

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## Dear Valued Shareholders,

On behalf of the Board of Directors, I take this opportunity to welcome you all to the 21st 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. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018, I have the pleasure to place before you the Directors' Report for your consideration. The report briefly presents the overall performance of the bank in a year of very competitive and eventful banking industry environment.

## Global Economy

The already declining Global economy started with hopes of recovery in 2019, but it ultimately ended with further weakening situation. Idiosyncratic factors such as US-China trade tension, disruptions to the auto sector in Germany, disasters in Japan etc caused heavy toll on world economy. Rising trade barriers and associated uncertainty weighed on business sentiment and activity globally. Moreover, country specific weaknesses in large emerging market economies such as Brazil, India, Mexico, and Russia, geopolitical tensions in Iran, and social unrest in Venezuela, Libya, and Yemen rounded out the difficult picture. The year 2019 ended with Global GDP growth 2.9% which is much less than initially predicted 3.3% growth in the beginning of the year, also a reduction from global growth of 3.6% in the year 2018.

Global growth was projected to rise from 2.9 percent in 2019 to 3.3 percent in 2020, according to IMF. However, with the sudden unfolding of COVID-19 in China during January, 2020, wide range of measures to slow the spread of the virus were adopted. Those measures slowed economic activities and changed global growth calculation for 2020 rapidly. In the World Economic Outlook, June, 2020, IMF forecasted the global economy to contract sharply by negative (4.9) percent, which is the deepest global recession since World War II. In 2021 global growth is projected at 5.4 percent, upon successful containment of the virus and normalization of economic activities. The current scenario of the pandemic COVID-19 has caused steep decline in oil prices, rising unemployment rate and may lead to extreme poverty scenario in the world since the 1990s.

## Bangladesh Economy

While the whole world experienced slow growth year, Bangladesh economy grew at a faster pace than most major nations in 2019 and it became the 39st largest economy of the world in 2019. As per Bangladesh Bureau of Statistics (BBS) data, the country registered a 8.15% GDP growth in 2018-19, maintaining the 7% trajectory for the fourth consecutive time, driven by double-digit growth in manufacturing and construction sector. The rise in construction growth is attributable to progress in implementation of mega projects and increased growth in housing construction. After a modest performance last year, export earnings and remittances have bounced back helping the rural economy grow faster. The extraordinary growth momentum of the country has also been endorsed by major international agencies. The International Monetary Fund (IMF) marked Bangladesh as the second fastest growing economy in 2018-19. With a booming population of more than 160 million, Bangladesh offers a great market to the region and beyond in terms of investment, productivity and consumption. Currently, all most all the economic indicators are exhibiting shining results with robust private consumption, increased public investment, strong export performance, and expansion in industries. The Bangladeshi economy's journey to glory is only getting accelerated with the per capita income growing as high as USD 1,909 and approaching towards the USD 2,000 mark.

The budgetary projection of the current fiscal year 2019-20 was 8.2 percent, but economy has been hit hard on arrival of COVID-19, which was first identified in the country during March, 2020. Government took several measures to contain the spread of virus and due to those measures economy has been severely impacted in the current year. The two main channels through which the Bangladesh economy is being negatively impacted are exports of ready-made garments (RMG) and remittances. The industry has been hit by the cancellation or postponement of several billion US dollars in orders from major retailers in importing countries and remittance inflows started declining from January 2020. Moreover, while Bangladesh was forced to endure lockdowns to tackle the Covid-19 pandemic, these lockdowns had a crippling effect on workers and businesses across the country. Government has already relaxed the lockdown, and announced bail-out and stimulus packages for recovery. However, the severity of COVID-19 effects are still uncertain as it depends on how long the pandemic extends.

## Banking Industry

Despite the default loan concerns in banking sector in 2019, the year was rewarding for the industry as most of the private commercial banks reported hefty operating profit, mainly because the banks put more emphasis on maximizing non-funded business income and accumulating low cost deposits, that cut down costs and pushed up profits. During the phase of the year, the overall industry went through massive technological transformation. As, globally the way people and companies connect with their banks are getting changed. Hence, technological adoption in Bangladesh's financial industry is also gathering pace. The main challenges that the sector encountered during the year was ensuring cyber security and dealing with the pressure of non-performing loans.

