

DIRECTORS' REPORT



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Dear Valued Shareholders,

On behalf of the Board of Directors, I welcome you all to the 15th Annual General Meeting (AGM) of Mutual Trust Bank Limited and in line with the requirements of the companies with section 184 of the companies Act 1994, Stock Exchanges regulations and Bangladesh Securities and Exchange Commission order no. SEC/CMRRCD/2006-158/134/Admin/44 dated August 7, 2012; we have the pleasure to place herewith the Directors' Report for your consideration.

Industry Scenario

The present situation of banking sector has been deteriorating in terms of growth of credit and disbursement and risk management. Reduction in growth of credit is affecting the trends of investment of the country. Especially, as the savings-investment gap might increase in the upcoming fiscal years, the channeling of private investment becomes critical. The key points of the banking industry are stated below:

Deposits and Advances

Total deposits (excluding inter-bank items) held in Deposit Money Banks (DMB) as on November, 2013 was BDT 57,03,721 million compare to the previous year's BDT 48,50,099 million. In this total deposit, Time deposit counted for BDT 51,85,679 million and the rest BDT 5,18,042 million were in the form of demand deposit, registering 18.59% and 8.1% increase respectively compared to the previous year. Total advances as on November, 2013 was BDT 61,42,162 million (including money at call, Balances with NBFIs and accrued interest) an increase of about 15.20% from previous year's BDT 53,28,009 million.

Remittance

Remittance inflow during the second half of the year 2013 was marked by a some what gradual decrease reaching BDT 82,528.70 million, an 8.77% decrease compared to the November, 2012 figure of BDT 89,770.10 million. Foreign Exchange Reserves hit a record high at USD 18 billion at the end of the first half of FY14. Total Export for MTB during the year 2013 was about BDT 32,479 million, while it was BDT 25,109 million for 2012. Import for 2013 was BDT 44,273 million compared to previous year's BDT 39,427 million. During 2013, MTB's remittance inflow was BDT 7,809 million.

Money Market

Monetary Policy Statement (MPS) of the Bangladesh Bank (BB) in the H2FY14 remains accommodating, having new implications for containing inflation. Reserve money growth and growth of Net Domestic Assets for H1FY14 of Bangladesh Bank (BB) remained within program target. Bangladesh Bank (BB) has changed repo and reverse repo rate at 7.25% and 5.25% respectively after a downward revision by 50 basis points effective from February 01, 2013. Call Money Rates have declined since their peaks in early 2012 and fell during H2FY13 from around 10% in January 2013 to around 7% in June 2013 signaling further easing of liquidity pressures in the banking sector.

Liquidity Position

The Total Liquid Assets of the scheduled banks stood at BDT 1,917,277.50 million as of November 2013 against BDT 1,741,713.30 million as of the end of June 2013. Required liquidity of the scheduled banks also stood higher at BDT 1,015,578.80 million as of the end of November 2013 against BDT 947,307.70 million as of the end of June 2013.

Challenges

Bangladesh has been struggling hard to overcome a variety of challenges such as recent political disruptions, climate change, overwhelming population, unplanned urbanization and above all, lack of strong financial and capital markets. Immediate challenges for the year 2014 and onwards will be to ensure a smooth, chaos-free political situation that will bring confidence amongst the business community. Another challenge will be how to deal with its major export item. Stability in the RMG sector and rate of industrialization are the major concerns for the bankers. Shipbuilding and commodity market development are also important industry specific concerns for the banking sector in 2014. Moreover, regulatory changes like implementation of BASEL II and the upcoming BASEL III framework can be an added challenge for the banking industry as well.

Related Party Transaction

Related parties transactions of the company have been enclosed to notes 44.03 of the financial statements.

Financial Analysis

2013 was a focus year for Mutual Trust Bank as regards expansion and diversification of various business lines. A strategic approach streamlining diverse business opportunities had been undertaken, but due to the adverse economic situation it was not a completely successful business year. We achieved a remarkable growth in diversification of business, though the year was marked with fierce competition amongst the major players seeking to streamline themselves in order to keep pace with transformation.

As of the year 2013, MTB's total assets along with subsidiaries had risen to 8.91% over 2012, reaching BDT 101,464 million. Accompanying this quantitative growth was an improvement in asset quality, with our careful risk management measures contributing to high quality loans and advances. The NPL ratio of the bank decreased to 3.62% from 3.69%, which is still much lower than that of the country's NPL.

In 2013, our Net Income increased by 74.84%, to BDT 573 million from BDT 328 million over the previous year. A number of successful strategies were taken in 2013, including steady growth of our savings and lending businesses, development of more innovative and customer-centric financial products.

Analysis of Consolidated Financial Statements

Total Assets

The Bank's total assets posted a 8.91% increase in 2013, rose from BDT 93,162 million to BDT 101,464 million. A major contributor to this growth was increase in investments, which rose by 11.06%, from BDT 23,251 million to BDT 25,824 million; and the increase in loans and advances, which grew by 5.37%, from BDT 56,511 million to BDT 59,548 million. Fixed assets of the Bank also increased to BDT 2,458 million from BDT 2,385 million portraying an increase of 3.08%.

MTB also increased its Cash Reserve Requirement (CRR) maintained with Bangladesh Bank (BB) and its agents in the year 2013. The earnings assets grew at a rate of 8.27% to BDT 85,324 million.

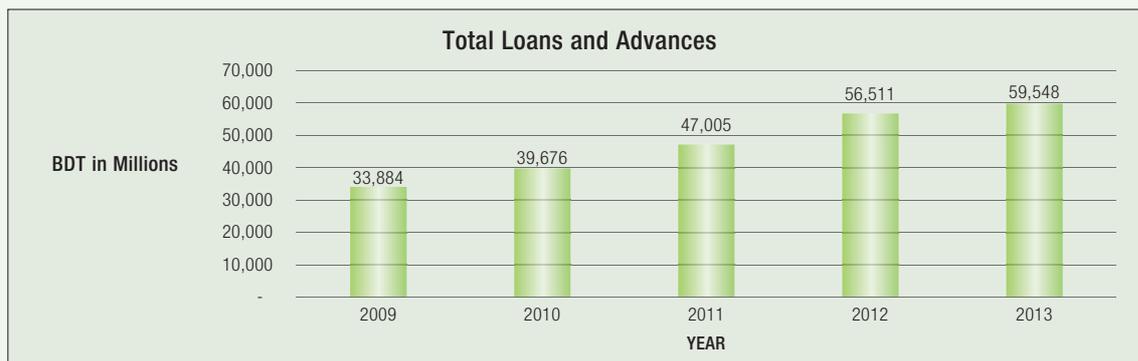
Summary of Assets in Balance Sheet:

Particulars	Amount BDT Million		
	2013	2012	(%) Change
Total Assets	101,464	93,162	8.91
Loans & Advances	59,548	56,511	5.37
Investments	25,824	23,251	11.06
Fixed Assets	2,458	2,385	3.08
Other Assets	4,369	3,372	29.57

Loans and Advance by the Bank and Subsidiaries:

The Bank's exposure to loans and advances increased from BDT 56,511 million to BDT 59,548 million in 2013 registering a 5.37% growth over the last year. MTB's credit portfolio mostly comprises of corporate, consumer and SME clients. MTB is delighted to receive fund from UBL Dubai through Off-shore Banking Unit (OBU) starting from the year 2010, though it reduced in the year 2013, and stood at USD 3.03 million, i.e. BDT 235.61 million at the year end and included in the total position of Loans and Advances.

Overdraft against Margin loan stood at BDT 3,991.85 million in the year 2013 from 4,120.36 million in the year 2012 in MTB Securities Ltd. a subsidiary of MTB.



Asset Quality and Non-Performing Loans (NPL)

At the end of year 2013, the Bank's total credit portfolio was up by 5.37% over 2012, showing an increase of BDT 3,037 million. Despite this growth, the Bank's NPL ratio decreased to 3.62% from 3.69%.

The Bank has been able to keep the NPL ratio at a manageable level due to its prudent risk management strategies, a committed recovery team and excellent monitoring and control system.

	Amount BDT Million	
	2013	2012
Total loans and advance	59,548	56,511
Non-Performing Loans (NPL)	2,155	2,085
NPL ratio	3.62%	3.69%

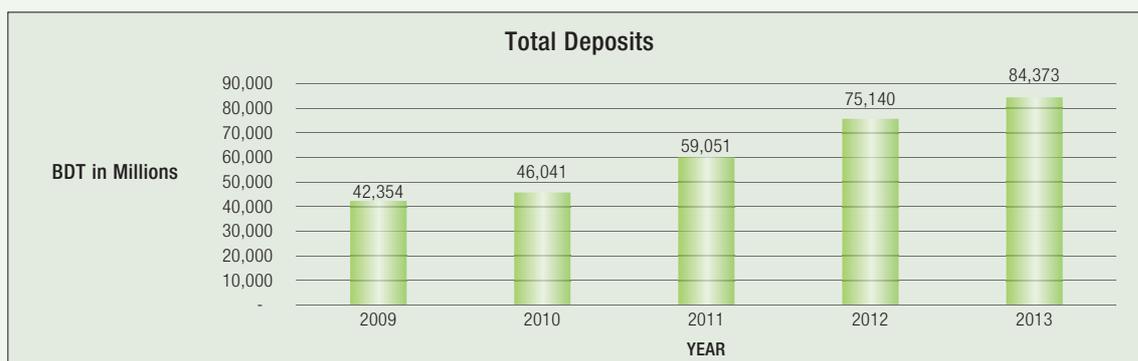
Liabilities and Shareholders' Equity

Liabilities

Total liabilities (excluding equity) stood at BDT 96,014 million at the end of year 2013, which was 8.70% more higher than the previous year's figure. This increase in liabilities is mainly due to increase in deposits from customers.

Total Deposits

Deposits represent the largest portion of total liabilities of the bank. This year, it saw an increase of 12.29%, to BDT 84,373 million from BDT 75,140 million. Over the past four years, MTB was able to double its deposit portfolio from BDT 42,354 million in the year 2009 to BDT 84,373 million in the year 2013.



Deposit Mix and Growth

The deposit mix showed significant changes during the year 2013

Particulars	Amount in BDT million		Growth (%)	Mix	
	2013	2012		2013	2012
CD and Other Accounts	11,509	9,051	27.15	13.64	12.05
Bills Payable	779	1,814	-57.01	0.92	2.41
Savings Deposits	11,097	9,224	20.31	13.15	12.28
Fixed Deposits	48,281	45,301	6.58	57.22	60.29
Other Deposit Products	12,704	9,750	30.30	15.06	12.98

The proportion of fixed deposit (a high cost deposit i.e.) increased by 6.58% i.e. from BDT 45,301 million to BDT 48,281 million. Deposit Products also increased by 30.30% to BDT 12,704 million from BDT 9,750 million. In addition to this, zero cost deposit increased by 27.15%, BDT 2,458 million, from BDT 9,051 million to BDT 11,509 million.

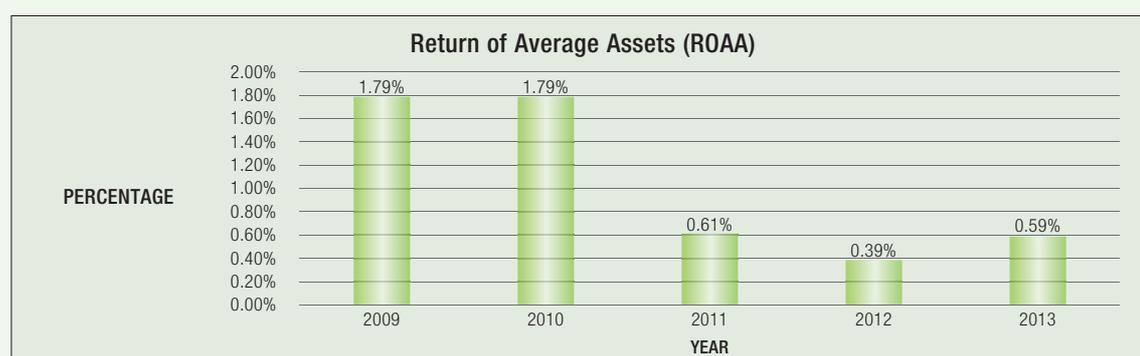
Shareholders' Equity

Shareholders' equity increased from BDT 4,833 million to BDT 5,449 million in 2013. This rise, propelled by earnings growth, was also reflected in consolidated net income. General reserve was kept at BDT 276.77 million for strengthening the reserve base to meet any future claim for tax and others.

