment Institutions (ECAIs).



#### 4. Risk Monitoring and Reporting

MTB has different divisions/units, which are transparently playing their roles for continuous monitoring, and identifying the probable risks at earlier stages. Risk monitoring efforts seek to ascertain whether the risks lie within the credit or market, or operation. Monitored risks are, then, reported to the management. Management reporting helps compare the risks, and risk appetite of the Bank; and suggests the management about risks acceptability in terms of rationality and Bank's capacity.

#### 5. Internal Control & Comprehensive Audit

External factors are unpredictable in most of the cases, and are less easy to deal with. Therefore, controlling the internal environment is the best way to mitigate the related risks, or to avoid the exposure to any risk. MTB has an excellent culture of controlling internal affairs through financial units

like Internal Control and Compliance Division, which includes audit unit, monitoring unit, and also serves as a legal unit. This particular division is designed to ensuring absolute compliance with laws and regulations. Also an external audit firm conducts a comprehensive audit annually to detect instances of noncompliance, violation, or risks within the Bank, and reports the findings to the management.

#### 6. Reporting to the Regulator(s)

The Bank has developed a vigilant risk reporting system to cover different levels of risks like product level risk, industry wide risk, and enterprise wide risk. The responsible division, Risk Management Division, prepares risk reports monthly, quarterly, half-yearly and yearly, and presents the same to Bangladesh Bank (BB).

Functionally, MTB accomplishes its risk management processes at strategic level, at managerial level, and at operational level.

#### Risk Management Levels at MTB

##### STRATEGIC LEVEL

- At strategic level, MTB Board of Directors (BoD) defines the risk appetite and approves overall risk policies, procedures, and guidelines for the bank.
- The Executive Committee (EC) reviews risk management policies, and recommends to the Board of Directors; approves loans and investments, and administers various functions assigned by the Board.
- The Board Risk Management Committee (BRMC) sets up risk governance structure, and risk philosophy to ensure adequate capital, and appropriate capital adequacy assessment process to accommodate the present, and future business operation. This committee also reviews risk policies and recommends to the Executive Committee.
- The Audit Committee (AC) is responsible for reviewing the adequacy of the Bank's risk management processes, policies, and the effectiveness of implementation of the risk management system.
- All Risk Committee (ARC) continuously monitors policies, and the threshold limits of risks, that may be taken in line with bank's risk appetite.

##### MANAGERIAL LEVEL

- At managerial level, the policies and the strategies formulated by the BoD are implemented by the management.
- The Credit Evaluation Committee (CEC)
- The Assets-Liability Committee (ALCO) works for managing market price risk, liquidity risk and interest rate risk in a better way.

##### OPERATIONAL LEVEL

- Operational level encompasses on-the-line risk management, where risks arise from front office, or from credit desk of the bank. At this level, MTB, with the various divisions and officers, are working rigorously to combat those risks.
- MTB established Credit Risk Management Division (CRM), Credit Administration Department (CAD), Internal Control and Compliance Division (ICCD), and Risk Management Division (RMD) to mitigate risks in a better way.
- MTB also has Branch Anti Money Laundering Compliance Officer (BAMLCO) for every Branch under dedicated Chief Anti Money Laundering Compliance Officer (CAMLCO) to manage money laundering risks.



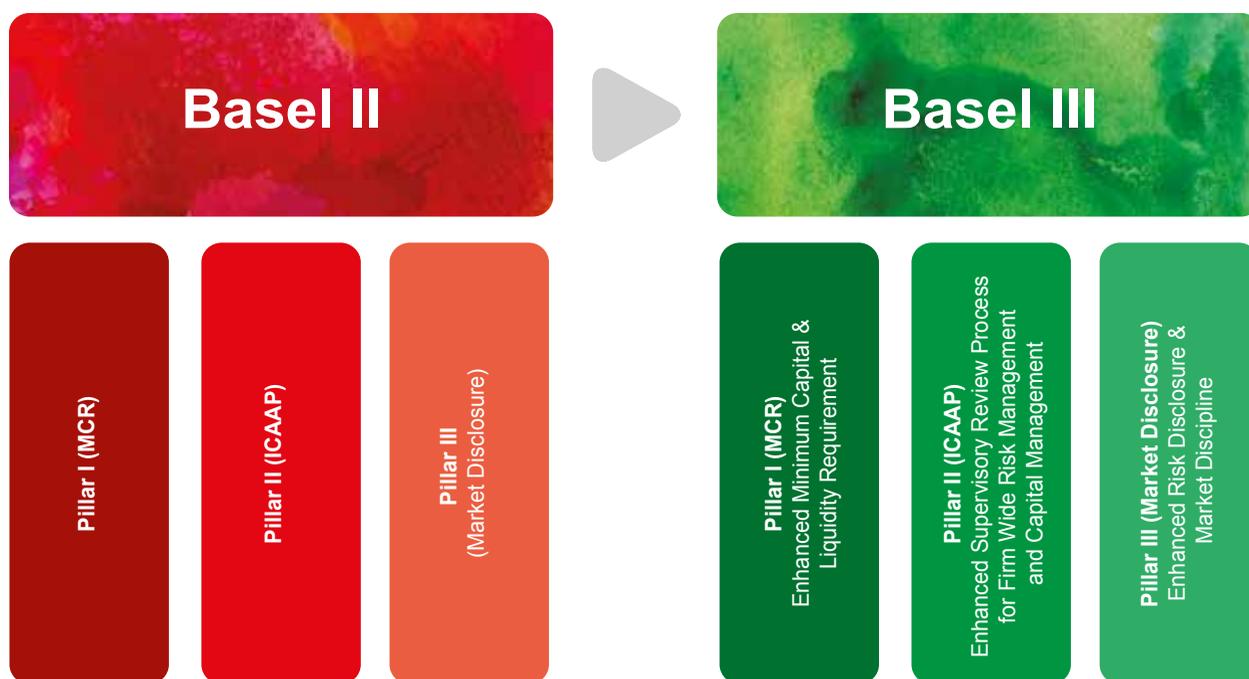
### Risk Management Practice Aligned with Basel Accord

As a Basel compliant bank, MTB follows international best practices in risk management as per Basel norms, which makes its capital more risk sensitive and resilient. Basel Committee on Banking Supervision (BCBS) has transitional arrangements to implement the Basel III standard, which is an improved version of Basel II, to ensure that, the banking sector can meet the higher capital and liquidity standards through retention of reasonable earnings and raising capital, while optimally supporting the credit needs of the economy. In line with the Basel framework, Bangladesh Bank has issued guideline on transitional arrangements for Basel III implementation in Bangladesh. The phase-in arrangements for Basel III implementation in Bangladesh, introduced by Bangladesh Bank, are being and will be followed by MTB. MTB is in the

process to fully implement Basel III from January 2020. MTB's capital structure is governed by the 'Guidelines on Risk Based Capital Adequacy (RBCA) for Banks' issued by Bangladesh Bank (BB). RBCA guidelines encompass risk management framework of the bank by Pillar-I (Minimum Capital Requirement, MCR), Pillar-II (Supervisory Review Process, SRP) and by Pillar- III (Market disclosures).

In compliance with the Pillar-I guidelines under Basel norms, MTB computes regulatory capital for credit risk, market risk and operational risk. Bank has adopted Standardized Approach (SA) under credit risk, Basic Indicator Approach (BIC) under operational risk and Standardized Approach (SA) under market risk to compute regulatory capital. Credit ratings done by the External Credit Assessment Institutions (ECAIs) are used for risk weighting of corporate and SME.

### Basel II vs Basel III



MTB has been successfully maintaining capital above the minimum capital requirement against credit risks, market risks, and operational risks. In 2016, capital to risk weighted asset ratio of MTB at consolidated level was 11.11% at the end of March, 11.80% at the end of June, 11.75% at the end of September and 11.29% at the end of December. MTB has appropriate organizational structure, procedures, and strategies in place for proper and prompt risk management.

To comply with the Pillar-II norms (Supervisory Review Process) of Basel III, MTB follows its Board approved policy on the Internal Capital Adequacy

Assessment Process (ICAAP), which covers identification and measurement of risks other than the risks under pillar I (Credit Risk, Market Risk and Operational Risk). Supervisory Review Process (SRP) is intended to ensure that, the bank has adequate capital to support all the risks viz. residual risk, liquidity risk, credit concentration risk, reputation risk, strategic risk, settlement risk, Information and technology risk, environmental risk, and other material risks in its business. Side by side, it assists the bank in developing, and using better risk management techniques in monitoring and managing those risks.



Under SRP, MTB computes additional capital requirement, which is finally determined by SRP and SREP (Supervisory Review Evaluation Process) through dialogue.

MTB adopts Stress Testing technique to measure its vulnerability to the impacts of exceptional but plausible events. The test is conducted quarterly, and findings are submitted to the All Risk Committee (ARC), the Board Risk Management Committee (BRMC), the Board, and the Bangladesh Bank (BB). Stress testing is carried out by assuming three levels of shocks viz. minor, moderate, and major on the following areas:

- Interest rate changes;
- Forced sale value of collateral;
- Non-performing loans (NPLs);
- Share prices;
- Foreign exchange rate;
- Changes in credit rating;
- Liquidity.

To meet Pillar III requirements of Basel III, MTB has adhered to the disclosure norms as stipulated in the guidelines of Bangladesh Bank. The disclosures for every year are available in the Bank's annual report and website.