The NPL of the banking sector eased slightly to 9.32% of the total outstanding loans of BDT 12,884.31 billion at the end of December 2019 mainly due to recovery efforts and loan rescheduling. At the end of September 2018, the number of banks non-compliant with the minimum capital to risk-weighted assets ratio (CRAR) were 11 out of 60. Banking sector's aggregate CRAR at the end of September 2019 was 11.65%, which was reported to be 10.90% at the end of December 2018.

Total deposit of the scheduled banks was reported to be BDT 11,370 billion at the end of December 2019, increased by BDT 1,270 billion (12.57%) from BDT 11,100 billion of December 2018. Advances by banks recorded an increase of BDT 1,523 billion or 13.41% to be BDT 12,884 billion at the end of December 2019 compared to BDT 11,361 billion of December 2018. The spread between weighted average advances and deposit rates came down to 3.87% in December 2019 from 4.23% of December 2018 on account of banks preparation for bringing the interest rates to single digit from April 2020 as per directions of Bangladesh Bank (BB).

As COVID-19 wrecks the year 2020, Bangladesh experiences worst case of economic whiplash. The already suffering industry from high level of NPL, now faces new challenges. The Central Bank, in March, issued a circular not to change the classification status of the borrower up to September 2020. Under such circumstances, the credit worthiness of the existing borrower is likely to deteriorate which, in turn, might block the possibility of repayment of the loan. Also export-import activities and remittance inflows have declined, reducing banks earnings from non-funded sources and commissions' income. In addition, the 9% lending cap

rolled out from April, 2020, creating stress for the banks to keep up profit level. Income level of people has reduced substantially, thus depositors are liquidating savings and the situation will ultimately affect the liquidity status of the banking sector. The Government has declared different stimulus packages of more than BDT 1.0 Trillion for the business entities for the survival of different industries of the country and the entire fund is supposed to be channeled through the banking sector. Moreover, Bangladesh Bank also instructed not to classify any customer till September 2020. The repo rate was lowered from 6 percent to 5.75 percent effective March 24th and was further reduced to 5.25 percent effective April 12. The CRR was initially reduced from 5 percent to 4.5 percent (daily-basis) and from 5.5 percent to 5 percent (bi-weekly basis), with a further reduction to 3.5 percent and 4 percent, respectively, from April 15. BB has also raised the advance-deposit ratio (ADR) by 2 percent to facilitate credit to the private sector and improve liquidity in the banking system. Banking sector is the heart of an economy, strong policies and recovery plans for post-pandemic period can ensure sustainability of the industry.

## Core Banking Software (CBS) Transformation: Investing in Future

As a part of strategic decision and in pursuit of acquiring a modern CBS, the bank engaged OPTINOVO Business Consulting Private Limited, India for rendering consultancy services to steer forward the CBS Transformation Project in 2016. Eight (8) groups of officials in certain functional areas and a number of committees had been engaged to evaluate the features of CBS and the bank finally selected TCS BaNCS, a product of Tata Consultancy System (TCS), which has had a number of big installations in reputable financial institutions including Bank of China and State Bank of India. CBS Project Team and Consultants engaged in a) AS-IS & b) TO-BE and document finalization with all departments, divisions at Corporate Head Office and Branches. In parallel 140 internal, 2 meetings with BUET experts, MTB stakeholders and 4 analytical presentations to different Board Meetings by Project Director.

Currently, the CBS implementation team is engaged in multiple activities with one mission to Go-Live in 2020.

## MTB at a Glance

During 2019, MTB gained 14.20% and 14.92% growth over 2018 in risk assets and customers liabilities, respectively. Despite a stiff environment, the bank ended the year with

a credit-deposit ratio of 83.38%. In 2019, the number of branches across the country reached 118, agent banking centers expanded to 140, and the reach as well as the number of MTB 24/7 ATM, POS devices, kiosks, Internet banking and SMS banking services also increased. In June, 2019 MTB opened its third Air Lounge at Osmani International Airport (OIA), Sylhet.