Consolidated Earnings per Share (EPS) stood at BDT 2.05 (face value per Share BDT 10) and Return on Average Equity (RoAE) at 11.15% during 2013. Market capitalization stood at BDT 4,560 million as of December 2013. During 2013, the Bank declared 10% stock as final dividend.

Summary of Shareholders' Equity:

Particulars	Amount BDT Million		
	2013	2012	(%) Change
Paid-up Capital	2,798	2,543	10.00
Statutory Reserve	1,917	1,637	17.05
Revaluation gain	162	121	33.98
Foreign currency gain	1	-	100.00
General Reserve	277	277	-
Retained Earnings	294	255	15.35



Capital Adequacy

The Bank's Capital Adequacy Ratio (CAR) increased by 0.87% at the end of 2013. The main reasons for the increase was the decrease of risk weighted assets and also the increase of retained earnings. In terms of capital adequacy, Tier 1 capital edged up to post 7.51% at the end of the year 2013. A significant positive effect was made in Tier 2 capital through subordinated debt.

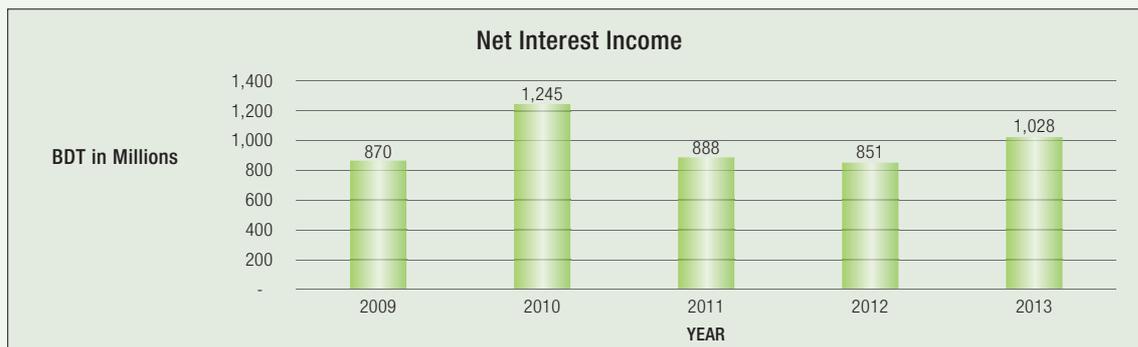
Position of Capital Adequacy Ratio:

Particulars	2013	2012	(%) Change
Required/Base Ratio	10%	10%	-
Tier 1 Ratio (%)	7.51%	7.13%	0.38%
Tier 2 Ratio (%)	4.05%	3.57%	0.48%
Maintained Ratio	11.57%	10.70%	0.87%

Earning Analysis

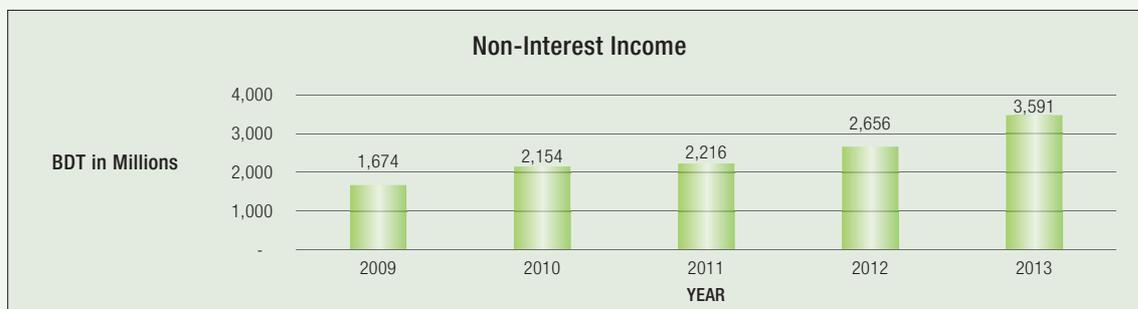
Net Interest Income

Total interest income in 2013 showed a positive growth of 14.47% to reach BDT 8,985 million from BDT 7,849 million despite numerous challenges. Interest expenses in the year were BDT 7,957 million which increased by 13.71% over 2012 (BDT 6,998 million). Comparatively, the growth of interest income is higher than the growth of interest expense, the resultant Net Interest Income (NII) showed a positive growth by 20.78% in 2013 (BDT 1,028 million in 2013 and BDT 851 million in 2012).



Non-interest Income

In 2013, investment income, fee income from assurance/guarantee, beneficiary certificates and brokerage, credit cards and foreign-exchange trading gains reached an amount of BDT 3,591 million collectively, which was 35.20% higher than the non-interest income of 2012 (BDT 2,656 million). Investment income consists of interest earned on treasury bills & bonds and dividend received on shares.



Operating Expenses

Total operating expenses increased by 19.23% or BDT 418 million, to BDT 2,593 million in 2013. This is because of a significant increase in people costs, rentals, advertisement and other expenses, which include mainly employee training costs, business development, registration fees, security services for additional branches, etc. The Bank provided full provision for gratuity payment, which was BDT 67 million in 2013. Increase of fixed assets also caused a 24.72% increase in depreciation charge during the year 2013. The headcount slightly increased by 4.63% in the year mainly due to opening of new branches and expansion of the business network.

Particulars	2013	2012
Operating Income per employee	1.47M	1.01M
Profit before tax per employee	1.02M	0.62M

Wholesale Banking (WB)

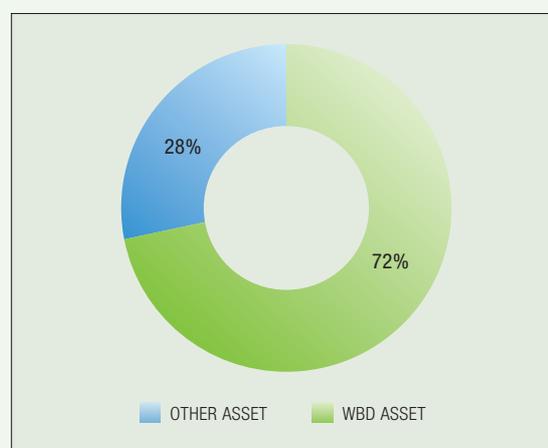
The economy of Bangladesh passed through a turbulent period throughout 2013. Political instability and a few other internal and external factors challenged the overall business environment of the country. Slow growth of these driving forces kept the total economy fragile. Investment was seriously affected and was much less than the previous years. Due to lack of investment initiatives, capital machinery import reduced significantly in comparison to earlier years. This resulted in less consumption of industrial inputs. As a result, overall import of the country was reduced. On the opposite end, volume of remittance inflow remained the same and export growth was also satisfactory. This resulted in an increase of foreign currency reserve which reached a record USD 18 billion.

