

# 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