The bank is moving towards centralization and to execute the process liability and assets will be centralized in the very first phase. The bank is also going to open banking Sub-branches as a part of guidelines given by central bank. Moreover, creation of Islamic Banking wing is also under consideration of the management.

## Business Goal

MTB's vision, mission, corporate core values, strategic priorities and outlook for 2020 have been given at the beginning of the report. The bank has established the highest level of ethical standards in order to achieve **MTB3V**:

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

## Brief History of MTB

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

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

Currently, the bank has a network of 118 branches, which includes SME/Agri branches and two booths at Hazrat

Shahjalal International Airport (arrival and departure lounges), Dhaka, 140 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 Priorities

1. Managing financial capital and foresight to enhance shareholders' returns while ensuring sustainable growth
2. Launching the Core Banking Software (CBS) and keeping it up-to-date
3. Focusing more on smart banking through increased digital customer experience
4. Reforming business model considering the current scenario and future outlook
5. Enhancing data analytics proficiencies
6. Focusing on controlling operating cost with a view to improving cost to income ratio
7. Utilizing digital avenues extensively to extend customer reach
8. Launching new and/or improved products and services
9. Improving the funding and liquidity position with the provision of maintaining a high level of asset quality through portfolio diversification and lower provisioning
10. Ensuring that MTB's high compliance and governance standards are maintained at all times
11. Recruiting and retaining talent as well as motivating the existing human capital
12. Reviewing and improving business processes on a regular basis
13. Enhancing security and authentication system with specific focus on cyber security
14. Partnering with Fintech providers to face the new challenges of the market
15. Contributing to the progress of the economy and the people by continuing to work as a socially responsible organization
16. Ensuring appropriate use of latest technologies to improve the alternative delivery channels to provide access to the unbanked population as part of financial inclusion.

## Corporate Governance

MTB has always strived to have good corporate governance practices put in place and to ensure that the highest standards of business integrity are regular part of its activities. The bank adheres strictly to the regulatory

guidelines on corporate governance. The disclosures on corporate governance are provided in the chapter on “Corporate Governance” of this Annual Report.

## Risk Management

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

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

Further discussion on internal and external risk factors, threat to sustainability and initiative to reducing negative impacts on environment is included under the section Sustainability Analysis and Management Discussion and Analysis, also in chapters Operating Framework & Risk Management, Macroeconomic Landscape.

## Developing Human Capital

MTB has been working persistently with a view to transforming MTBians into human capital through exposure to appropriate training courses and development programs, both at home and abroad. It has created a congenial environment, where employees enjoy coming to work. The MTB Code of Conduct, unveiled in 2010, is being strictly practiced in order to ensure complete transparency and integrity in all its operations. A total of 1,925 employees

were given training both at home and abroad in different fields of banking and management practices in 2019.

## Corporate Social Responsibility (CSR)

In respect of corporate sustainability, MTB has focused on a few key areas like extending support to the community and protection of the environment. The bank has set up “Mutual Trust Bank Foundation” and contributes, as donation, a part of its profit to the foundation for undertaking various projects, particularly in the health and education sectors. Apart from the CSR activities carried out by the foundation, the bank also undertook various CSR activities during the year 2019, details of which are given in the “Sustainability Analysis- Corporate Social Responsibility” part of this Annual Report.

## Adequate Accounting Records

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

## Accounting Policy and Implementation of IAS/IFRS

The Board of Directors is responsible for ensuring good governance within the Bank and does supervise Management for the preparation and fair presentation of the Bank’s Annual Financial Statements, incorporating its Balance Sheet as at 31 December 2019, Profit and Loss Account, Statement of Cash Flow, Statement of Changes in Equity during the year along with the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 1994. IFRS 16: Leases has been incorporated in preparing Financial Statements of 2019 as adopted by ICAB.

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

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## Financial Statement Related Risk Mitigation

Financial statements are prepared to present a depiction of the activities of an organization to its stakeholders. Often the statements are used by both internal and external parties to evaluate the performance and make financial decisions. There are risks that the presented Financial Statement is not accurate and has material errors. Such risk can arise from various sources such as i) Key processes of an organization are not defined ii) Finance staffs (Financial analysts) do not have clear idea on functions of the organization iii) Financial activities are not well differentiated iv) Unclear & inadequate policies and formal processes v) Database is not unified and use of manual, semi manual systems.