A similar scenario was observed in the local currency market as well. Because of low volume of import, local currency was utilized less which caused the market to become very liquid. As a result, call rate continued to stay at a very low level. This caused the banking industry to experience a downward shift in interest rate of deposit and in advance side. But as the interest rate of loans and advances reduced at a higher pace than the interest rate of deposits, interest earning of the banks also reduced.

Moreover, after implementing tighter loan classification and provisioning policy by Bangladesh Bank (BB), the volume of default loans reached a record high level. According to Bangladesh Bank (BB), the overall default loan as on September 30, 2013 reached BDT 567.20 billion from BDT 427.26 billion as on December 31, 2012. There were some improvements at the end of the year, which was caused by some flexible approaches taken by Bangladesh Bank (BB) in the same area.

Despite the challenges, MTB Wholesale Banking Division (WBD) worked very effectively, using its seasoned human resources, keeping an eye on the latest macro-economic moves and development strategies. WBD actively marketed their innovative, customized corporate finance solutions to big corporate conglomerates, meeting their strategic objectives. Whatever the client needed, MTB-WBD provided all the solutions to them.

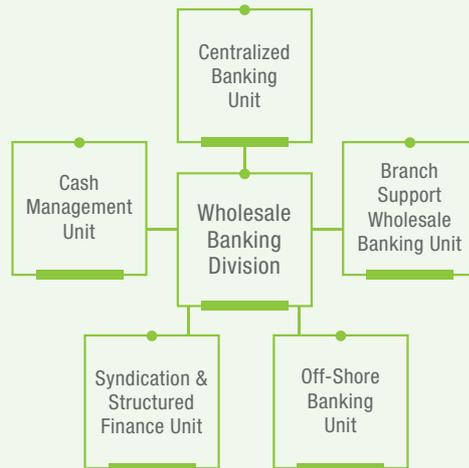
A major 74% of assets of the bank was a contribution from Wholesale Banking Business while the rest 26% consisted of Retail, SME and other banking segments,



At present, MTB is following Branch-based Business Model for providing its banking services to its clients. In addition, it also provides solutions to clients' comprehensive financing needs through Centralized Business Units. WBD offers a range of credit packages and delivers integrated financial solutions ranging from project finance, working capital management, cash management, FCY hedging services to its ever-growing list of corporate and institutional banking clients all over the country through its 5 (five) major units:

Centralized Business Unit

Centralized Business Unit through their relationship management initiatives enabled to consistently mainstream client engagements, resulting in higher top-of-mind awareness, deeper cross-sell and proactive risk management and providing clients with a complete suite of banking services. Major bookings of this specialized business unit were; Opex Group, Northern Group, Epyllion Group, Bengal Group, Shafiul Alam Steel Mills Ltd., Sarker Steel Ltd. etc. This unit books high-end customers from the market but associates them to different branches as per proximity of locations of the customers. However, the customers receive very personalized service from their respective desks.

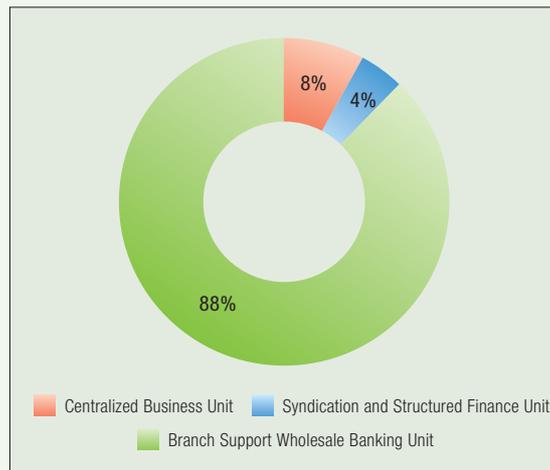


Branch Support Wholesale Banking

Branch support wholesale banking provides structuring, approval, monitoring and compliance support to clients booked at the branch level who have been availing wholesale banking facilities across the entire network. The same function is done by Centralized Business Unit for their own bookings and Syndication and Structured Business Unit against Syndicated Financing.

Syndication and Structured Finance Unit

Syndication and Structured Finance Unit is active in the syndication market to access large loans through cost-efficient structures. It offers tailor made solutions to fit client's business requirements. It also facilitates peer group in closing their syndicated deals by co-arranging or by taking large exposures in both Greenfield and Brownfield projects. Major bookings of this business unit were BSRM Ltd., BSRM Steel Mills Ltd., Aman Group, Star Ceramics (Pvt.) Ltd. etc. MTB was co-arranger for the syndication financing of BSRM Steel Mills Ltd and Star Ceramics (Pvt.) Ltd. where IDLC, SCB and Prime Bank were the lead arranger respectively.



Off-shore Banking Unit (OBU)

Off-shore Banking is the emerging window of our Wholesale Banking business that has gained popularity for its flexibility, in-built hedge for exporters against exchange rate fluctuation and competitive interest rates. Although the unit was formed with the permission of Bangladesh Bank (BB) with wide working area but due to constraint of foreign currency, there was not much activity in 2013. During the year, MTB OBU only offered Import L/C under Discounted Bill of MTB itself and also negotiated direct or deemed export bills accepted by other scheduled banks of Bangladesh and abroad. During this period, transaction was executed on account of Faisal Spinning, MSA Spinning Sinha Spinning etc. Earlier, OBU offered Long-term Finance to Bangladesh Biman and other infrastructure project.

Provided more fund can be sourced, MTB OBU activities will be further expanded in Trade Finance-based financing through Discount/Negotiation of Import/ Export Bills Accepted.

Cash Management Unit

MTB Cash Management was established to focus on strengthening the bank's fund position and maintaining a balanced deposit mix. The unit ensures best possible return for their customers through their range of CM products, customized solutions for the clients' fund management through mobilization, collection, automated payment, reconciliation and MIS support ensuring best possible return for them. Providing the transactional value to the client, this unit plays a critical role in sourcing low cost fund for MTB.