#### **MTB Risk Management Practice on Six Core Risk Areas**

MTB conducts its operations by ensuring compliance with the Core Risk Management Guidelines, which covers the following risks:

- Credit risk
- Asset Liability risk
- Foreign Exchange risk
- Internal Control and Compliance risk
- Money Laundering risk
- Information and Communication Technology risk

#### **Credit Risk Management**

Credit risk is the probability that, a Bank's borrower or counterparty will fail to meet its obligations in accordance with agreed terms. To manage these risks, MTB's credit functions are conducted in a compliant manner under strict, judicious and rational credit policies and principles in conformity with Credit Risk Management (CRM) guidelines of Bangladesh Bank (BB). MTB approves credit to the eligible clients through credit processing system. MTB's international trade service operations are conducted through its three main offices known as 'MITS'. In MTB, renewal and extension of any credit facility require completion of pertinent due diligence processes including, as applicable, stock verification, rigorous need assessment, insurance coverage of the insurable objects, judicious collateral coverage, cash flow, supported repayment capacity, etc. MTB panel lawyers examine the security related documents to reduce the residual risks. Other than

these, the mechanisms and tools, through which MTB manages credit risks, are as follows:

#### **Exposure Ceilings**

MTB has its lending cap for different business sectors, industries, and locations, which is strictly tried to be adhered to. Lending cap is constantly reviewed in order to remain reasonably aligned with the business needs. The Bank never exceeds the Single Borrower Exposure Limit set by the Bangladesh Bank (BB).

#### **Prudent Credit Sanctioning Process**

Credit initiation and approvals, in MTB, are done in a segregated manner. Each and every sanction is done through a very stringent evaluation process, which, in fine, ensures quality of assets and minimizes losses likely to arise from potential bad loans. In order to make credit operations judicious, quality and rewarding, MTB has a strict credit policy in place. The policy, among others, requires:

- Clean and up to date Credit Information Bureau (CIB) report of the Client;
- Verification of the collaterals by the enlisted surveyors and obtaining legal opinion on acceptability of the collaterals and protecting banks interest.
- Ascertaining credit worthiness and need of the borrower, purpose and sources of repayment;
- Conducting lending operations complying with the norms and regulations;
- Maintaining rational loan deposit ratio;
- Avoiding directed and name lending.

#### **Credit Monitoring**

MTB Credit Monitoring Department (CMD) monitors the asset (loan) portfolio of the Bank continuously. MTB's credit monitoring system provides an early indication/ alert about the deterioration of the status of the loans that allows immediate launching of effective management actions in a rational manner to prevent them from turning into Non-Performing Loans (NPL). Statements on early alert accounts, delinquent and special mentioned accounts are generated timely. MTB's credit monitoring tools are effective to keep the overdue and SMA loans well below the industry average.

#### **Portfolio Management**

Credit concentration is against the spirit of diversification of portfolio in as much as it enhances credit risks. To avoid concentration, the principle of judicious credit diversification is followed in MTB, keeping in mind the essence of regional/ sectoral/ group concentration. Any exceptions in credit operations are considered for approval at appropriate level.

#### **Review/Renewal**

All credits approved on revolving basis are annually reviewed and renewed if found renewal worthy by



the appropriate authority as per Credit Approvals Discretion. Credits - continuous or term-based - are reviewed to ascertain the regularity in transaction and repayments as per covenants of the approvals.

### **Borrowers' Credit Rating**

Under the Standardized Approach of Risk Based Capital Adequacy (RBCA) guidelines of Basel-III, prescribed by the Bangladesh Bank, rating of the borrowers is an effective and efficient tool to manage credit risks. Good rating (i. e. low risk weight) of the borrowers, which facilitates identification of the borrowers as quality/rewarding one, also requires less capital. For achieving these, two fold objectives and also to comply with the requirements under Basel III, management has assigned priority on ECAI rating of all the eligible clients.

In its constant effort to understand the risk intensity of the assets, extent of capital relief and also in order to be able to make appropriate choice in respect of selection of the borrowers, ECAI rating status is monitored every day at Risk Management Division. With the laying of adequate importance on ECAI rating, the number of ECAI rated clients has increased significantly.

### **Non-performing Loans (NPLs) Management**

Despite all out efforts by the Credit Monitoring Division (CMD), if any loan becomes classified, Special Asset Management Division (SAMD) takes immediate action. SAMD operates independently to prepare and implement overall action plan and recovery strategies. The division works in coordination with the branches, concerned Corporate Head Office's (CHO) divisions, legal department, and conducts door-to-door recovery drives for Non-Performing Loans (NPLs). The tools and strategies for Non-Performing Loans (NPLs) management as applied by SAMD are designed in a manner to keep the NPL much below the critical level as per recognized/ institutional standard.

### **Environmental Risk Management**

Environmental risk is a facilitating element of credit risk arising from environmental issues. These can be due to environmental impacts caused by and / or due to the prevailing environmental conditions. These increase risks as they bring an element of uncertainty or possibility of loss in the context of a financing transaction.

The overall purpose of Environmental Risk Management is to understand and manage risks that arise from environmental concerns. This brings a focus on planning and implementing policies and procedures to mitigate environmental risks.

The specific purposes are to:

- Examine the environmental issues and concerns associated with potential business activities proposed for financing,
- Identify, evaluate and manage the environmental

risks and the associated financial implications arising from these issues and concerns,

- Enhance the credit risk appraisal process.

Based on different environmental risk levels, MTB considers the following approval level as ideal and appropriate.

- If the EnvRR is high, the proposal for financing to be approved by the Board or Executive Committee within its authority.
- If the EnvRR is low or moderate, the financing decision to be taken on the basis of usual credit risk management guidelines.
- If the EnvRR is unclear, then it is required for the Marketing/Relationship Management to collect more information from the borrower so as to gain an understanding of the inherent risks and arrive at a high/moderate/low decision. Should a risk factor not be applicable, it may be excluded from the total number of questions used in calculating.

### **Asset Liability Risk Management**

Asset Liability Management (ALM) is considered as a key Balance Sheet Risk Management discipline, which mainly focuses on Liquidity Risk, Interest Rate Risk, and Exchange Rate Risk of the Bank. As per Bangladesh Bank (BB) guidelines, MTB has a fully functional Asset Liability Committee (ALCO) for prudent Balance Sheet Risk Management. The committee consists of the Managing Director & Chief Executive Officer as the Chairman of the committee, Additional Managing Director & COO, all the Deputy Managing Directors, and strategically important Divisional Heads of Corporate Head Office (CHO) as members. To address and mitigate various risks involved in the business, ALM desk of MTB Treasury prepares Asset Liability Committee (ALCO) paper as per the guidelines of BB in each month, and conducts monthly ALM meeting, where global & economic outlooks, as well as financial fundamentals of the Bank are highlighted.

### **Foreign Exchange Risk Management**

Foreign Exchange Risk is related to the fluctuation in earnings due to change in market prices. As per the Foreign Exchange risk management guidelines of Bangladesh Bank (BB), MTB has Board approved different risk limits for Foreign Exchange dealing operations and generally, all the deals are done meticulously within the Board approved limits. MTB has a well-defined internal approval and reporting procedures to report on Foreign Exchange business activities on a regular basis to the senior management. Moreover, BB has given Net Open Position (NOP) limit based on MTB's total capital and some other qualitative parameters. In order to minimize Foreign Exchange risk and to fulfil regulatory requirements, MTB maintains NOP limit very meticulously.



### **Internal Control and Compliance Risk Management**

MTB has a structured Internal Control and Compliance (ICC) Division with the following three distinct units, headed by a senior level executive:

- Audit and Inspection
- Compliance
- Monitoring

The mission of MTB's compliance function is to promote the culture and practice of compliance of legal and regulatory requirements, as well as the Bank's ethical standards. Internal Control & Compliance Division reports on non-compliance, detected by the internal and external audits to the Audit Committee of the Board for appropriate and necessary action. Under the Board Audit Committee's supervision, ICC division is responsible for assessing and monitoring adequacy of the Bank's internal control systems, risk management, and regulatory compliance. The Bank's main objectives are to ensure that, the Bank's internal control system is adequate, appropriate, and thorough; information is accurate, complete, reliable; and that the Bank complies with the germane regulations.

### **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.

### **Information and Communication Technology (ICT) Risk Management**

MTB wants to grow by ensuring the total security of the customers, and all other stakeholders. In the backdrop of an increased reliance on complex IT systems and operations in the financial sector, the risk of cyber-attacks and system disruptions is high. In this regard, MTB has been continuing to deepen its technology risk management capabilities by adopting strong "IT Security Policy", and its adherence to the same. These principles define responsibilities and requirements for protecting information systems, hardware, network, related communication technologies, and their use in providing financial services.

### **Cyber Security Management**

Constant change, unpredictability, and uncertainty have made cyber security everyone's responsibility. Therefore, continuous awareness program for everyone, employees and clients, about cyber security goes round the years in MTB. The Bank reminds the employees about security in every possible ways as a continuous process.

Cyber security has become imperative to our business process. Practice in building walls in an attempt to block out all malware, and making organization cyber-resilient is going on side by side. In practice, a handful of initiatives including firewalls, perimeter security, vulnerability testing, and intrusion-prevention is in place to check, and strengthen the preventive measures against cyber-attacks.

### **State of the Art Data Centre**

As part of effective risk management, a state of the art data centre has been established at MTB's own premises at "MTB Tower", while the previous Data Centre located at Dilkusha, has been shifted to the aforesaid location. This Data Centre is equipped with sophisticated data replication technology to protect loss of customer sensitive information, and their transaction in case of failure of primary data centre due to any disaster.

### **Vulnerability Test**

Apart from strengthening ICT infrastructure platform, the bank also focused on identifying its security risks by conducting penetration, and vulnerability tests on its existing services.

The core firewall of the bank is in the process of being replaced by the state of the art latest firewall to screen, and to nip the external threats in the bud from entering the bank's core network channels. This will also restrict the internal users from visiting the suspicious and harmful websites, and the incoming emails for spam and scam links.



### **EMV Chip Based Card Products and Alternate Delivery Channels**

In 2016, the Bank adopted the most recent advancement to combat fraud, and protect sensitive payment data in the card with EMV (Europay, MasterCard, Visa) technology, also called chip-and-PIN technology. MTB did it because chip-enabled card is more secured than magnetic stripe card. Data from a traditional magnetic stripe card can be easily copied or skimmed which can reproduce a counterfeit card. However, it is tough in case of EMV and chip based card as, verification by the point of sales device ensures authenticity of the transaction.

To provide 24/7 service and saving time of the customers giving convenience, as well as to reduce pressure of human transit in the branches, the Bank has improved automation and alternate delivery

channels on a praiseworthy position.

