



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 20th 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

Global economy exhibited mixed performance during 2018. However, only a year ago, global economic activity was accelerating in almost all regions of the world and gained the maximum pace since 2011. The upturn continued till the first half of 2018 and global growth remained strong at 3.8%, but dropped to 3.2% in the second half of the year. The escalation of trade tensions and tariff hikes between the United States and China, a decline in business confidence, disruptions to the auto sector in Germany, a tightening of financial conditions, and higher policy uncertainty across many economies have all contributed to deceleration in economic activity during the second half of 2018. Overall, the global economy is reported to have grown by 3.6% in 2018, which was a staggering 3.8% for the preceding year.

As for 2019, the slowdown that initiated from the second half of previous year, is expected to persist up to the first half. However, a growth is projected to pick up in the second half of 2019. The potential upturn is stimulated by significant monetary policy accommodation by major economies, made possible by the absence of inflationary pressures despite growing at near potential. The US Federal Reserve, the European Central Bank, the Bank of Japan, and the Bank of England have all shifted to a more accommodative stance. Overall, global growth is projected to decline to 3.3% in 2019.

Bangladesh Economy

Bangladeshi economy grew at a faster pace than most major nations in 2018 and it is poised to become the 41st largest economy of the world in 2019. The country attained its interim graduation from the least developed country to middle-income status, and is expected to achieve the status permanently in 2024. As per Bangladesh Bureau of Statistics (BBS) data, the country registered a 7.86% GDP growth in 2017-18, maintaining the 7% trajectory for the third 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. 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. As per another global lender the 'World Bank', Bangladesh's economy is growing at an impressive rate and it is among the five fastest-growing economies of the world. With a booming population of more than 160 million, Bangladesh now offers a great market to the region and beyond in terms of investment, productivity and consumption. 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 US\$ 1,751 and approaching towards the US\$ 2,000 mark.

The economy is on track to log in even better GDP growth figures in years to follow. Accordingly, the government has set the growth target at 8.13% for the 2018-19 breaking all previous records. Asian Development Bank (ADB) has also forecasted the 2018-19 growth rate to be 8%. However, in order to maintain the economic uptrend, the country needs to promote entrepreneurship, innovation and adaptability in an attempt to enable its workforce to adapt in an environment of rapidly changing technology and global demands.

Banking Industry in 2018

Despite the scattered financial turbulences that hit the banking sector in 2018, the year was rewarding for the Banking sector 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. Almost all the major banks in Bangladesh now offer online or mobile app-based banking solutions. Almost all banks' cards are now EMV-compliant. The number of ATMs (automated teller machines) and PoS (points of sales) machines has gone up, while some banks have introduced cash recycling machines. Almost all the banks are investing heavily in enhancing digital capabilities

As a whole, the banking sector indicators exhibited mixed performance during 2018. The challenges that the sector encountered during the year was ensuring cyber security, dealing with the pressure of non-performing loans and collecting deposits to maintain the prescribed advance-deposits (AD) ratio.

The NPL of the banking sector eased slightly to 10.30% (BDT 939 billion) of the total outstanding loans of BDT 9,117 billion at the end of December 2018 mainly due to recovery efforts and loan rescheduling ahead of the national elections. At the end of September 2018, the number of banks compliant with the minimum capital to risk-weighted assets ratio (CRAR) were 48 out of 57. Banking sector's aggregate CRAR at the end of September 2018 was 10.90%, which was reported to be 10.10% at the end of December 2017.

Total deposit of the scheduled banks was reported to be BDT 10,100 billion at the end of December 2018, increased by BDT 859 billion (10.22%) from BDT 9,262 billion of December 2017. Advances by banks recorded an increase of BDT 1,313 billion or 18.72% to be BDT 9,605 billion at the end of December 2018 compared to BDT 8,444 billion of December 2017. The spread between the weighted average advances and the deposit rates of all banks decreased gradually since the first half of 2018. Thereafter, a downward adjustment was experienced till the end of the year. The spread between weighted average advances and deposit rates came down to 4.23% in December 2018 from 4.44% of December 2017.