FINANCIAL HIGHLIGHTS

LOANS AND ADVANCES Growth +2.42%

2013 : BDT 42,718 M

2012 : BDT 41,708 M

INTEREST INCOME Growth +28.5%

2013 : BDT 8,676 M

2012 : BDT 6,201 M

INTEREST EXPENSE Growth +14.2%

2013 : BDT 7,998 M

2012 : BDT 7,005 M

FEES & COMMISSION INCOME Growth +24.7%

2013 : BDT 424 M

2012 : BDT 340 M

Priorities In 2014

- The foremost priority in 2014 is to ensure best possible services to the existing relationships by reviewing and reinforcing the internal business processes, capabilities and strengthening risk governance.
- To grow further with the good credit relationships - those are already on board according to their requirement. Likewise, WBD will take initiatives for forcing exit of poor asset relationships
- To attract prominent and flourishing clients for booking new quality asset relationships through extending customized solutions.
- To focus on productive sectors on which our economy's growth is solely dependent e.g. RMG, Spinning, Textile, Pharmaceuticals and Electronic product manufacturing, etc.
- To facilitate the MTB OBU activities through efficiency and cost reduction with a view to emphasize on the export-import business.
- MTB CMU will play a vital role in accelerating inflow of funds, maximizing liquidity, facilitating automated payments and strengthening reconciliation.

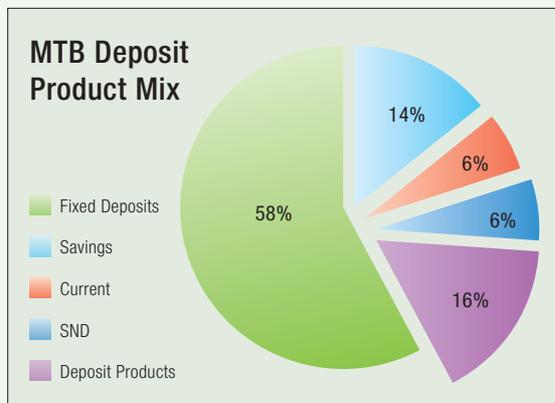
Taking consideration of all difficulties faced by the country's economy in 2013, our dedicated resources who possess sound knowledge in credit risks, business, structuring, financing will extend their best possible effort in wallet sharing with their existing clients and explore new avenues of business through innovative financial solution for WBD, 2014 is a potential year to unfold its greater aspirations of growth in line with MTB's strategic vision.

Retail Banking (RB)

RETAIL BUSINESS 2013

Highlights
Achieved 24% growth in Current Account and Savings Account (CASA)
Provided BDT 93.6 million of Home Loan and Home Equity Loan
Disbursed BDT 3.68 million as Auto Loan
Achieved 148% growth in the sale of Dual Currency/International Credit Card
Over 100,000 Outbound Calls have been made from the 24/7 Contact Centre to serve customer needs

Milestones
Total Number of Branches: 92
Total Number of ATM: 170
Total Number of POS machines: 1,500
Total Number of KIOSKS: 8
Total Number of Internet Banking Users: 15,399
Total Number of SMS Banking Users: 22,000



Customers have very different needs and the bank offers an array of products and services to meet those varied needs. MTB's Retail Banking comprises of Retail Deposits, Retail Loans, Debit and Credit Cards, Privilege Banking and Contact Centre Services. The investment products and services offered to the consumers include Current Account, Special Notice Deposit Account, Savings Accounts, Fixed Deposit Account and various Deposit Products. On the other hand, the retail-banking unit also offers an array of credit facilities in the form of Personal Loan, Home Loan, Home Equity Loan, Auto Loan and Credit Cards.

Focus on Retail Banking

The bank strengthened its foothold, both in terms of network and products. With the opening of 6 new branches, the MTB branch network continued to spread throughout the year 2013 to concentrate its presence in major metropolitan and rural areas among targeted consumer segments. MTB held its first Retail Banking Conference in September 2013 to facilitate collaboration between branches and the retail-banking unit and therefore, increase the bank's retail business growth. The network of 92 MTB branches are the main contact point for the bank to build a relationship with its customers, find out what's important to them and accordingly help the customers to achieve their goals. A persistent focus on customer service is the foundation of the bank's performance to generate sustainable value for the shareholders. Everyday, MTB tries to help retail customers to achieve their aspirations whether, it is buying a new home, buying a car, saving for the future or simply managing their day-to-day finances.

Retail Banking Products And Services

The retail products are continuously modified and updated to cater to the changing needs of the customers. In this regard, innovation has also been an inevitable part of the bank's business. MTB offers specialized products to cater to

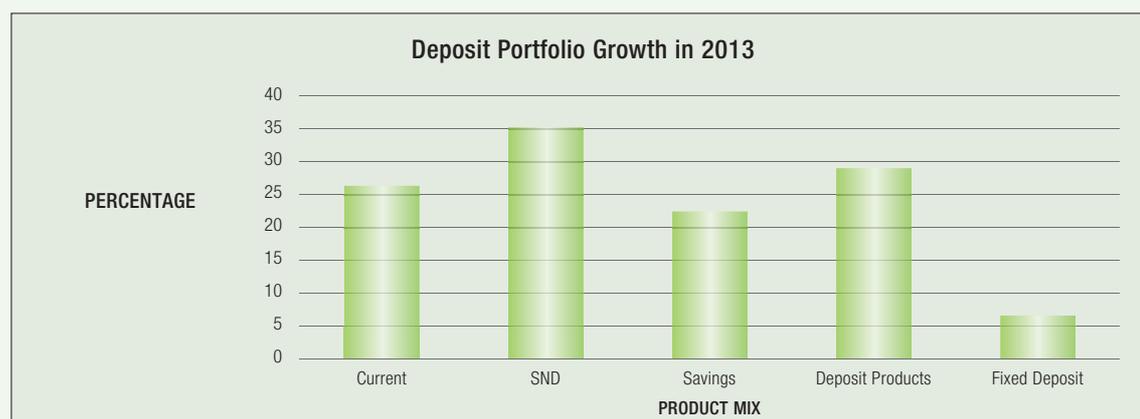
an individual's day-to-day needs, which ensures that everyone in a family is able to achieve their goals and fulfill their dreams. The bank offers a special deposit scheme called MTB Senior to accelerate savings and investments for the senior citizens. Besides, MTB Care has been especially designed for people with special needs and it also allows the bank to carry out its duty towards the wider community. MTB Inspire, which provides the unique benefit of earning monthly return on deposits, also offers one of the most competitive interest rates in the market. Deposit products provide a relatively stable source of funding and liquidity, and the bank earns net interest spread revenue from investing this liquidity in lending and investment activities.