### **Disaster Recovery Site**

As an important and foresighted pre-management of any disaster (natural and man-made), the Bank's data is preserved in a secured site. This is known as Disaster Recovery Site from which it would be possible to bring, and restore data in post-disaster period for normalizing the bank's operations.

### **IT Audit Team**

Following the Bangladesh Bank's (BB) guidelines, MTB has formed an IT Audit Team in its IT Division. The members of the team audit the branches and various divisions of Head Office, report to the authority, and suggest necessary actions.

## **GREEN BANKING**

### **Green Banking Concept**

The concept of 'Green Banking' originates in modern banking approaches. The concept has actually been derived from ethical banking which seeks to mitigate the hazards of climate change due to global warming. Climate change has a direct impact on biodiversity, agriculture, forestry, water resources and human health. Due to unusual weather pattern, rising greenhouse gas emission and declining air quality society demands that businesses also take responsibility of safeguarding the planet. Green finance as a part of green banking can make great contribution to the transition to resource-efficient and low-carbon industries i.e. green industry and green economy in general.

Green banking is a component of the global initiative by a group of stakeholders to save the environment. The environment in Bangladesh is rapidly deteriorating. The key areas of environmental degradation are: air pollution; water pollution and scarcity, encroachment of rivers, improper disposal of industrial, medical and household waste, deforestation, loss of open space and loss of biodiversity. In addition, Bangladesh is one of the most climate-vulnerable countries. In line with global development and response to environmental degradation, the financial sector, as one of the key stakeholders in society, should play its due role.

Bangladesh is one of the worst victims of global natural pollution through industrialization of the western nations. Under such risky environmental threat, financial sector of Bangladesh is playing a key role as an important stakeholder of the economy encouraging the businessmen and industrialists of the country to design their various strategies and

action plans for addressing critical environmental issues.

### **Bangladesh Bank initiatives for Green banking**

Bangladesh is one the most environmentally impacted countries in the world; keeping this in mind, Bangladesh Bank issued policy guidelines for Green Banking in February 2011. According to the guidelines, all operating banks and financial institutions need to take effective measures to conduct environment-friendly banking activities in the country. Bangladesh Bank has also issued a common reporting format to all the commercial banks to report green banking activities. Banks and financial institutions now regularly submit a quarterly report to the Bangladesh Bank on their performance of green banking activities.

Bangladesh is committed to pursuing low-carbon green development without compromising the imperative of faster economic growth and social development. Formulation of two refinance schemes of BDT 2 billion for Renewable Energy and Green products and USD 50 million for Brick Kiln Efficiency Improvement projects are important initiatives taken by Bangladesh to save the planet. Also a comprehensive guideline on Corporate Social Responsibility (CSR) has been issued where banks have been asked to concentrate on linking CSR activities at their highest corporate level for ingraining environmentally and socially responsible practices and engaging with borrowers in scrutiny of the environmental and social impacts of their undertakings.

### **MTB's Green Initiatives**

MTB, one of the leading compliant commercial banks of the country, is devoted to complying with the environmental regulations, maintaining ecological balance and contributing to ensure our planet is



safely habitable for all living beings. In compliance with Bangladesh Bank guidelines, MTB has formed Green Banking Cell aiming to develop green banking policies, as well as to plan and oversee the overall green banking. To ensure Green Banking practices in the bank, MTB has formulated a Green Banking Policy as instructed by Bangladesh Bank, covering areas that ensure sustainable environment i.e. in-house environment management, green financing and awareness building among the stakeholders of the Bank.

#### **MTB Green Office Guide**

The Bank has developed its Green Office Guide for all employees to educate and build awareness on green banking activities and provide instructions on efficient use of energy, water, paper, etc. It is formulated as an effective tool to improve in-house 'green' management at MTB.

#### **Inclusion of Environmental Risk Policy in the Credit Risk Management Policy**

MTB has incorporated the Environmental Risk Policy within its Credit Risk Management (CRM) Policy to improve the CRM principles and the due diligence review. The Bank extends facilities to its client following Environmental Due Diligence (EDD).

#### **Development of Green Product for Financing**

MTB, as a responsible corporate entity, is strongly committed to increasing sustainable energy financing in Bangladesh. To make this commitment come true, the bank has developed a dedicated product named MTB Green Energy. This loan is an environment friendly Green Credit product offered to the prospective customers to set up renewable energy projects such as solar, biogas, wind, and hydro and any other potential renewable plants to help reduce the carbon footprint in the country.

#### **MTB's Green Marketing System**

With the support of all available modern amenities, MTB has already established a complete Information and Technology (IT) based green marketing system. It constantly encourages its customers through e-mail and other electronic means to use environment friendly banking tools. All MTB outlets across the country send e-statement, e-card in the festivals and other necessary documents online to reduce paper trail. MTB always encourages the clients to communicate and to send documents through e-mail with a view to doing the same

#### **Online Banking and Internet Banking Facilities**

Going online in most cases means going paperless and availing self-service. It improves efficiency and reduces traffic at the branch premises. MTB, to maximize mutual benefits, is providing online banking facilities through its core banking system

across the country. Fund Transfer to other banks' accounts through BEFTN has also been made available through Online Banking. As a result, customers can execute fund transfer to any other account across the country through paperless and automated Online Banking. Other than this, MTB also offers convenient, accessible 24/7 and safe real-time Internet Banking facilities to its customers. MTB Internet banking enables its customers to avail the services such as balance enquiry, balance transfer, viewing account statement, mobile recharge, utility bill payment etc.

#### **MTB's SMS Banking Facilities**

For instant access to a customer's account information at any time, MTB provides SMS Banking service to its clients. Any mobile phone user having an account with MTB can obtain the service through his/her mobile phone upon subscribing. By using SMS banking, MTB customers can avail the services such as balance enquiry, mini statement, transaction alert, etc.

#### **ATM with National Payment Switch Bangladesh (NPSB) Network**

In addition to the Bank's own 226 ATMs, the Bank has already joined National Payment Switch Bangladesh (NPSB) Network. This system enables the Debit Cardholders of the Bank to enjoy cash withdrawal facility from other ATMs under NPSB Network. MTB has been using the BACH and BEFTN mechanisms for convenient payment activities, which, to a great extent, support the concept of green banking.

#### **Capacity Building**

MTB is committed to capacity building of its officials for training, and workshop. Last year, MTB arranged green banking training programs regularly for its employees to create awareness about Green Banking aspects. In addition, officials of the Bank attended various other training programs, workshops and seminars on Green Banking arranged by Bangladesh Bank Training Academy and Bangladesh Institute of Bank Management (BIBM) and other institutions.

#### **MTB Green Building**

MTB has designed its two corporate Head Office buildings named "MTB Centre" and "MTB Tower" as fully green buildings with motion sensor lighting system. Lights are automatically turned off if there is no human movement in the room. Solar power system has also been installed on the rooftop of the buildings. Both buildings are designed to reduce energy consumption significantly and make MTB a green and environment friendly bank in the true sense.

MTB Tower has introduced the facilities of rain-water



harvesting and eco-friendly carpet, a carpet made of wool, a natural fibre processed without using any chemical treatment. The state of the art rain-water harvesting plant has a capacity of 10,000 litres.

As part of its green initiatives, MTB has established nine solar powered ATMs, which consume significantly less energy compared to other conventional banking outlets.

### Energy & Water Management

The Bank has been advising its staff to adopt energy and water efficient practices. They have been also advising to emphasize efficient use of gas with a view to reducing fuel electricity and water emission. Energy saving bulbs and products with eco-friendly features are also being used in the Bank offices.

### Paper Consumption Management

Papers printed on one side have been introduced for drafts and notes in MTB workplace. In addition, most of the inter branch correspondence has become paperless with use of e-mail. MTB has a strong Intranet, MNet, through which MTB officials can easily communicate with each other. All internal communication, information sharing, e-notice board maintaining, online leave management, e-dispatch, e-attendance, notification of Bangladesh Bank (BB) and MTB circulars take place on this Intranet.

### MTB's Financing in Green Projects

MTB promotes and supports environment friendly responsible financing. Besides dedicated MTB Green Energy loan a client can avail other loan facilities for their green initiatives. During 2016, the Bank extended green financing under MTB Green Energy loans of BDT 625 million to different green projects such as tunnel kiln brick manufacturing, effluent treatment plant, solar home system and oil generation from tyre. MTB also offers different product wise loan portfolios supporting green initiatives amounting to BDT 1488 million.

### MTB's Way Forward for Green Banking

MTB is highly committed to building a sustainable business without causing any environmental degradation, biodiversity depletion or natural resource destruction. MTB is also committed to bringing the utmost benefit to the society, environment and the economy of Bangladesh through its efforts. For a greener world, MTB's future planning regarding Green Banking covers the following areas:

- Increase green financing at lower interest rate for installation of environment friendly solar energy plant, biogas plant, bio fertilizer plant, renewable energy plant, effluent treatment plant and Hybrid Hoffman and Tunnel kiln projects for the production of brick.
- Continue investment and support for Alternative Delivery Channels (ADC) such as ATM, Debit Card, Credit Card, Internet Banking, Mobile Banking, Kiosk, POS terminals, BACPS, BEFTN and SMS Banking for making banking services easier and convenient for its customers while leaving less carbon footprint.
- Adopt Biometric Smart Card in near future.
- Introduce video conferencing system to cut down physical visit and increase participation of branch officials in meetings.
- Install solar panels in its branches and ATM booths.
- Participate in and organize green events such as observance of World Earth Day and World Environment Day
- Continue to provide training and workshop on Green Banking to employees.
- Arrange more seminars to create customer awareness regarding Green Banking and to promote the Green Products.