With the view to mitigate the risk of misrepresentation in the financial statements, MTB has clear defined operational and financial policies set to standardize the activities. Also the people working in the finance department are skilled enough and well aware about the operations and they have well defined segregation of responsibilities. The bank is always concerned about making the system well integrated, customized and automated with monitoring access from the finance department.

## Internal Control and Compliance (ICC) System

MTB Board of Directors has the responsibility to make significant policies to ensure compliance at all levels in the bank's day-to-day activities. The ICC Division ensures internal control structure in the bank with appropriate assignments, accountability of the personnel and delegation of authorities to functional management to create control and ensure a compliance culture within the organization under the active guidance and supervision of the Senior Management and the Board of Directors. The Bank Company Act, 1991, (as amended up to date), requires some changes in the reporting line and organogram of the ICC Division. Meanwhile, the reporting line has been changed and the organogram revamped, to ensure that internal audit functions are dealt with independently from the ambit of management and its report is submitted to the Board Audit Committee of the Bank.

## Money Laundering Risk Management

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

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

## Standards of Reporting

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

## Going Concern

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

## Control Environment

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

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

## Supplier Payment Policy

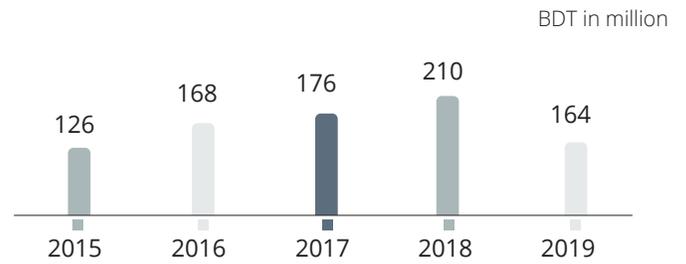
MTB has developed and implemented a set of payment policies for all its suppliers. The payment methods and system are explained to the vendors before issuing purchase orders. Bills are paid according to the payment terms, and VAT and other withholding taxes are deducted from bills as per the law. As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

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

## MTB SUBSIDIARIES:

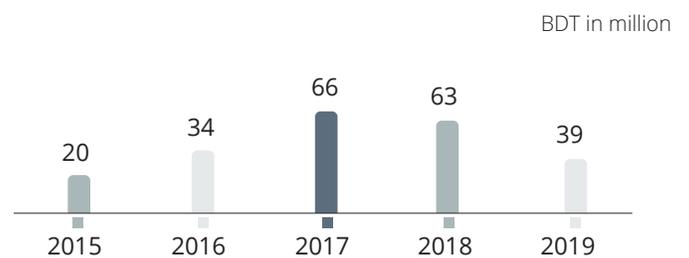
### MTB Securities Ltd

Mutual Trust Bank Ltd. started its brokerage functions from June 2006 as a division of the bank. Subsequently, as per directives of Bangladesh Bank and Bangladesh Securities Exchange Commission, the division emerged as MTB's subsidiary company, MTB Securities Limited (MTBSL). MTBSL is currently operating with 14 strategically located offices spread across the country. During the year 2019, the company made an operating profit of BDT 164.07 million as against BDT 210.07 million in 2018.



### 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 2019, the company made an operating profit of BDT 39.20 million as against BDT 62.76 million in 2018.

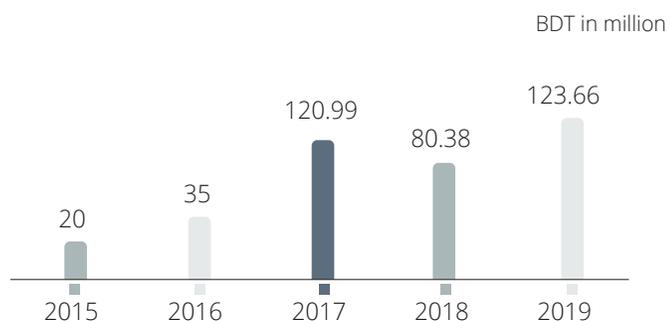


### MTB Exchange (UK) Ltd.

MTB Exchange (UK) Limited (MTB UK) is one of the three wholly owned subsidiary companies of Mutual Trust Bank Limited (MTB) and started its operation from February 15, 2011. During the year 2019, the company made an operating profit of BDT 8.44 million as against BDT 3.14 million in 2018.