Free of charge Mobile top-up service is one of the attractive features of MTB's Internet Banking Services. The bank has also developed its own Mobile App to facilitate its Internet Banking Services for the customers.

On 1st October, MTB launched Gift Cheque, whose total portfolio stood at around BDT 1.07 million (1,073,500) in 3 months. The Gift Cheque introduces new customers to MTB who are expected to expand their relationship with the Bank and avail other products and services throughout their lives.

Retail Banking Performance in 2013

The Retail Banking unit performed strongly in the year 2013, generating significant returns for the year. Meaningful double-digit growth was achieved in the deposit portfolio, including a 24% growth in Current Account Savings Account (CASA) and overall 30% growth in various deposit products. Majority of the growth in deposit products is attributed to MTB Kotipoti, which increased by more than 5 times (512% growth) over the previous year.



On the other hand, the most attractive feature of MTB's Loan Portfolio in 2013 was the 48.80% growth in Home Loan by branch team. Besides, the total amount of Personal Loans disbursed by the branch team increased by 48.79% compared to the previous year. MTB Professional Loan was introduced on 24th April 2013 and the total amount of loan disbursed under this category was BDT 5.7million.

Card Services have also been growing an impressive rate generating inter-change revenue from credit and debit card transactions as well as annual credit card fees and other miscellaneous fees. Total number of Debit and Credit cards issued till date are around BDT 0.11 million and BDT 0.08 million respectively. The Dual-Currency Credit Card users have more than doubled over the year 2013 generating a growth rate of 148%, whereas, the overall credit card portfolio increased by 87% approximately.

Privilege Banking

Privilege Banking is a dedicated relationship banking service offered to top-notch customers of MTB with deposits above BDT 3 million. The bank provides one stop service to these customers through relationship managers who are responsible for all banking services and solutions that they may require. Privilege customers are entitled to superior service and privileges to enhance the exclusivity that these high valued customers are accustomed to. The exclusive 'Privilege Banking Lounge' at the corporate head office allows the privileged customer to conduct financial transactions in utmost comfort and confidentiality.

Privilege customers are also entitled to:

- preferential rates for both deposit and loans
- pre-approved Gold Credit Card
- waiver of some of the service charges
- customized (Privilege) Debit Card and cheque book
- enhanced cash access limit up to BDT 100K
- free SMS Banking, Internet Banking and Phone Banking
- pre-approved Overdraft facility in their Current Accounts
- family Privilege Banking to 4 members of family, if the aggregate retail deposit balance is BDT 50 Lac and above.
- preferential services and discounted prices at various outlets for dining, entertainment, shopping, travel and treatment

24/7 Contact Centre

Ensuring excellent Customer Experience is the norm of MTB Contact Centre (MTB CC). Putting smiles on customers' faces and making their lives convenient are their priorities. On the journey of its second year, MTB CC has been proudly serving the valued clients 24/7, 365 days a year.

The year 2013 has been an incredible year for MTB CC with a 23% growth in call volume, 2013 proved that customers really feel comfortable dealing with MTB CC. It catered to more than 150,000 Inbound Calls from customers answering their queries, implementing their request and resolving their complaints. More than 100,000 Outbound Calls were made to the customers. MTB CC also responded to more than 2,000 Customers' Email solving their queries/request/complaints. Internally, MTB CC has been supporting Card Division, Alternate Delivery Channel (ADC) as well as Branches by sharing their workloads.

MTB CC is really looking forward to the year 2014 and is planning to expand its service to ensure further customer convenience. Building customer engagement will be the focal point for the next year. The plan is to incorporate more services for our customers. More automation will be done which will facilitate the customers saving their valuable time. MTB CC plans to introduce 24/7 card fraud monitoring unit in conjunction with Card Division, which will constantly monitor transactions and contact the customer immediately for verification and take necessary action for customer security for any irregular activity. Besides, there is a plan to introduce 24/7 Online Chat service for our local and NRB customers, which will help them to communicate with the CC, share their necessary documents for verification to complete their request requisition.

Future Outlook

Bangladesh is an emerging market with high growth potential. Despite the large number of banks in a small economy, banking population in our country is only around 10%. Therefore, there is an increasing demand for an array of retail loans and deposits as the retail-banking environment is changing at a fast pace. However, Retail banking business in Bangladesh is highly competitive. In this regard, providing an unparalleled customer experience rooted in service is what can set MTB apart.

The bank will continue to focus on improving customer service by listening to the customers, understanding their needs and then designing simple retail products and services accordingly to make customer's life much easier. The ultimate goal is to remain committed and help the customers through our network and services.

SME Banking (SME)

They say ‘Commercial banks bridge ordinary people with extraordinary opportunities’. But in MTB, we believe that we connect extraordinary people with well-deserved opportunities.

Entrepreneurs are extraordinary. They are amongst the few people who dare to dream. MTB SME Banking Division is a proud patron of these extraordinary people.