## CORPORATE SOCIAL RESPONSIBILITY

MTB holds a conviction that in the long run being compassionate to the society will not only do good to the underprivileged but also be beneficial to the organization. In line with that, MTB believes Corporate Social Responsibility plays a significant role in its business strategy of responsible growth and connects MTB to its very basic purpose of making people's financial lives better around the communities. Realizing this, the bank had introduced "**Bravery & Courage**" award in 2012 for the first time in the industry and since then, has been

recognizing different acts of bravery. How the bank engages in the communities in which it operates, is tied closely to the business it does with customers and clients in those communities. Responsible banking has always been an understanding of MTB's culture and approach to business. Moreover, the bank determinedly refines its CSR governance to meet embryonic societal hope and business needs. In accordance with the bank's policy to nurture the primary education sector in the rural hard-to-reach areas, MTB launched a special & unique campaign titled "**Swapno Sarathi**" in 2015. This campaign aims at providing students with bicycles with a view to facilitating their movement to and from schools and the distribution of bicycles has crossed



thousand in number. According to the management of MTB, every stakeholder has the right to become better off. So being a conscientious partner of the society is integral to the triumph of any business. In order to create a sustainable business in terms of protection & surging, doing the right thing to all the stakeholders has no substitute. 2016 has been a positive year for MTB in terms CSR activities. During the year, the bank focused on diverse areas of social development ranging from community health to disaster management, sports, education, and support for underprivileged women and children etc. Some of the major CSR activities of 2016 are noted below:

#### **Financing Health Program at Char Patila in Partnership with MRDI and UDT**

With a view to developing the health conditions of the underprivileged people of Char Patila at Char Kukri Mukri of Bhola District, the bank, as part of its CSR initiatives, agreed to finance a health program in partnership with Management and Resource Development Initiative (MRDI) and Unnayan Dhara Trust (UDI). According to the MOU, Unnayan Dhara Trust (UDT) is in the process of implementation of the project/health program for the people of the above mentioned area under the close monitoring of Management and Resource Development Initiative (MRDI) and financed by MTB.

#### **MTB signs MOU with ActionAid for building a school at Char Montaz in Patuakhali**

MTB signed a memorandum of understanding (MOU) with ActionAid International Bangladesh to help build a school for underprivileged children's right to safe and adequate school structure at modhya char Montaz, Golachipa, Patuakhali.

#### **MTB accords Reception to Under-16 Women Footballers**

Mutual Trust Bank Limited (MTB) accorded a reception to Bangladesh U-16 Women's Football team at the conference room of Bangladesh Football Federation (BFF) this year. The Bangladesh Under-16 Football team emerged unbeaten champions in the AFC U-16 Women's Championship Qualifiers to reach the final round of the Asian meet in Thailand next year. The Mutual Trust Bank handed over a cash award, a bicycle and a kit bag to each player

of Bangladesh Under-16 Women's Football team at the function and assured BFF of its all support for the development of country's women's football in the coming days.

#### **MTB's "Swapno Sarathi" Campaign**

The campaign aims at motivating students, mainly female, with the motto "school-e jete durotto jeno badha na hoy" by providing them with bicycles with a view to facilitating their movement to and from school. During 2016, more than 1199 bicycles were distributed in different regions of the country, namely: Bogra, Dhorkora Bazar, Dinajpur, Joypurhat, Kadir Bazar, Ramchandrapur Bazar, Rangpur, Sirajgonj, Thakurgaon and Feni in addition to former enclaves of Bangladesh.

#### **MTB endows "Bravery & Courage Award", 2016**

The bank had introduced "Bravery & Courage" award in 2012 and since then, has been recognizing different acts of bravery. Mutual Trust Bank Ltd. (MTB) presented the "MTB Bravery & Courage Award 2016" to Akter Mia and Late Sharowar Howlader (posthumous) for rescuing four young men from drowning at Badda, "MTB Bravery & Courage Award" to Md. Monir Hossain, Traffic Constable, Chittagong Metropolitan Police (CMP), "MTB Bravery & Courage Award" to late Hazrat Ali, who lost his life while bravely trying to save two lady pedestrians attacked by muggers in Mirpur.

#### **MTB teams up with Chittagong City Corporation to implement "Door-to-Door Cleanliness Campaign".**

MTB handed over Rickshaw Vans and Plastic Bins to the Mayor of Chittagong Mr. AJM Nasir Uddin for implementing "Clean and Green Chittagong" project.

#### **MTB donates to the Prime Minister's Relief Fund to help the flood affected people of the country**

In 2016, Mutual Trust Bank Ltd. (MTB) has handed over cheques of BDT 15 million & BDT 7.5 million to the Honorable Prime Minister of Bangladesh, Sheikh Hasina, for the Prime Minister's Relief Fund for the welfare of the country & to help the flood-affected people of the country. In addition to that, Mutual Trust Bank Ltd. (MTB) handed over a token sample of the 25,000 blankets to Prime Minister Sheikh Hasina, for the Prime Minister's Relief Fund in 2016.

## **ANTI-MONEY LAUNDERING (AML) & CFT**

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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.



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- MTB revised its policy guideline in line with the Money Laundering & Terrorist Financing Risk Management Guidelines issued by BFIU, prevailing laws of the land and BFIU circulars and instructions.
- Every year, the Managing Director & CEO of the bank issues a statement of commitment in writing to all the employees of the bank. The statement clearly sets forth MTB's policy against money laundering, terrorist financing and proliferation financing of weapons of mass destruction. In 2016, the Managing Director & CEO made two such statements, one of which was regarding strategy, action plan, compliance and consequence of non-compliance, while the other one was with special focus on being more aware and highly vigilant, so that MTB is not used as a channel to launder money or finance terrorism in any possible way.
- It was in 2016 that MTB Central Compliance Unit (CCU) was further strengthened by engaging additional staff, having expertise in the field of general banking and information technology, taking the total headcount to 10 (ten).
- MTB revised its customer acceptance policy, which is approved by the Board and incorporates detailed customer due diligence

procedure entailing policy for acceptance/rejection of customer and procedures to follow while opening different accounts and during the operation of such accounts along with indicative list of documents to open those accounts.

- MTB revised its own ML & TF Risk Assessment Guideline with ML & TF Risk Register in line with the BFIU guidelines.
- The CCU conducted inspection on AML & CFT compliance status of 30 (thirty) MTB branches.
- MTB further accelerated its monitoring endeavors with system-based monitoring tools, available at all the branches and the CCU.
- MTB devised an automated sanction screening tool to perform screening against United Nations Security Council Resolution (UNSCR), Office of Foreign Assets Control (OFAC), adverse media and domestic sanction lists before establishing relationship with and offering service to a customer. MTB is also availing the Online Compliance facility of the Compliance Screening Solutions of ACCUITY for thorough screening against extensive sanction lists.
- As part of Know Your Employee (KYE) program, MTB performs reference check and background check in the process of employee screening.
- MTB conducts day long AML & CFT workshops throughout the year, with the support of the Group Human Resource Division, and state-of-the-art MTB Training Institute to train all the staff members of the bank irrespective of their functional areas. In 2016, MTB arranged 15 workshops on AML & CFT compliance, where a total of 1120 MTBians availed the opportunity to enrich their knowledge on AML & CFT measures and compliance. 2 workshops on AML & CFT compliance were arranged for MTB agents. 37 participants, comprising agents and agent employees, from across the country attended the workshops. Apart from these, 4 workshops were arranged on "Account Opening & Operating Procedure", where 211 account opening officials from 106 MTB branches and 8 Privilege Banking Centres were present. Furthermore, 9 specialized training on "Error Free Cash Transaction Reporting to BFIU" were arranged for 112 reporting officials of 106 MTB branches.





# REPORT ON CEO'S AND CFO'S RESPONSIBILITIES

The financial statements of the MTB Group, Bank and its subsidiaries, are prepared in compliance with 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 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, M. J. ABEDIN & CO. Chartered Accountants, in order to ensure that the provision of such services does not impair the auditor's independence. The report is given on page 196 of the Annual Report.

The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view. The form and substance of transactions and the Bank's state of 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 were 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 applicable laws and regulations and guidelines and that there are no material litigations against the MTB Group.

**Anis A. Khan**  
Managing Director & CEO

**Sayed Abul Hashem FCA, FCMA**  
Group Chief Financial Officer







# 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, executives 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 Member/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 lays great importance on the rights of all its stakeholders including directors, executive officers, employees, members/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. Member/Shareholders

The Bank focuses on creating and delivering sustainable member/shareholder value, protection of assets and providing all member/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 Sarathi", 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, member/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 a 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 Banks' Board of Directors and Bangladesh Bank. 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 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 member/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/guidelines.

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 Board meeting, if deemed expedient, may appoint another qualified and suitable Director to fill that position for the remainder of the term of office of his/her predecessor.

#### **8.2.1.1 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 17<sup>th</sup> AGM and they were eligible for re-election.

Mr. Rashed Ahmed Chowdhury, Director (Representing ABC Limited), Dr. Arif Dowla, Director (Representing Advanced Chemical Industries Ltd.), and Mr. Md. Wakiluddin, Director retired and were re-elected.

#### **8.2.1.2. Appointment/Re-appointment of Independent Directors**

As per the Bank Companies Act, (Amended up to 2013) 1991, the number of Independent Directors should be 3 (three) out of total 20 (twenty) directors. However, if the total number of directors is less than 20 (twenty), then the number of Independent Directors should be at least 2 (two). Therefore, the Board of MTB has approved the re-appointment of Independent Directors (Mr. Anwarul Amin and Dr. Sultan Hafeez Rahman), who have been discharging

their duties effectively and efficiently for the last three years. Accordingly, the shareholders of the bank at the 17<sup>th</sup> AGM approved their re-appointment, which were confirmed by the regulators.

### **8.2.2. 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.

### **8.2.3. 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.

### **8.2.4. 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, the newly included 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 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 and 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 made 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 license of which has been canceled.

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 reappointing 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:

a) 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.

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

c) 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.

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

e) 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. 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. The Board Secretary is responsible for providing all directors with the agenda, supporting papers and relevant information for each meeting before the meeting and advance notice of the business to be transacted.

##### **8.6.2. Chairman of the Board of Directors**

As Chairman of the Board of Directors or Chairman of any Committee formed by the Board of Director 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 is formed with the members of the board to perform according to its terms of reference determined by the Board of Directors.