In Bangladesh the real sector is extensively dependent on the banking sector. Unlike in many other countries, bond and equity market, non-bank financial institutions, external sources are not significant as sources of

investment and finance in Bangladesh. Hence, stability as well as soundness of banking sector is apparently a prerequisite for maintaining the current level of production of the overall economy.

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 within 3rd quarter of 2019.

MTB at a Glance

During 2018, MTB gained 14.11% and 9.48% percent growth over 2017 in risk assets and customers liabilities, respectively. Despite a stiff environment, the bank ended the year with a credit-deposit ratio of 82.83%. In 2018, the number of branches across the country reached 114, agent banking centers expanded to 100, 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 November, 2018 MTB opened its second Air Lounge at Shah Amanat International Airport, Chattogram. However, a work is in progress to open the 3rd lounge at Osmani Airport, 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 booths 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 2018 have been given at the beginning of the report. The bank has established the highest level of ethical standards in order to achieve MTB3V:

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

Brief History of MTB

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

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

Currently, the bank has a network of 114 branches, which includes SME/Agri branches and two booths at Hazrat Shahjalal International Airport (arrival and departure lounges), Dhaka, 100 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
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 proviso 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 in chapters Operating Framework & Risk Management, Macroeconomic Features Affecting the Industry.

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 1,874 employees were given training both at home and abroad in different fields of banking and management practices in 2018.

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 2018, details of which are given in the "Green Banking" and "Corporate Social Responsibility" part of this Annual Report.

Adequate Accounting Records

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

Accounting Policy and Implementation of 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 2018, 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. There has not been any change in accounting policies and estimation which can have effect on financial performance or financial position.

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.

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 in 2013), requires some changes in the reporting line and organogram of the ICC Division. Meanwhile, the reporting line has been changed and the organogram revamped, to ensure that internal audit functions are dealt with independently from the ambit of management and its report is submitted to the Board Audit Committee of the Bank.

Money Laundering Risk Management

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

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

Standards of Reporting

The financial statements have been prepared in accordance with 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

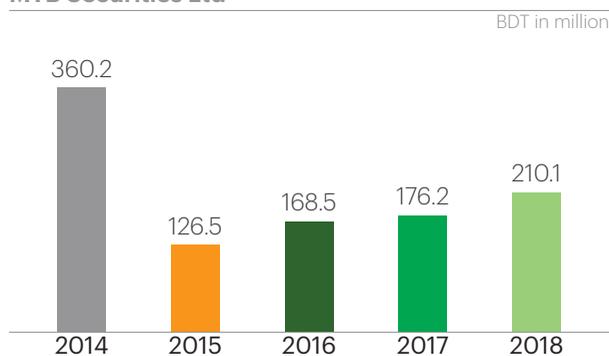
A review on the bank's operational activities is given in detail in the later part of this Annual Report. Brief review reports of the bank and its subsidiaries are as follows:

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 2018, the company made an operating profit of BDT 210 million as against BDT 176 million in 2017.

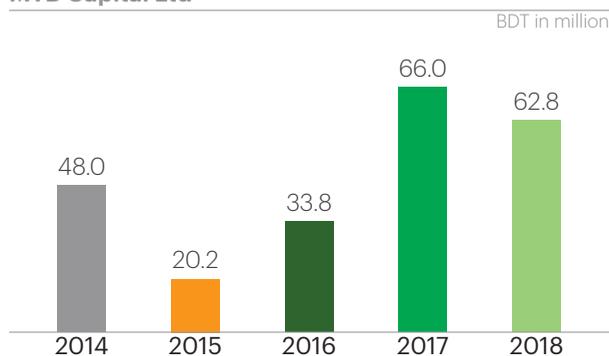
MTB Securities Ltd



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 2018, the company made an operating profit of BDT 63 million as against BDT 66 million in 2017.

MTB Capital Ltd



MTB Exchange (UK) Ltd.