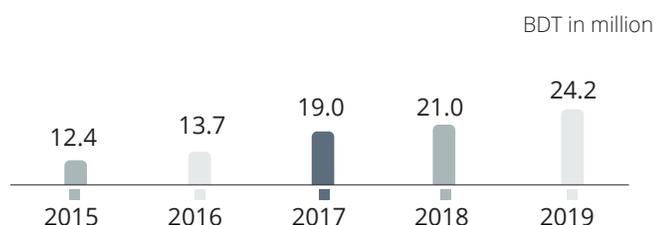
### Offshore Banking

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 145.43 million in December 2019 compared to USD 136.99 million in 2018, with a growth of 6.16%. In 2019, the OBU's operating profit stood at USD 1.46 million, equivalent to BDT 123.66 million, as against USD 0.96 million, equivalent to BDT 80.38 million, in 2018.



## Capital Management

As per Bangladesh Bank's guideline, from the beginning of 2019, a bank is required to maintain capital equal to at least 12.50% (Including Capital Conservation Buffer 2.50%) of its risk-weighted assets under the Basel-III guidelines. Bank's capital has two components, Tier-I and Tier-II. Tier-I capital should be minimum 6.0 percent of the total capital. Tier-I includes the paid-up capital, share premium, statutory reserve and retained earnings, and Tier-II includes general provision on unclassified loans and advances, revaluation reserves, unsecured subordinated debt and exchange equalization account. MTB's total capital registered an increase of BDT 3.15 billion and stood at BDT 24.19 billion in 2019. Tier-I capital grew by BDT 2.96 billion, and was recorded at BDT 14.54 billion in 2019. Total capital is now equivalent to 12.91% 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.



## Financial Analysis

This section depicts performance and position for the year 2019. Explanation is provided, if there is any significant deviations from the last years operating results, which might arise due to any of the internal and external reasons. There has not been any significant change in the financial performance and position from quarterly financial performance.

A comparative analysis of key financial performance and position for current year and preceding four immediate years, with explanations, is available under Shareholder's Information (Page 335). Comparison for the performance and position with peer industry, future plan and projection is discussed under Managing Director and CEO's Statement (Page 57).

## Total Assets

The consolidated assets of the bank stood at BDT 256.91 billion in 2019 compared to BDT 222.46 billion in 2018. Total assets of MTB stood at BDT 256.06 billion in 2019 compared to BDT 221.83 billion in 2018, with a growth of 15.43%. MTB has been successful in marketing significant amount of loans and advances by launching new and innovative products in the market.

## MTB's Consolidated Funds under Management

### 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 14.56 billion in 2019 compared to BDT 12.30 billion in 2018 due to increase in balances in terms of both cash-in-hand and local and foreign currency with Bangladesh Bank.

### Balances with Other Banks and Financial Institutions

MTB's consolidated balance with other banks and financial institutions including money at call and short notice stood at BDT 3.59 billion in 2019 compared to BDT 4.76 billion in 2018. This was BDT 3.45 billion in 2019 compared to BDT 4.54 billion in 2018 for MTB only.

BDT in billion

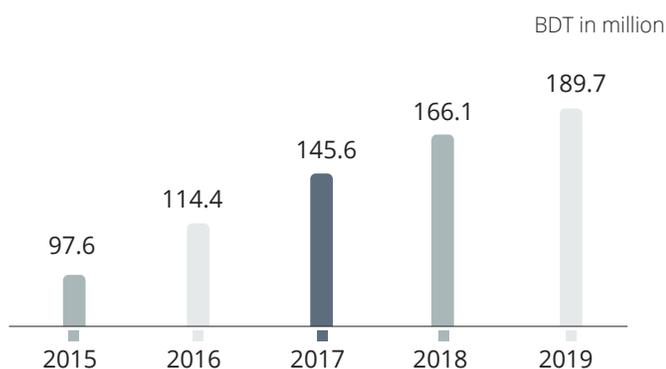
Particulars	2019	2018	Growth
Deposits	190.95	166.16	14.92%
Advances	189.73	166.15	14.20%
Funds Under Management (FUM)	380.68	332.31	14.56%