##### **a) Organizational Structure**

- i. Members of the committee are be 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**

- ii. The Committee decides and acts in the cases, as instructed by the Board, that are not specifically assigned to the full board through the bank company Act, 1991 and other laws and regulations.
- ii. The Committee takes all necessary decisions and approve cases within the power delegated by the board.
- iii. 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 management's actions 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 it 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 responsibility 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. Reviewed 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 remunerations.
4. Review the correctness and adequacy of financial statements for submission to the Board.
5. Review 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:

- a) Significant difficulties encountered during the audit;
- b) key areas of significant risk of material misstatement in the financial statements;
- c) 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);
- d) Use of external experts to assist with the external audit;
- e) The auditor's approach to internal control;
- f) The extent to which the auditor uses the work of internal audit;
- g) Significant internal control deficiencies identified in the course of statutory audit;
- h) Significant qualitative aspects of financial statement disclosures;
- i) 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 Bank Company 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 5 times in 2016;
2. Detailed memoranda are distributed to the



- members well in advance before each meeting;
- All decisions/observations of the Committee are noted in the minutes.

### 8.6.3.3. Board Risk Management Committee

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, and 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

- Members of the Committee are nominated by the board from themselves;
- The Committee consists of 4 (four) members;
- Company secretary of the bank is the secretary of the Board Risk Management Committee.

#### b) Qualifications of the Members

- Integrity, dedication, and opportunity to spare time in the functions of the Committee are considered while nominating a director to the Committee;
- Each member is capable of making valuable and effective contributions in the functioning of the Committee;
- 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 the Board Risk Management Committee (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

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

##### d) Meetings

- The BRMC met five times in 2016;
- To ensure active participation and contribution by the members, detailed memoranda are distributed to Committee members well in advance before each meeting;
- All decisions/observations of the Committee are noted in minutes.



## 9 Related Transactions

As of December 31, 2016, 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 note no. 43 of 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 December 31, 2016, the total manpower of the Bank was 1891 (regular employees), of whom 1234 work at Bank branches, 580 at the Corporate Head Office, 68 at MTB Securities Ltd. (Brokerage House, a subsidiary of the bank), 7 at MTB Capital Ltd. (Merchant Bank, a subsidiary of the bank) and 2 at MTB Exchange (UK) Ltd.

### 10.1. Staff Development Program and Human Resource Management Plan

In 2016, 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 2016, the Bank organized 263 training courses, comprising 113 in-house, 140 local/out-sourced and 10 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 204<sup>th</sup> meeting held on April 24, 2017 has approved 15% stock dividend (bonus share) for the year 2016 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

M. J. Abedin & Co., Chartered Accountants, is the statutory auditor of the bank. They have been discharging their duties as auditor for three consecutive years, i.e., they were appointed as the Auditor at the 15<sup>th</sup> AGM, held on April 10, 2014. As per regulatory guidelines, their engagement with the MTB would expire after the 18<sup>th</sup> Annual General Meeting (AGM).

In case of appointing the external auditor for 2017, the Board of Directors, after reviewing recommendation of the Audit Committee, approved the proposal of A. Qasem & CO., Chartered Accountants at fee of BDT 1.00 million and recommended to place the proposal before the ensuing 18<sup>th</sup> AGM for the approval of the shareholders.

## 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/CMRRC/2006-158/134/Admin/44, following positions of the management are defined clearly. The detail 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 8 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 three all the departments under the said departments of the ICC, which are being 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 Senior Executive Vice President & Group Chief Financial Officer (GCFO)

The Board has appointed Mr. Sayed Abul Hashem FCA, FCMA 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. 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.

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. Core Management Committee (CMC)
- 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) Document Preparation Committee
- x. IT Steering Committee
- xi. IT Security Committee etc.

#### Meeting Attendance of the Directors:

In 2016, meeting attendance of Board members and Board Committees' members are as follows:

#### Meetings of the Board of Directors

Sl.	Name of Director	Total Meetings Held	Meetings Attended	Remuneration (BDT 8,000/Meeting)	Remarks
1.	Mr. M. A. Rouf, JP Chairman	13	12	96,000	Leave of absence was granted
2.	Mr. Md. Hedayetullah Vice-Chairman	13	9	72,000	"
3.	Mr. Syed Manzur Elahi Director (Founding Chairman)	13	9	72,000	"
4.	Dr. Arif Dowla Director (Representing Advanced Chemical Industries Ltd.)	13	8	64,000	"
5.	Mr. Rashed Ahmed Chowdhury Director (Representing Associated Builders Corporation Ltd.)	13	10	80,000	"
6.	Mr. Md. Abdul Malek Director	13	11	88,000	"
7.	Mr. Md. Wakiluddin Director	13	12	96,000	"
8.	Mrs. Khwaja Nargis Hossain Director	13	12	96,000	"
9.	Mr. Anjan Chowdhury Director (Representing ASTRAS Ltd.)	13	3	24,000	"
10.	Mr. Q. A. F. M. Serajul Islam Director (Representing Pioneer Insurance Company Ltd.)	13	7	56,000	"
11.	Mr. Anwarul Amin Independent Director	13	13	104,000	-
12.	Dr. Sultan Hafeez Rahman Independent Director	13	10	80,000	Leave of absence was granted
<b>Total</b>				<b>928,000</b>	



**Executive Committee Meetings**

Held from January 01, 2016 to March 14, 2016

Sl.	Name of Director	Position	Total Meetings Held	Meetings Attended	Remuneration (BDT 8,000/ Meeting)	Remarks
1.	Mr. Md. Hedayetullah Director	Chairman	2	2	16,000	He was elected as the Vice-Chairman of the Board at its 189 <sup>th</sup> meeting, held on February 24, 2016
2.	Mr. M A Rouf, JP Vice-Chairman	Member	2	1	8,000	Leave of absence was granted. He was elected as the Chairman of the Board at its 189 <sup>th</sup> meeting, held on February 24, 2016
3.	Mr. Md. Abdul Malek Director	Member	2	2	16,000	---
4.	Mr. Md. Wakiluddin Director	Member	2	1	8,000	Leave of absence was granted
5.	Mr. Q.A.F.M. Serajul Islam Director	Member	2	2	16,000	---
<b>Total</b>					<b>64,000</b>	

**Executive Committee Meetings Held from March 15, 2016 to December 31, 2016**The Committee was reconstituted at the 190<sup>th</sup> meeting of the Board of Directors, held on March 15, 2016

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	7	7	56,000	Appointed as the Chairman of the reconstituted Committee
2.	Mr. Md. Hedayetullah Vice-Chairman	Member	7	4	32,000	Leave of absence was granted
3.	Mr. Md. Abdul Malek Director	Member	7	4	32,000	"
4.	Mr. Md. Wakiluddin Director	Member	7	6	48,000	"
5.	Mr. Q. A. F. M. Serajul Islam Director	Member	7	5	40,000	"
<b>Total</b>					<b>208,000</b>	

**Board Audit Committee Meetings**

Held from January 01, 2016 to March 14, 2016

Sl.	Name of Director	Position	Total Meetings Held	Meetings Attended	Remuneration (BDT 8,000/ Meeting)	Remarks
1	Mr. Anwarul Amin Independent Director	Chairman	1	1	8,000	----
2	Mr. Syed Manzur Elahi Director (Founding Chairman)	Member	1	---	---	Leave of absence was granted
3	Dr. Arif Dowla Director	Member	1	1	8,000	----
4	Mrs. Khwaja Nargis Hossain Director	Member	1	1	8,000	----
5	Dr. Sultan Hafeez Rahman Independent Director	Member	1	1	8,000	----
<b>Total</b>					<b>32,000</b>	



**Board Audit Committee Meetings held from March 15, 2016 to April 27, 2016**

Sl.	Name of Director	Position	Total Meetings Held	Meetings Attended	Remuneration (BDT 8,000/ Meeting)	Remarks
1	Mr. Anwarul Amin Independent Director	Chairman	1	1	8,000	----
2	Mr. Rashed Ahmed Chowdhury Director	Member	1	1	8,000	----
3	Mrs. Khwaja Nargis Hossain Director	Member	1	1	8,000	----
4	Mr. Anjan Chowdhury Director	Member	1	---	---	Leave of absence was granted
5	Dr. Sultan Hafeez Rahman Independent Director	Member	1	1	8,000	----
<b>Total</b>					<b>32,000</b>	

**Board Audit Committee Meetings held from April 28, 2016 to December 31, 2016**

As per the revised Policy Guidelines for Internal Control issued by the Bangladesh Bank, the Board would form Audit Committee with such directors who are not the members of Board's Executive Committee. As such, to comply with the respective provision of the said guideline, MTB Board Audit Committee was re-constituted at the 191st meeting of the Board of Directors, held on April 28, 2016

Sl.	Name of Director	Position	Total Meetings Held	Meetings Attended	Remuneration (BDT 8,000/ Meeting)	Remarks
1	Mr. Anwarul Amin Independent Director	Chairman	3	3	24,000	----
2	Mr. Rashed Ahmed Chowdhury Director	Member	3	3	24,000	----
3	Mrs. Khwaja Nargis Hossain Director	Member	3	3	24,000	----
4	Dr. Sultan Hafeez Rahman Independent Director	Member	3	3	24,000	----
<b>Total</b>					<b>96,000</b>	

**Board Risk Management Committee Meetings**

Held from January 01, 2016 to April 27, 2016

Sl.	Name of Director	Position	Total Meetings Held	Meetings Attended	Remuneration (BDT 8,000/ Meeting)	Remarks
1	Dr. Arif Dowla Director	Chairman	1	1	8,000	----
2	Mr. Rashed Ahmed Chowdhury Director	Member	1	1	8,000	----
3	Mrs. Khwaja Nargis Hossain Director	Member	1	1	8,000	----
4	Mr. Q. A. F. M. Serajul Islam Director	Member	1	1	8,000	----
5	Mr. Anwarul Amin Independent Director	Member	1	1	8,000	----
<b>Total</b>					<b>40,000</b>	



### **Board Risk Management Committee Meetings held from April 28, 2016 to December 31, 2016**

MTB Board Risk Management Committee was re-constituted at the 191st meeting of the Board of Directors, held on April 28, 2016.