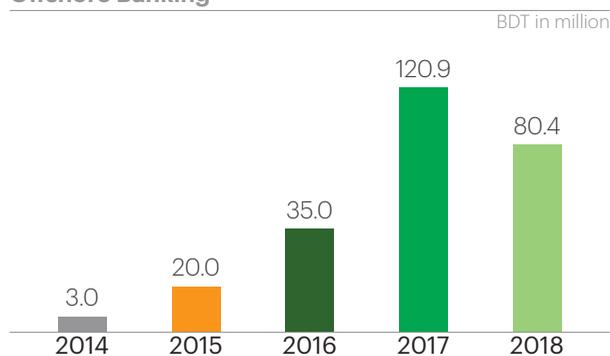
MTB Exchange (UK) Limited (MTB UK) is one of the three wholly owned subsidiary companies of Mutual Trust Bank Limited (MTB) and started its operation from February 15, 2011. During the year 2018, the company made an operating profit of BDT 3.14 million and a total

amount of GBP 0.63 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 136.97 million in December 2018 compared to USD 111.70 million in 2017, with a growth of 23%. In 2018, the OBU's operating profit stood at USD 0.96 million, equivalent to BDT 80.38 million, as against USD 1.50 million, equivalent to BDT 120.99 million, in 2017.

Offshore Banking



Capital Management

As per Bangladesh Bank's guideline, at the end of 2018, a bank is required to maintain capital equal to at least 11.875% (Including Capital Conservation Buffer 1.875) 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 2.03 billion and stood at BDT 21.04 billion in 2018. Tier-I capital grew by BDT 1.51 billion, and was recorded at BDT 11.58 billion in 2018. Total capital is now equivalent to 12.86% 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.

Capital Management



Financial Analysis

This section depicts performance and position for the year 2018. 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 (Pg. 241, 250-252). Comparison for the performance and position with peer industry, future plan and projection is discussed under Managing Director and CEO's Statement (Pg. 72-83).

Total Assets

The consolidated assets of the bank stood at BDT 222 billion in 2018 compared to BDT 202 billion in 2017. Total assets of MTB stood at BDT 222 billion in 2018 compared to BDT 201 billion in 2017, with a growth of 10.26%. MTB has been successful in marketing significant amount of loans and advances by launching new and innovative products in the market.

BDT in billion

	2018	2017	Growth
Deposits	166.16	151.78	9.48%
Advances	166.15	145.61	14.11%
Funds Under Management (FUM)	332.31	297.38	11.74%

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 12.30 billion in 2018 compared to BDT 13.08 billion in 2017 due to decrease in balance in terms of 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 4.76 billion in 2018 compared to BDT 7.49 billion in 2017. This was BDT 4.54 billion in 2018 compared to BDT 7.05 billion in 2017 for MTB only.

Investments

MTB's consolidated investments increased during the year under review by BDT 2.28 billion to BDT 27.39 billion.

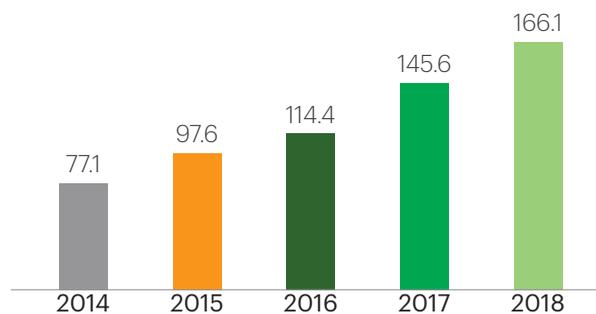
The bank purchased government treasury bills and bonds to cover the increased statutory liquidity requirement. MTB, as a primary dealer bank, had to purchase and participate in government securities auctions set by Bangladesh Bank.

Risk Assets

MTB's consolidated loans and advances stood at BDT 166.15 billion in 2018. Outstanding loans and advances of off-shore banking units was BDT 11.49 billion in 2018 compared to BDT 9.24 billion in 2017. Yield on loans and advances increased to 10.07% in 2018 from 9.50% in 2017 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 10.30% in 2018.

Risk Assets

BDT in billion



Liabilities

The consolidated total liabilities of the bank stood at BDT 209.17 billion in 2018 compared to BDT 189.99 billion in 2017. MTB's total liabilities rose to BDT 208.80 billion in 2018 from BDT 189.61 billion in 2017, with a growth of 10.12%. The increase in liability was mainly due to growth in deposits and borrowings.