Why we look up to SMEs-

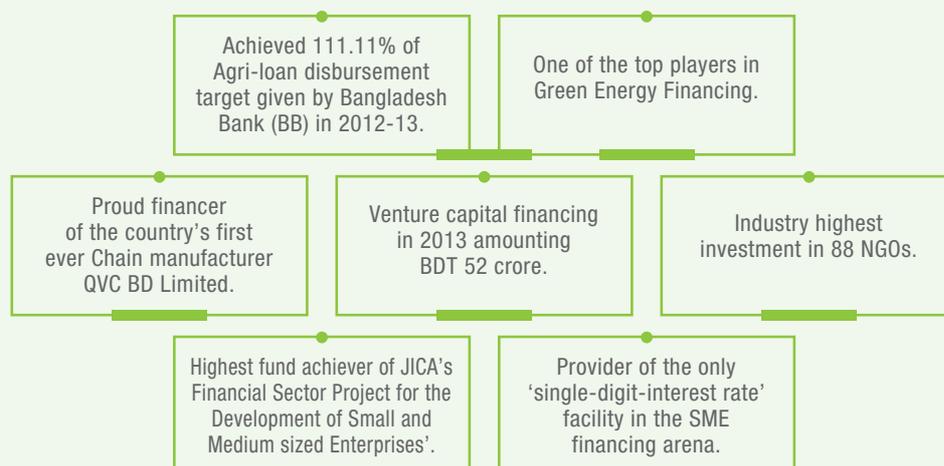
- SMEs contribute 50% of the country's industrial GDP
- Provide 82% of total industrial sector employment of Bangladesh
- Contribute between 25% and 35% of world manufactured exports
- SMEs account for about 90% of businesses and more than 50% of employment worldwide
- Some of the world's best performing economies, notably Japan, Taiwan and Hong Kong are heavily based on small enterprises
- In many developed countries, more than 90% of enterprises are within the SME sub-sector
- SMEs have greater dependence on labor-intensive production techniques
- These enterprises have lower requirements of imported inputs

SMEs, the heart of growth of economies worldwide, are emerging as the most powerful and sustainable pillars of Bangladesh economy. SMEs in Bangladesh are no longer concentrated to low-tech, traditional and agro-based economic activities only, these are spreading over non-traditional manufacturing and service sector as well.

Our country is moving forward towards SME led industrial development. Bangladesh Bank is also relentlessly working towards the development of the sector to achieve higher GDP growth, financial inclusion and overall a resilient and dynamic financial system of the country. As a steward of the financial sector, Bangladesh Bank has been motivating the banks and financial institutions to concentrate more on SME banking operations.

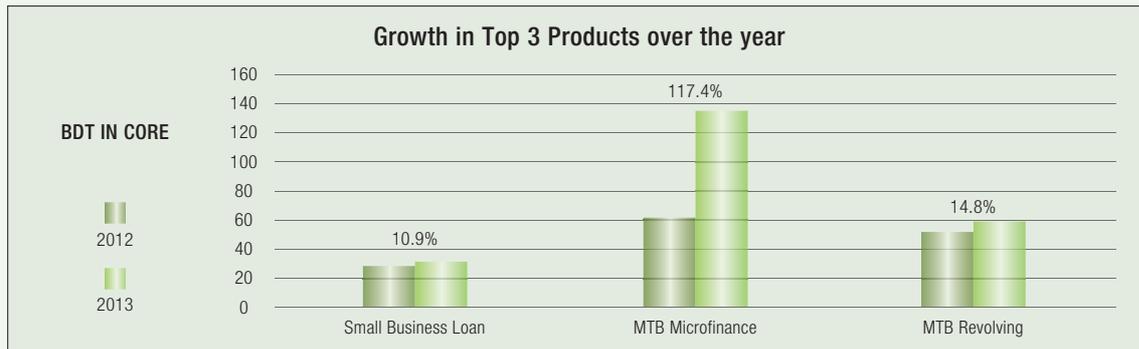
MTB is one of the dominant players in SME financing arena of our country. We have the widest product range catering to all possible financing needs of SMEs from different sectors. Since inception, MTB SME Division has given the top most priority to rural SMEs. We have customized deposit and loan products to serve different sectors of SMEs. For example, we have ‘MTB Green Energy’, a loan product launched in 2012 to support eco-conscious citizens. We also launched ‘MTB IT Genius’ to become a partner in the growth of our young IT entrepreneurs. MTB SME Division is developing itself to become a one-stop financing facility provider to agro-enterprises. We offer trainings and workshops for skill development and business management along with financial counseling and advisory services to our clients. Recently, we have joined hands with SME Foundation and Bangladesh Youth Enterprise Advice and Help Centre to finance young entrepreneurs of our country.

Our Achievements in 2013



MTB SME Position at a Glance

Number of Loans Disbursed	1,930
Amount of Total Loan Disbursed	BDT 334.27 crore
Amount of Loan Outstanding	BDT 486.89 crore
Amount of Agricultural Loan Disbursed	BDT 100.87 crore
Number of SME Products	12
Number of Dedicated SME Branches	14
Number of Dedicated SME Officers	200



Our Products

MTB SME Deposit Products

MTB Probaho: Interest bearing current deposit product.

MTB Buniad: Fixed deposit product.

MTB SME Loan Products

MTB IT Genius: Tailor-made for IT entrepreneurs; a first-ever initiative by any bank in Bangladesh.

MTB Light Engineering: Customized to finance the light engineering sector and its sub-sectors.

MTB Krishijat: To finance the agro-processing industry and its sub-sectors.

MTB Gunabati: Designed to finance women-led SMEs engaged in manufacturing industries; carries single-digit interest rate.

MTB Mousumi: To finance SMEs involved in seasonal businesses.

MTB Krishi: To back agricultural sector and sub-sectors.

MTB Bhagyabati: Customized to finance women entrepreneurs.

MTB Small Business: Designed for all types of financing requirements of micro and small enterprises.

MTB Revolving: To meet working capital requirements.

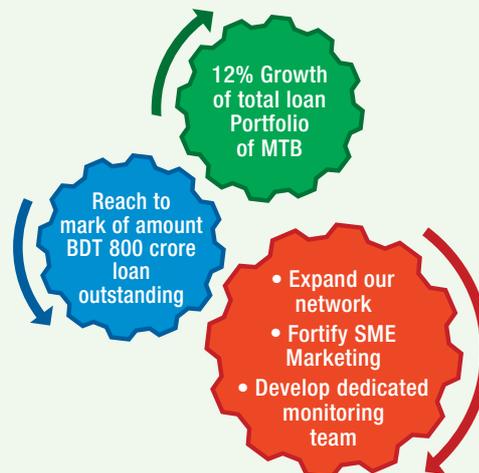
MTB Micro-finance: Designed to supply wholesale credit to NGOs for onward lending as micro-credit.

MTB Digoon: Extended on basis of fixed deposit receipts.

MTB Green Energy: Customized to finance the renewable energy sector.

Business Outlook 2014

In 2014, WE WILL



Green Banking

Green Banking concept is a positive and smart way of thinking, with a vision for future sustainability of our Earth. It considers all the social and ecological factors with an aim to protect the environment, and safeguard the natural resources. Creating awareness of climate change and environmental protection is a fundamental element of Mutual Trust Bank's (MTB) Green Banking activities.