## Investments

MTB's consolidated investments increased during the year under review by BDT 6.79 billion to BDT 34.20 billion. 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 189.73 billion in 2019. Outstanding loans and advances of off-shore banking units was BDT 12.35 billion in 2019 compared to BDT 11.49 billion in 2018. Yield on loans and advances increased to 10.44% in 2019 from 10.07% in 2018 due to increase 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 5.39%, which was much below the industry average of 9.32% in 2019.



## Liabilities

The consolidated total liabilities of the bank stood at BDT 240.62 billion in 2019 compared to BDT 209.14 billion in 2018. MTB's total liabilities rose to BDT 240.14 billion in 2019 from BDT 208.80 billion in 2018, with a growth of 15.01%. The increase in liability was mainly due to growth in deposits, other liabilities and borrowings.

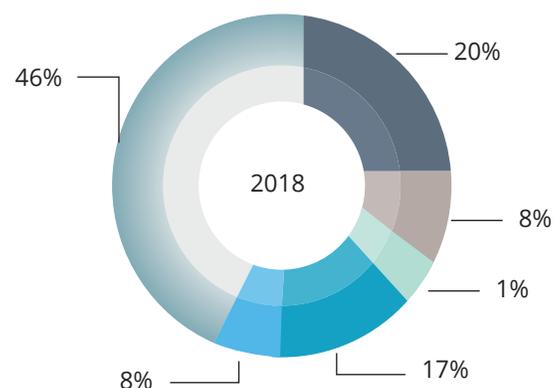
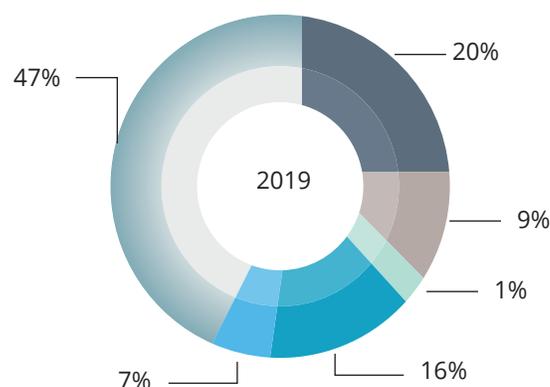
## Deposits and Other Accounts

MTB's consolidated deposits grew by 14.92% to BDT 190.95 billion in 2019. The growth was supported by a wide range of branch network, spread throughout the country. With 118 branches and 302 ATMs, MTB was able to acquire more low cost funds in 2019. Fixed deposits accounted for 47.69% of the total deposits. Cost of deposit increased to 6.52% in 2019 compared to 5.96% in 2018.

BDT in billion

Deposits and Other Accounts	2019	2018	Growth
Current Deposit & Other Accounts	16.35	14.09	16.04%
Bills Payable	1.64	1.70	-3.53%
Savings Deposit	29.88	28.24	5.81%
Special Notice Deposit (SND)	12.93	12.86	0.54%
Fixed Deposit	91.06	77.04	18.20%
Deposit Products	39.07	32.22	21.26%
Total Deposits	190.95	166.16	14.92%

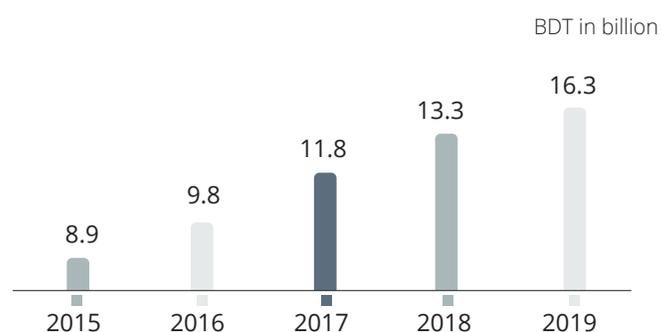
Deposit Mix



- Fixed Deposits
- Deposit Products
- Savings Deposits
- Current Deposits & Other Accounts
- Special Noticed Deposits
- Bills Payable

## Shareholders' Equity

MTB's consolidated shareholders' equity increased by 22.23% to BDT 16.29 billion in 2019. Paid-up capital of the bank increased by 22.69% to BDT 7.03 billion in 2019. Statutory reserves increased by 14.55% to BDT 4.69 billion during the year. Total distributable profit stood at BDT 775.66 million in 2019 after retaining of deferred tax assets of BDT 1,162.24 million.