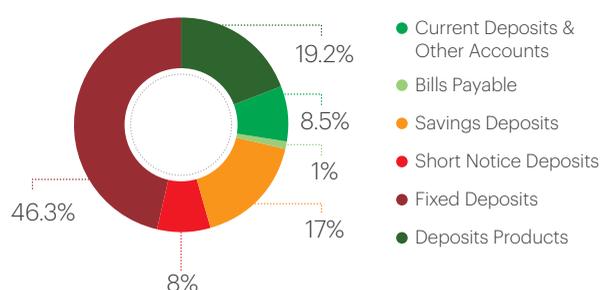
Deposits and Other Accounts

MTB's consolidated deposits grew by 9.48% to BDT 166.16 billion in 2018. The growth was supported by a wide range of branch network, spread throughout the country. With 114 branches and 268 ATMs, MTB was able to acquire more low cost funds in 2018. Fixed deposits accounted for 46% percent of the total deposits. Cost of deposit increased to 5.96% percent in 2018 compared to 5.08% percent in 2017.

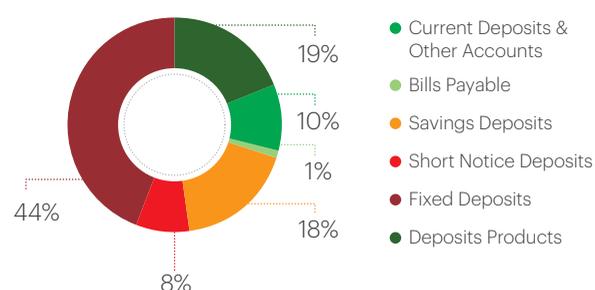
BDT in billion

Deposits and Other Accounts	2018	2017	Growth Over 2017
Current Deposit & Other Accounts	14.09	14.65	-3.83%
Bills Payable	1.70	2.10	-18.92%
Savings Deposit	28.24	27.48	2.77%
Special Notice Deposit (SND)	12.86	11.72	9.74%
Fixed Deposit	77.04	67.11	14.79%
Deposit Products	32.22	28.71	12.23%
Total Deposits	166.16	151.78	9.48%

Total Deposits 2018



Total Deposits 2017

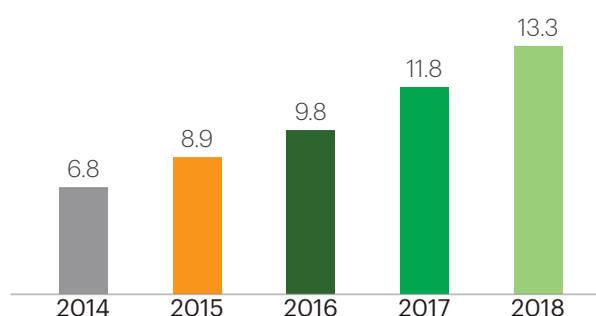


Shareholders' Equity

MTB's consolidated shareholders' equity increased by 12.90% to BDT 13.28 billion in 2018. Paid-up capital of the bank increased by 12.50 percent to BDT 5.73 billion in 2018. Statutory reserves increased by 13.08% to BDT 4.10 billion during the year. Total distributable profit stood at BDT 740 million in 2018 after retaining of deferred tax assets of BDT 1,194 million.

Shareholders' Equity

BDT in billion



Analysis of Consolidated Income Statement of MTB

BDT in million

SL	Particulars	2018	2017	Growth over 2017
1	Interest Income	15,687	12,161	29.00%
2	Interest Expenditure	10,436	7,853	32.89%
3	Net Interest Margin (NIM)	5,251	4,308	21.90%
4	Net Interest Margin (NIM) Ratio	3.34%	3.09%	0.25%
5	Income from Investment, Commission, Brokerage & Others	4,578	4,179	9.54%
6	Total Net Income (Net Interest Income + Non Interest Income)	9,829	8,487	15.81%
7	Operating Expenditure	4,945	4,571	8.17%
8	Profit Before Provision	4,884	3,916	24.74%
9	Net Profit after Tax	1,734	1,980	-12.42%

Interest Income

Interest income increased by 29% percent to BDT 15.69 billion in 2018. The gross yield on advances stood at 10.07% in 2018 compared to 9.50% in 2017.

Interest Expense

Interest expenditure increased by 32.89% to BDT 10.44 billion in 2018.