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. Md. Hedayetullah Vice-Chairman	Member	4	1	8,000	Leave of absence was granted
3	Mr. Md. Abdul Malek Director	Member	4	2	16,000	Leave of absence was granted
4	Mr. Q. A. F. M. Serajul Islam Director	Member	4	3	24,000	Leave of absence was granted
<b>Total</b>					<b>80,000</b>	

The Authorized Capital of Mutual Trust Bank Limited (MTB) is BDT 10,000,000,000.00 divided into 1,000,000,000 ordinary shares of BDT 10.00 each. The Paid-up Capital of the Bank is BDT 4,431,791,600.00 divided into 443,179,160 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 at December 31, 2016:

Name of Director	Status	Nos. of Shares	Name of Spouse	Nos. of Shares	Remarks
Mr. M. A. Rouf, JP	Chairman	8,880,142	Mrs. Evelyn Rouf	---	---
Mr. Md. Hedayetullah	Vice-Chairman	8,868,675	Mrs. Afia Hedayetullah	---	---
Mr. Syed Manzur Elahi	Director (Founding Chairman)	16,341,942	Mrs. Niloufer Manzur	---	---
Dr. Arif Dowla (Representing Advanced Chemical Industries Ltd.)	Director	25,036	Mrs. Rumana Rashid Dowla	---	14,772,607 Shares held by ACI Ltd.
Mr. Rashed Ahmed Chowdhury (Representing Associated Builders Corporation Ltd.)	Director	2,090,794	Mrs. Yasmin Chowdhury	---	22,158,936 shares held by ABC Ltd.
Mr. Md. Abdul Malek	Director	8,948,278	Mrs. Sabina Dilara	---	---
Mr. Md. Wakiluddin	Director	8,871,672		---	---
Mrs. Khwaja Nargis Hossain	Director	8,863,849	Al-haj Syed Abul Hossain	12,709,605	---
Mr. Anjan Chowdhury (Representing ASTRAS Ltd.)	Director	5,571,532	Mrs. Monira Munni Chowdhury	---	11,079,433 shares held by Astras Ltd.
Mr. Q. A. F. M. Serajul Islam (Representing Pioneer Insurance Company Ltd.)	Director	---	Mrs. Salina Akhtar	---	30,949,932 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 at December 31, 2016, the Directors of MTB held 37.18% of the total paid up shares, whereas Institutions and General Public held 22.42% and 40.40%, respectively:

Sl.	Type of Owners	No. of Shares	Values of Shares in BDT	(%) of Holding
1	Sponsor/Directors	164,784,063	1,647,840,630	37.18
2	Institutions	99,362,178	993,621,780	22.42
3	General	179,032,919	1,790,329,190	40.40
<b>Grand Total</b>		<b>443,179,160</b>	<b>4,431,791,600</b>	<b>100.00</b>

Holdings	No. of Shareholders	No. of Shares	Value of Shares in BDT	Total Holdings %
Less than 499 shares	3,424	572,185	5,721,850	0.13
500 to 5,000 shares	4,639	8,609,547	86,095,470	1.94
5,001 to 10,000 shares	723	5,190,708	51,907,080	1.17
10,001 to 20,000 shares	493	6,743,384	67,433,840	1.52
20,001 to 30,000 shares	178	4,260,662	42,606,620	0.96
30,001 to 40,000 shares	99	3,414,187	34,141,870	0.77
40,001 to 50,000 shares	67	3,048,917	30,489,170	0.69
50,001 to 100,000 shares	140	10,403,409	104,034,090	2.35
100,001 to 1,000,000 shares	181	50,608,736	506,087,360	11.42
Over 1,000,000 shares	72	350,327,425	3,503,274,250	79.05
<b>Total</b>	<b>10,016</b>	<b>443,179,160</b>	<b>4,431,791,600</b>	<b>100.00</b>

Top ten shareholders of the Bank as at December 31, 2016:

Sl.	Name of the Shareholder	Total Shares Held	Holding %
1	Pioneer Insurance Company Ltd.	30,949,932	6.98
2	Associated Builders Corporation Ltd.	22,158,936	5.00
3	Mr. Syed Manzur Elahi	16,341,942	3.69
4	ACI Limited	14,772,607	3.33
5	Peoples Securities Limited	12,831,238	2.90
6	Mr. Alhaj Syed Abul Hossain	12,709,605	2.87
7	Government of Norway	11,891,425	2.68
8	ASTRAS Limited	11,079,433	2.50
9	ICB Unit Fund	10,563,083	2.38
10	Mr. Abu Naser Md Yeahea	10,425,000	2.35



b) Shares held by the Chief Executive Officer, Group Company Secretary, Head of ICCD and Group Chief Financial Officer and their spouses and minor children as at December 31, 2016:

Name of Executive	Status	Number of Shares	Remarks
Mr. Anis A. Khan	Managing Director & CEO	4,633	----
	Mrs. Monowar Anis Khan	32,155	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 & Group Company Secretary	---	"

c) Shares held by top five salaried employees other than the Chief Executive Officer, Group Company Secretary, Head of ICCD and Group Chief Financial Officer as at December 31, 2016:

Name of Executive	Status	Number of Shares
Mr. Md. Hashem Chowdhury	Additional Managing Director & COO	25,439
Mr. Md. Zakir Hussain	Deputy Managing & 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

Member of  
**mgjworldwide**

**Partners:**

S.M. Shafique FCA  
Md. Abu Sina FCA  
Md. Anisur Rahman FCA  
Faruk Ahmed ACA  
Sheikh Zahidul Islam FCA

**KHAN WAHAB SHAFIQUE RAHMAN & CO.**  
CHARTERED ACCOUNTANTS



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## **Certificate on Compliance of Conditions of Corporate Governance To The Shareholders of Mutual Trust Bank Limited**

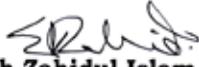
We have examined the status of compliance of conditions of Corporate Governance issued by Bangladesh Securities & Exchange Commission (BSEC) vide its notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August, 2012 in regard to Mutual Trust Bank Limited (the Bank) for the year ended December 31, 2016.

The compliance with the said conditions of Corporate Governance and reporting the status thereof is the responsibility of the management of the Bank. Our responsibility is to provide a certificate about whether the Bank is in compliance with the said conditions of Corporate Governance based on our examination.

Our examination has been made for the purpose of issuing this certificate was limited to the procedures including implementation thereof as adopted by the Bank for ensuring the compliance of the conditions of Corporate Governance and correct reporting of the status of the compliance on the attached statement on the basis of evidence gathered and representation received. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

To the best of our information and according to the explanations given to us, we certify that Mutual Trust Bank Limited has complied with the conditions of Corporate Governance as enclosed stipulated in the above mentioned BSEC's notification dated 07 August, 2012.

**Dhaka, Dated  
April 29, 2017**

  
**Sheikh Zahidul Islam FCA, MBA**  
**Partner**  
ICAB Enrollment No. 1394  
Khan Wahab Shafique Rahman & Co.  
Chartered Accountants



**Branch Office:**  
Sabbir Chamber (3<sup>rd</sup> Floor),  
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# COMPLIANCE STATUS OF BSEC GUIDELINES FOR CORPORATE GOVERNANCE



## Annexure III

Status of compliance with the conditions imposed by the Commission's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

### (Report under Condition No. 7.00)

Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Explanation for non compliance with the condition
		Complied	Not Complied	
<b>1.</b>	<b>BOARD OF DIRECTORS:</b>			
1.1	<b>Board's size:</b> Should not be less than 5 (five) and more than 20 (twenty)	✓		
<b>1.2</b>	<b>Independent Directors</b>			
1.2 (i)	Independent Director: At least one fifth (1/5) of the total number of directors in the company's board	✓		
1.2 (ii) a)	Independent Director: Holds less than one percent (1%) shares of the total paid-up shares of the company	✓		
1.2 (ii) b)	Independent Director: Not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship	✓		
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 Director: Not a member, director or officer of any stock exchange	✓		
1.2(ii)e)	Independent Director: Not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market	✓		
1.2(ii)f)	Independent Director: Not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of any statutory audit firm	✓		
1.2(ii)g)	Independent Director: Not be an independent director in more than 3 (three) listed companies	✓		



Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Explanation for non compliance with the condition
		Complied	Not Complied	
1.2(ii)h)	Independent Director: Has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI)	√		
1.2(ii)i)	Independent Director: Has not been convicted for a criminal offence involving moral turpitude	√		
1.2(iii)	Independent Director: Nominated by the board of directors and approved by the shareholders in the Annual General Meeting (AGM)	√		
1.2(iv)	Independent Director: Post of independent director(s) not remain vacant for more than 90 (ninety) days	√		Was not vacant for any time
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)	Tenure of office of an independent director to be for a period of 3 (three) years, which may be extended for 1 (one) term only	√		
<b>1.3</b>	<b>Qualification of Independent Director (ID)</b>			
1.3(i)	Independent Director: Shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business	√		
1.3(ii)	Independent Director: Should be a Business Leader/Corporate Leader/Bureaucrat/ University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management/ professional experiences	√		
1.3(iii)	Independent Director: In special cases the above qualifications may be relaxed subject to prior approval of the Commission			N/A
<b>1.4</b>	<b>Separate Chairman of the Board and Chief Executive and clearly defined roles and responsibilities</b>	√		
<b>1.5</b>	<b>The Directors' Report to Shareholders: shall include the following additional statements:-</b>			



Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Explanation for non compliance with the condition
		Complied	Not Complied	
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)	A 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			N/A
1.5(vi)	Basis for related party transactions- a statement of all related party transactions should be disclosed in the annual report	✓		
1.5(vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments			N/A
1.5(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.			N/A
1.5(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report	✓		
1.5(x)	Remuneration to directors including independent directors	✓		
1.5(xi)	Fair presentation of Financial Statements	✓		
1.5(xii)	Maintenance of proper books of accounts	✓		
1.5(xiii)	Consistent application of appropriate accounting policies and estimates	✓		
1.5(xiv)	Compliance with International Accounting Standards (IAS) / Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS) / Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh	✓		
1.5(xv)	Soundness of Internal Control System	✓		
1.5(xvi)	Ability to continue as a going concern	✓		
1.5(xvii)	Significant deviations in Operating results from last year			N/A
1.5(xviii)	Presentation of at least preceding 05 (five) years' Key operating and financial data	✓		
1.5(xix)	Reason for non declaration of dividend			N/A



Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Explanation for non compliance with the condition
		Complied	Not Complied	
1.5(xx)	Number of Board meeting and attendance of directors	√		
1.5(xxi)	Shareholding pattern:-			
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;	√		
1.5(xxi) d)	Shareholders holding ten percent (10%) or more votes interest in the company (name wise details).			N/A
<b>1.5(xxii)</b>	<b>In case of the appointment/re-appointment of a directors,</b>			
1.5(xxii) a)	a brief resume of the director;	√		
1.5(xxii) b)	nature of his/her expertise in specific functional areas;	√		
1.5(xxii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		
<b>2</b>	<b>CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT (INTERNAL CONTROL AND COMPLIANCE) AND COMPANY SECRETARY (CS):</b>			
2.1	Appointment and clearly defined respective roles, responsibilities and duties	√		
2.2	Attendance of CFO and Company Secretary in the Board of Directors meeting.	√		
<b>3</b>	<b>AUDIT COMMITTEE:</b>			
3 (i)	Audit Committee shall be a sub-committee of the Board of Directors	√		
3 (ii)	Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	√		
3(iii)	Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√		



Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Explanation for non compliance with the condition
		Complied	Not Complied	
<b>3.1</b>	<b>Constitution of the Audit Committee</b>			
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members.	√		
3.1 (ii)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (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			N/A
3.1 (v)	The company secretary shall act as the secretary of the Committee.	√		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	√		
<b>3.2</b>	<b>Chairman of the Audit Committee</b>			
3.2 (i)	Chairman of the Audit Committee shall be an independent director.	√		
3.2 (ii)	Chairman of the Audit Committee shall remain present in the Annual General Meeting (AGM).	√		
<b>3.3</b>	<b>Role of Audit Committee shall include the following:-</b>			
3.3 (i)	Oversee the financial reporting process.	√		
3.3 (ii)	Monitor choice of accounting policies and principles.	√		
3.3 (iii)	Monitor Internal Control Risk management process.	√		
3.3 (iv)	Oversee hiring and performance of external auditors.	√		
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval.	√		
3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval.	√		
3.3 (vii)	Review the adequacy of internal audit function.	√		
3.3 (viii)	Review statement of significant related party transactions submitted by the management.	√		
3.3 (ix)	Review Management Letters/Letter of Internal Control weakness issued by statutory auditors.	√		



Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Explanation for non compliance with the condition
		Complied	Not Complied	
3.3 (x)	Disclosure of utilization of fund raised through Initial Public Offering (IPO)/ Repeat Public Offering (RPO)/Rights Issue to the Audit Committee on a quarterly basis, as a part of their quarterly declaration of financial results.			N/A
<b>3.4</b>	<b>Reporting of the Audit Committee</b>			
<b>3.4.1</b>	<b>Reporting to the Board of Directors</b>			
3.4.1(i)	The Audit Committee shall report on its activities to the Board of Directors.	✓		
3.4.1(ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:			
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;			No such events happened as per audit report, thus not reported
3.4.1(ii) d)	Any other matter which shall be disclosed to the Board of Directors immediately.			
<b>3.4.2</b>	<b>Reporting to the Authorities (the Commission)</b>			
<b>3.5</b>	<b>Reporting to the Shareholders and General Investors</b>			
<b>4.</b>	<b>EXTERNAL/STATUTORY AUDITORS:</b> Should not engage to perform the following services; namely:			
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 service on compliance of corporate governance	✓		



Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Explanation for non compliance with the condition
		Complied	Not Complied	
<b>5.</b>	<b>SUBSIDIARY COMPANY:</b>			
5 (i)	Composition of the Board of Directors	√		
5 (ii)	Appointment of independent director	√		
5 (iii)	Review of minutes of Board meeting by the holding company.	√		
5 (iv)	Review the affairs of the subsidiary company also.	√		
5 (v)	Review the financial statements by the Audit Committee of the holding company	√		
<b>6.</b>	<b>DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO):</b> The CEO and CFO shall certify to the Board that:			
6. (i)	They have reviewed financial statements for the year and that to the best of their knowledge and belief:	√		
6 (i) a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	√		
6 (i) b)	These 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.	√		
<b>7.</b>	<b>REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE:</b>			
7 (i)	Obtainment of certificate regarding compliance of conditions of Corporate Governance Guidelines	√		
7 (ii)	Director's statement on compliance 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 BRPD Circular No. 03 dated March 8, 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, Mutual Trust Bank has 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 are also being 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.

The ICC 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.

The Bank Companies Act, 1991 as amended in 2013 requires some changes in the reporting line and organogram of the ICC Department. In response to the revised "Guidelines on Internal Control and Compliance in Banks" have been prepared to implement section 15 (Ga) of the Bank Companies Act, 1991 as such the reporting line of Audit and Inspection Division has been changed and the organogram redrawn up.

Subsequently, Banking Regulation and Policy Department of Bangladesh Bank, vide its BRPD

Circular No. 06 dated September 4, 2016 has brought in twelve (12) amendments in the revised guidelines on internal control and compliance, which were promulgated on March 8, 2016. The notable amendments, inter alia, have empowered the Head of Audit and Inspection Division, under 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 being a part of ICC administratively, will report directly to the Audit Committee of the Bank (ACB) and be held responsible to the ACB.

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 sort 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 ICC Department ensure timely and proper compliance with 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 ICC 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 appropriate remedial measures.

A Senior Management Team (SMT), headed by the Managing Director & CEO. The SMT 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 2016.



# REPORT OF THE BOARD AUDIT COMMITTEE



MTB formed an Audit Committee on January 18, 2003 comprising 3 members of the Board of Directors 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 4 members of the Board as per BRPD Circular No. 11 dated October 27, 2013 and in line with the SEC's Notification No. SEC/CMRRC/2006-158/129/Admin/43 dated July 3, 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 overseeing responsibilities in relation to an entity's financial reporting, internal control system, internal and external audit functions and compliance with applicable laws, rules and 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 and 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 Bank.
- iii. Makes recommendations to the Board regarding the appointment of the external auditors for conducting the audit 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 Directors 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/management 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 present 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 management, representatives of the external auditors, 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 with 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 and compliance position, recovery of non-performing loans (NPL) and other relevant matters.

During the year 2016, five 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 2016 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 (of 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 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, 2016 prepared by the management and audited by the External Auditors M. J. Abedin & Co. and recommended to place the same before the Board of Directors for consideration.

The Board approved the same at its 204<sup>th</sup> meeting held on April 24, 2017.

**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 of the MTB Board Audit Committee



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



Managing risk is an integral part of our (MTB's) business strategy. Our risk management approach focuses on ensuring continued financial soundness, and safeguarding the interests of our stakeholders, while remaining nimble 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 risk management framework, including the 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 consists of the following Directors, nominated by the Board of Directors:

1.	Dr. Arif Dowla Director	Chairman of BRMC
2.	Mr. Md. 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 2016

During the year, five (5) 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 2016 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 from 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 the prudent levels, decided by the Committee, based on the Bank's risk appetite and the regulatory requirements. Need based corrective actions, if any, are 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.

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.





# REPORT ON RISK MANAGEMENT BY GCRO

Risk is inherent in all business operations. Banks, being financial entities and conducting business with others' money, have to encounter multidimensional risks. But, with the passage of time, the dimension of risks and its intensity have undergone significant changes, which have made risk management in banks very important. Addressing risk management in the context of current challenges is a complex matter and function of appropriate policies, procedures and culture. Risk management in Mutual Trust Bank (MTB) follows a stringent process flow starting with the identification of risks in its business operation, planning and mapping the process considering the risk spheres and protecting the interest of depositors and other stakeholders. Keeping in mind the basic principles of risk management, MTB has been relentlessly endeavoring to create value by making risk management, an integral part of its organizational process. Its decision-making is guided by the process follows in conformity with the guidelines of the regulators and the prevailing best practices, where uncertainties are aptly addressed.

MTB, as one of most compliant and sound commercial banks of the country, is playing a significant role in stabilizing the banking sector through judicious balancing of its business and risk management activities. The bank has shown notable improvements on some performance and risk indicators such as Capital to Risk Weighted Asset Ratio (CRAR), Additional Capital Requirement, Net Interest Margin (NIM).

MTB's consolidated CRAR of 11.29% in 2016, which is above the minimum regulatory requirement, shows its strong capacity of absorbing credit risk, market risk and operational risk. Moreover, its capacity to maintain adequate capital is presently sufficient to cover all possible risks in the business, such as, residual risk, 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, and findings are submitted to the All Risk Committee (ARC), the Board Risk Management Committee (BRMC), the Board and the Bangladesh Bank. Stress Testing is carried out by 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. Loans and advances are the major components of the risk assets of MTB. This important risk area is adequately taken care of, in designing and executing the credit plan, considering among others the business/commercial viability.

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 118.65% 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 101.05% in 2016 against regulatory standard of at least 100%.

Success of any organization depends on the soundness of corporate governance, specially risk governance. MTB's risk governance structure specifies the policies, principles and procedures for overall corporate risk management decisions. MTB follows an active risk governance structure, which is designed to improve the results of the organization by identifying and removing the causes that hinders its growth and by mitigating and managing the associated risks.

With the required capital buffer, good asset quality, adequate liquidity reserves, healthy organizational ethos and profitability to a satisfactory level, MTB smartly balancing the risk with return and thereby contributed to the country's financial stability and financial growth. By protecting the interest of the stakeholders judiciously, the Bank will surely surge forward in the days ahead.