## Analysis of Consolidated Income Statement of MTB

BDT in million

SL. No	Particulars	2019	2018	Growth
1	Interest Income	18,394	15,687	17.26%
2	Interest Expenditure	12,964	10,436	24.23%
3	Net Interest Margin (NIM)	5,430	5,251	3.40%
4	Net Interest Margin (NIM) Ratio	3.02%	3.34%	-0.32%
5	Income from Investment, Commission, Brokerage & Others	5,777	4,578	26.20%
6	Total Net Income (Net Interest Income + Non Interest Income)	11,207	9,829	14.02%
7	Operating Expenditure	5,967	4,945	20.67%
8	Profit Before Provision	5,240	4,884	7.29%
9	Net Profit after Tax	1,338	1,734	-22.87%

## Interest Income

Interest income increased by 17.26% to BDT 18.39 billion in 2019. The gross yield on advances stood at 10.44% in 2019 compared to 10.07% in 2018.

## Interest Expense

Interest expenditure increased by 24.23% to BDT 12.96 billion in 2019.

## Net Interest Margin

Net Interest Margin (NIM) increased by 3.40% to BDT 5.43 billion in 2019. The increase in interest income contributed largely to the increase in net interest margin. The net interest margin ratio stood at 3.02% in 2019 compared to 3.34% in 2018.

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

Income from investment, commission, brokerage & others

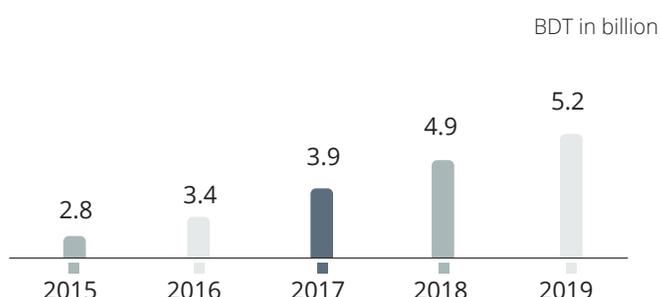
increased to BDT 5.78 billion in 2019 compared to BDT 4.58 billion in 2018.

## Total Operating Expense

Total operating expenses increased by 20.67% percent to BDT 5.97 billion in 2019 compared to BDT 4.95 billion in 2018.

## Total Operating Profit

Total operating profit increased by 7.28% to BDT 5.24 billion during the year 2019 compared to BDT 4.88 billion in 2018.



## Provision for Classified Loans

Total provision against classified loans and advances stood at BDT 3.10 billion in 2019 compared to BDT 3.18 billion in 2018. Provision decreased against classified loans by BDT 84.08 million in 2019. The non-performing loan ratio during the year is given below:

Year	2019	2018
Consolidated NPL Ratio	5.39%	5.39%

## Profit before Tax

Profit before tax stood at BDT 3.10 billion in 2019 with a positive growth of 21.94% as against BDT 2.54 billion in 2018.

## Provision for Income Tax

Due to decrease of specific provision made against classified loan, deferred tax expenses of BDT 101.93 million and provision for income tax stood at BDT 1,761.67 million in 2019 compared to BDT 807.42 million in 2018.

## Net Profit after Tax

Net profit after tax registered a negative growth of 22.87% to BDT 1.34 billion in 2019 compared to BDT 1.73 billion in 2018. Basic earnings per share (EPS) decreased to BDT 2.03 in 2019 compared to BDT 2.73 in 2018 (Restated).

## Statutory Reserves

As per the Bank Company Act, 1991, (as amended up to date), 20 percent of profit before tax is required to be transferred to statutory reserve. As such, an amount of BDT 595.95 million was transferred to statutory reserve in 2019.