Net Interest Margin

Net Interest Margin (NIM) increased by 21.90% to BDT 5.25 billion in 2018. The increase in interest income contributed largely to the increase in net interest margin. The net interest margin ratio stood at 3.34% in 2018 compared to 3.09% in 2017.

Income from Investment, Commission and Brokerage and Other Operating Activities

Income from investment, commission, brokerage & others increased to BDT 4.58 billion in 2018 compared to BDT 4.18 billion in 2017.

Total Operating Expense

Total operating expenses increased by 8.17% percent to BDT 4.94 billion in 2018 compared to BDT 4.57 billion in 2017.

Total Operating Profit

Total operating income increased by a healthy margin of 24.74% to BDT 4.88 billion during the year compared to BDT 3.92 billion in 2017.

Total Operating Profit



Provision for Classified Loans

Total provision against classified loans and advances stood at BDT 3.18 billion in 2018 compared to BDT 2.40 billion in 2017. Provision increased against classified loans by BDT 785 million in 2018. The non-performing loan ratio during the year is given below:

	2018	2017
NPL Ratio	5.39%	4.30%

Profit before Tax

Profit before tax stood at BDT 2.54 billion in 2018 with a positive growth of 12.50% as against BDT 2.26 billion in 2017.

Provision for Income Tax

Due to creation of deferred tax assets of BDT 240.51 million on specific provision made against bad & loss loan, provision for income tax stood at BDT 807.42 million in 2018 compared to BDT 279.13 million in 2017.

Net Profit after Tax

Net profit after tax registered a negative growth of 12.42 percent to BDT 1.73 billion in 2018 compared to BDT 1.98 billion in 2017. Basic earnings per share (EPS) decreased to BDT 3.03 in 2018 compared to BDT 3.45 in 2017.

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 173.78 million was transferred to statutory reserve in 2018.

Dividends

The fund available for distribution was BDT 740.26 million in 2018 after retaining of deferred tax assets of BDT 1,193.77 million. In order to maintain a satisfactory capital adequacy ratio of the bank, the Board has decided to recommend 11% stock dividend for the year 2018. Mentionable that, during the year 2018, 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 (Pg. 72-83), Management Discussion & Analysis (Pg. 154-220) & Shareholders' Information (Pg. 239-261)

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 106 under 'Corporate Governance Report'.

Shareholding Pattern:

A report on the pattern of shareholding disclosing the aggregate number of shares' is available at page 120 under 'Corporate Governance Report'.

'Details of Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children' are available at page 119-121 of 'Corporate Governance Report' as well as under the 'Related Party Transaction'. Details of the executives are stated at page 121 under the same Report.

Appointment or Reappointment of a Director

No new director has joined the MTB family in the year 2018. But as per companies act 1994, 1/3 of the directors of the Board of MTB retired by rotation and subsequently reappointed during the year 2018.

Board of Directors' Profile

Brief profile depicting the nature of expertise in specific functional areas of all the directors is available at page 28-39 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 345-347 under the segment 'Financial Statements'.

Declaration (certification) by the CEO and CFO has been published in the page 104 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 2018, the bank contributed BDT 3.13 billion to national exchequer as against BDT 2.78 billion in the previous year.

Related Party Transaction

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

Shareholders' Value

MTB remains fully committed to delivering higher shareholder value. The high profitability track record

underpins the value the shareholders derived from investing in the shares of the bank. The earnings per share stood at BDT 3.03 and return on average equity stood at 13.85% during 2018. Market capitalization of MTB stood at BDT 20.13 billion as at December 31, 2018.

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

16 meetings of the Board of Directors of MTB were held in 2018. Total number of meetings attended and the amount of remuneration received by board members are stated at page- 117 under corporate governance report.

Appointment of Auditors

The Board of Directors' of the bank in its 19th Annual General Meeting held on May 31, 2018 appointed A. Qasem & Co., Chartered Accountants as External Auditor of the bank for the year 2018.

Annual General Meeting

The Annual General Meeting of Mutual Trust Bank will be held on Sunday, June 30, 2019 at 11.00 a.m. at the Golf Garden, Army Golf Club, Airport Road, Dhaka Cantonment, Dhaka 1206. The Directors' Report and financial statements were approved at 236th meeting of the Board of Directors of MTB, held on April 29, 2018 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