**Md. Zakir Hussain**  
Deputy Managing Director and Group CRO.



# MARKET DISCIPLINE PILLAR III DISCLOSURE



## 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's 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):

(a) Standardized approach for credit risk, (b) Standardized approach for market risk, (c) 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                                    |  |

### 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 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-1 Capital consists of Common Equity Tier-1 (CET-1), and Additional Tier-1 Capital. MTB has no additional Tier-1 Capital. CET-1 Capital of MTB comprises Paid-up Capital, Statutory Reserve, General Reserve, Retained Earnings, and Minority Interest in Subsidiaries. Supplementary Capital (Tier-2) comprises of 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).



## Quantitative Disclosures

### Total Eligible Capital

BDT Million

Particulars	Solo	Consolidated
<b>Common Equity Tier-1 Capital:</b>		
Paid-up Capital	4,431.79	4,431.79
Statutory Reserve	3,187.77	3,187.77
General Reserve	616.78	616.78
Retained Earnings	815.48	841.24
Minority Interest in Subsidiaries		0.12
<b>Regulatory Adjustments/Deductions</b>		
Goodwill and Other Intangible Assets	65.81	65.81
Investments in own CET-1 Instruments/Shares	0.00	0.00
Reciprocal Cross holdings in the CET-1 Capital of Banking, Financial and Insurance Entities	2.46	2.46
<b>Total Common Equity Tier-1 Capital</b>	<b>8,983.55</b>	<b>9,009.43</b>
<b>Additional Tier-1 Capital</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Tier-1 Capital</b>	<b>8,983.55</b>	<b>9,009.43</b>
<b>Tier-2 Capital:</b>		
General Provision	1,559.62	1,559.62
Revaluation Reserves	260.13	260.13
Subordinated Debt	3,000.00	3,000.00
<b>Regulatory Adjustment/Deduction</b>	<b>104.05</b>	<b>104.05</b>
<b>Total Tier-2 Capital</b>	<b>4,715.70</b>	<b>4,715.70</b>
<b>Total Eligible Capital</b>	<b>13,699.25</b>	<b>13,725.13</b>

### 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	10,694.02	10,822.48
Capital Requirement for Market Risk	372.99	439.98
Capital Requirement for Operational Risk	832.17	893.09
Total Capital Requirement	11,899.19	12,155.55
Total Eligible Capital	13,699.25	13,725.13
Capital to Risk Weighted Asset Ratio (CRAR)	11.51	11.29
Common Equity Tier-1 Capital Ratio (%)	7.55	7.41
Total Tier-1 Capital Ratio (%)	7.55	7.41
Tier-2 Capital Ratio (%)	3.96	3.88
Capital Conservation Buffer	743.69	759.72
Available Capital for Pillar-II requirement	1,056.37	809.86



MTB follows the following principles in maintaining its capital base:

- A strong capital to RWA ratio;
- 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-2 capital;
- Encouraging borrowers to complete external credit rating to assess counter party 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 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

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 approvals clearly 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 2016, MTB's total number of rated clients is 1430, which was 1184 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)".

## CREDIT RISK

BDT Million	
<b>A) Total Gross Credit Risk Exposures Broken Down By Major Types Of Credit Exposure</b>	<b>Amount</b>
Term Loan	29,777.15
Time Loan	818.42
SME Financing	10,451.84
Consumer Financing	294.06
Retail Financing	3,440.41
General Loans	3,372.09
Demand Loan	2,297.42
Payment Against Documents (PAD)	234.34
Trust Receipts	8,705.31
Lease Finance	452.95
Export Development Fund	3,443.96
House Building Loan	3,742.10
Staff/Employee Loan	667.51
Loan to MTB Securities Limited	345.00
Loans and Advances - Off-Shore Banking Unit	2,955.87
Loan Disbursed by MTB Subsidiaries	3,521.21
Cash Credit	23,543.91
Packing Credit	194.67
Secured Overdraft	13,813.66
Bills Purchased and Discounted	-
Payable in Bangladesh	2,156.55
Payable outside Bangladesh	127.33



BDT Million

<b>B) Geographical Distribution of Exposures, Broken Down In Significant Areas by Major Types of Credit Exposure.</b>	<b>Amount</b>
<b>Urban</b>	
Dhaka Division	79,178.13
Chittagong Division	22,474.59
Rajshahi Division	3,908.85
Sylhet Division	845.48
Khulna Division	1,177.17
Rangpur Division	2,269.24
Barisal Division	209.24
Mymensingh Division	562.11
<b>Rural</b>	
Dhaka Division	2,103.81
Chittagong Division	1,396.77
Rajshahi Division	-
Sylhet Division	128.91
Khulna Division	-
Rangpur Division	-
Barisal Division	-
Mymensingh Division	101.46
<b>C) Industry or Counter party Type Distribution of Exposures, Broken Down by Major Types of Credit Exposure.</b>	<b>Amount</b>
Agriculture	3,069.90
RMG	11,901.64
Textile	9,781.37
Ship Building	1,254.82
Ship Breaking	1,790.27
Other Manufacturing Industry	24,250.08
SME Loans	15,260.84
Construction	1,156.18
Power and Gas	1,870.79
Transport, Storage and Communication	418.36
Trade Service	15,228.57
Commercial Real-estate Financing	7,364.84
Residential Real-estate Financing	869.25
Consumer Credit	2,180.84
Capital Market	3,866.21
Financial Institutions	4,985.27
Advances to Managing Director and Senior Executives	667.51
Others	8,439.01
<b>D) Residual Contractual Maturity Breakdown of The Whole Portfolio, Broken Down by Major Types of Credit Exposure</b>	<b>Amount</b>
On Demand	13,799.07
Not more than three months	28,331.11
More than three months, but less than one year	37,255.55
More than one year, but less than five years	21,845.83
More than five years	13,124.20



**e) Amount of Impaired Loans**

BDT Million

<b>Particulars</b>	<b>Amount</b>
Continuous Loans	895.94
Demand Loans	224.33
Term Loans	3,735.04
Short-Term Agro-Credit and Micro-Credit	127.78
<b>Total</b>	<b>4,983.09</b>

**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

<b>Particulars</b>	<b>Amount</b>
Provision on unclassified loans and advances/ investments including Off-shore banking unit	1,107.61
Provision on classified loans and advances/ investments	2,050.92
Provision on off-balance sheet exposure	452.00
<b>Total</b>	<b>3,610.53</b>

**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.

<b>Particulars</b>	<b>Rate</b>
<b>General Provision</b>	
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 Short Term Agri. credit & Micro credit, loans under Consumer Financing (CF), SME Financing, Loans to Brokerage House, Merchant Banks, Stock dealers)	1%
On unclassified amount for Housing Finance (HF) and Loans for Professionals (LP) to set up business under consumer financing scheme, loans to Brokerage House, Merchant Banks, Stock dealers.	2%
On the Standard loans for Short Term agri. Credit & Micro credit	2.50%
On unclassified amount for consumer financing other than HF & LP	5%
<b>Specific Provision</b>	
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 NPL, and specific provision for NPL

The following table gives MTB's movement of NPL and specific provision for NPL

<b>Gross Non-Performing Loans (NPLs)</b>	
Non-Performing Loans (NPLs) to Outstanding Loans & Advances (%)	4.36%
	BDT Million
<b>Movement of Non-Performing Loans (NPLs)</b>	
	<b>Amount</b>
Opening balance	2,034
Additions	2,949
Closing Balance	4,983
	BDT Million
<b>Movement of specific provisions for NPLs</b>	
	<b>Amount</b>
Opening balance	1,182
Provisions made during the period	869
Closing Balance	2,051

#### 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 Initial Public Offering (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

<b>Equities</b>	<b>Amount</b>
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	920.66
Market price	760.42
Difference	(160.24)
b) Cumulative realized gains (losses) arising from sales and liquidations in the reporting period	
c) Total unrealized gains (losses)	(160.24)
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	109.37
General Market Risk	109.37

#### 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

<b>Interest Rate Risk in the banking book</b>	<b>Amount</b>
Total Risk Sensitive Assets	92,120.70
Total Risk Sensitive Liabilities	86,908.40
Cumulative Gap	
< 3 months	(4,851.70)
3-6 months	(1,120.10)
6-12 months	5,212.30
CRAR before Shock (%)	11.29
Assumed Change in Interest Rate (%)	1%    2%    3%
<b>Net Interest Income and Repricing impact (%)</b>	
CRAR after Shock (%)	10.47    9.64    8.82



## 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.

Quantitative Disclosure of Market Risk	BDT Million Amount
Capital Requirement for:	
Interest Rate related instruments	115.70
Equities	218.74
Foreign Exchange Position	105.54
Commodity Risk	-
<b>Total</b>	<b>439.98</b>

## 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 Division (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 to ensuring workplace safety for its employees with consistent adoption of best employment practices, and constant 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, 2014 of the bank, Group Internal Control & Compliance Division (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 in still a performance-based culture within the organization.

BDT Million

Quantitative Disclosure of Market Risk	Amount
Capital requirement for Operational Risk	893.09

### 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-1 capital of the risk based capital framework) divided by the exposure measure, this ratio is expressed as a percentage in consolidated basis.

BDT Million

Components	Amount
Leverage Ratio (%)	4.80
On-Balance Sheet Exposure	1,63,355.83
Off-Balance Sheet Exposure	24,569.64
<b>Total Exposure after regulatory adjustment</b>	<b>1,87,857.21</b>

### 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. The MTB ALCO Committee 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 (%)	118.65
Net Stable Funding Ratio (%)	101.05
Stocks of high quality liquid assets	30,757.19
Total net cash outflows over the next 30 calendar days	25,922.62
Available amount of stable funding	1,39,708.02
Required amount of stable funding	1,38,260.34



## 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	Member
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 deliverables for 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 2016 for their extra ordinary effort to ensure business profitability:

Category	Number of employees
Executives	2
Officers	3

### f. Total amount of severance payment:

Total amount of BDT 37.08 Million disbursed to 51 outgoing employees as severance payment for the year 2016 at the time of releasing them from the service of the bank.