## Issuance of New Shares & Utilization

During the year 2019 bank issued 63,707,004 no. of fresh ordinary shares to Norwegian Investment Fund for Developing Countries (NORFUND) @ 27.1928471 each which includes a premium of Tk.17.1928471 except face value of Tk.10 and the fund is utilized as per Regulatory requirement.

## Dividends

The fund available for distribution was BDT 775.66 million in 2019 after retaining of deferred tax assets of BDT 1,162.24 million. In order to maintain a satisfactory capital adequacy ratio of the bank, the Board has decided to recommend 10 % dividend (5% Stock and 5% Cash) for the year 2019.

Mentionable that, during the year 2019, no interim dividend was declared by the Board.

## Management's Discussion and Analysis

Detailed analysis of the company's position and operation can be found in Managing Director & CEO's Statement (Page 57), Management Discussion & Analysis (Page 225) & Shareholders' Information (Page 314)

## 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.

The statement of 'remuneration paid to the directors including independent directors' is available at page 147 under 'Corporate Governance Report'

## Shareholding Pattern:

A report on the pattern of shareholding disclosing the aggregate number of shares' is available at page 164 under 'Corporate Governance Report'.

'Details of Directors, Chief Executive Officer, and Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children' are available at page 165 of 'Corporate Governance Report' as well as under the 'Related Party Transaction'. Details of the executives are stated at page 166 under the same Report.

## Appointment or Reappointment of a Director

Ms. Anika Chowdhury, Mr. Herbert Ludwig Jaeger, Ms. Nasreen Sattar (Independent Director), Mr. M Mokammel Haque (Independent Director), Syed Mahbubur Rahman (Managing Director & CEO) have joined the MTB family in the year 2019. Besides, as per companies act 1994, 1/3 of the directors of the Board of MTB retired by rotation and subsequently reappointed during the year 2019.

## Board of Directors' Profile

Brief profile depicting the nature of expertise in specific functional areas of all the directors is available at page 34 under "Board of Directors' Profile".

A statement detailing 'the name of companies in which the directors of the bank have interest' is available at page 436 under the segment 'Financial Statements'.

Declaration (certification) by the CEO and CFO has been published in the page 346 under corporate governance report.

## Contribution to National Exchequer

MTB made significant contribution to the government in boosting its revenue collection which will help in developing the society and the country as a whole. As per the prevailing law of the country, the bank being a corporate citizen pays tax and VAT on its own income. Besides, the bank collects tax, VAT and excise duty at source from clients, deposits and suppliers. All the collected amounts are deposited to the national exchequer in due time. During the year 2019, the bank contributed BDT 3.61 billion to national exchequer as against BDT 2.98 billion in the previous year.

## Related Party Transaction

The details of transactions of related parties of the company have been given in Note 47 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 (EPS) stood at BDT 2.03 and return on average equity stood at 9.03% during 2019. Market capitalization of MTB stood at BDT 18.64 billion as at December 31, 2019.

MTB keeps full caution in terms of maintaining that interest of minority shareholders is protected against any direct and indirect abusive effect arising from actions taken by the bank. The bank encourages participation of every shareholders in the AGMs so that they can raise any concern regarding reserving their rights.

## Meeting of the Board of Directors of MTB

14 meetings of the Board of Directors of MTB were held in 2019. Total number of meetings attended and the amount

of remuneration received by board members are stated at page 161 under corporate governance report.

## Appointment of Auditors

The Board of Directors' of the bank in its 20th Annual General Meeting held on June 30, 2019 appointed A. Qasem & Co., Chartered Accountants as External Auditor of the bank for the year 2019.

## Annual General Meeting

The Annual General Meeting of Mutual Trust Bank will be held virtually (using digital platform) on Thursday, August 27, 2020 at 03.00 p.m. The Directors' Report and financial statements were approved at 250th meeting of the Board of Directors of MTB, held on June 30, 2020 for presentation to the shareholders.

## Compliance of Corporate Governance Checklist:

MTB has complied with corporate governance conditions in line with the Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank (BB)

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



Md. Hedayetullah  
Chairman