MTB considers it as an ethical and sustainable way of banking. We try to avoid as much paper work as possible and rely on online/electronic mode of transactions and communications. MTB firmly believes that by limiting paper consumption, it can reduce deforestation. Creating consciousness among business people about environmental and social responsibilities and encouraging them to practice environment-friendly business is another step towards Green Banking. We adopt and implement environmental standards while lending that would enable eco-friendly business practices, which would make the Earth more habitable for future generations. MTB assumes that stakeholders are better served when their needs are fulfilled in a socially responsible manner.

MTB believes that Green Banking would help in finding ways to blend customers' financial interests while keeping the interests of the environment in mind. That environmental sensibility is paying off for customers as well as for the planet. It means promoting environment-friendly practices and reducing carbon footprints from banking activities. This comes in many forms - practicing online banking, introducing various alternate delivery channels i.e. internet banking, SMS banking, ATM booths, Kiosks, Contact Centre etc.

MTB is one of the pioneer banks in the country in implementing Bangladesh Bank's (BB) Green Banking Guidelines in phases. Actions taken by MTB are given below:

- i. MTB has formulated and circulated the 'MTB Green Office Guide'. It is a tool for educating employees regarding environmental issues and improving in-house management. MTB has a separate and independent Green Banking Cell with the task of developing policies, managing and implementing Green Banking initiatives of the bank.
- ii. MTB has assimilated Environmental Risk Policy with its regular Credit Policy in line with Credit Risk Management (CRM) guideline. Environmental risk, an innate element of credit risk, needs to be managed properly. With this end in view and in line with the guidelines of Bangladesh Bank (BB), Environmental Risk Management (ERM) Policy of MTB has been prepared and included in 'Credit Policy with Credit Risk Management Guidelines-2011', contents of which are to be followed and abided by all concerned and reviewed under Environmental Due Diligence (EDD) checklists.
- iii. Focus of MTB's environmental protection activities is to optimize resource utilization, with the primary objective being reduction of Carbon Dioxide (CO₂) emission as part of its climate risk management strategy. The bank is continuously taking initiatives for improving in-house environmental management systems.
- iv. Beside the Green Office Guide, the bank has an unique and very effective intranet system which is one of the best solutions for internal communication, information sharing, employee education and database management. It has features like e-notice board, online leave management facility, e-attendance for the employees. All Bangladesh Bank (BB) and MTB circulars are instantly circulated through e-mail. Most of the communications within the Bank has become absolutely online. To further reduce the proportion of paper consumption, various communications are posted on the intranet with the aim to increase employee awareness on the subject. They include information on efficient and economic use of paper, such as both-side printing and reusing paper as much as possible. All of these are significantly saving the usage of paper and thus enabling MTB to become a more environment friendly organization.
- v. With the view of becoming an environment friendly bank, MTB Centre, MTB Tower, Corporate Offices of the bank, have been designed as truly green buildings with artificial intelligence. No human intervention is needed to turn lights off and on. Solar Power System has been installed on the roof-top of MTB Centre; The total environment is designed in such a way that it reduces energy consumption significantly. MTB has established three solar powered branches and six solar powered ATMs at five different locations which save 90% energy compared to conventional banking outlet.



vi. In line with its Green Banking strategy, MTB is utilizing modern facilities with a view to establishing fully IT-based Green Marketing System. As part of this, it has created well-functioned and well-equipped Alternate Delivery Channels (ADC), i.e. SMS banking, Contact Centre, Internet Banking with free Android application, Kiosks, POS terminals, ATMs and so forth. By availing these facilities, customers do not need to come to the branches for their small services which ultimately saves significant amount of their time and energy. Customers are continuously encouraged through e-mail and other electronic means to use those environment-friendly modes of banking. All MTB outlets across the country send e-cards on festivals, e-statement, electronic format of vouchers and other necessary documents through e-mail. MTB encourages its clients to communicate and to send documents through e-mail with a view to avoid printing and paper use.

Climate risk fund has already been created and BDT 5 million allocated for the purpose of financing the economic activities in flood, cyclone and drought prone areas at lower rate of interest.

MTB is always enthusiastic in participating and arranging various programs on environmental issues. MTB was selected as one of three banks to present a paper on sustainable banking in *International Sustainable Banking Conference-2013* jointly organized by Bangladesh Bank (BB) and International Finance Corporations (IFC) as a recognition of its better Green Banking practices.

MTB's Environmental Management system addresses the whole eco-system issue. MTB is the pioneer in developing Green Banking products in the country. It takes pride in designing and sanctioning the first ever structured renewable loan product in the country. MTB has a wide range of Green Loan Products. MTB's innovative green products and financing of towards those products in 2013 are given below:

- MTB Krishi (designed to finance agricultural sector and its sub-sector): BDT 1,071.43 million
- MTB Krishijat (designed to finance agro-processing industry and its sub-sector): BDT 417 million
- MTB Green Energy (designed to finance the renewable energy sector including solar, bio-gas etc) : BDT 83.20 million

Besides these products, MTB has financed BDT 2,560.94 million in projects having ETP in the year 2013.

MTB's finance in Green Products year by year:

Product Name	Amount BDT Million		
	2013	2012	2011
MTB Krishi	1,071.43	719.82	357.76
MTB Krishijat	417.00	48.60	Nil
MTB Green Energy	83.20	130.50	172.89

MTB aspires to be recognized globally for its well-developed understanding of business matters related to climate change and consideration of such risks and opportunities in its core business.

MTB Corporate Social Responsibility (CSR)

As part of the Bank's strong ethical business principles, MTB's commendable efforts to undertake remarkable Green Initiatives are an integral part of the Bank's Corporate Social Responsibility (CSR). Starting from employee-level energy saving and recycling schemes to moving towards a low-carbon economy, Mutual Trust Bank Ltd. (MTB) intends to become a preferred provider of a great array of banking products and services through *Green Financing*. When it comes to lending decisions for business expansion, MTB's investment preferences for socially responsible investors, are an indication of its sustainable journey towards establishing itself as a socially responsible organization.

In the year 2013, about 50% of the Bank's CSR budget was allocated to Disaster Management. Around 30% of the budget was spent on the Education sector followed by Health, Art and Culture and other sectors. In 2014, MTB intends to put more emphasis on Education and Health sectors especially in hard-to-reach rural areas.



Contribution of BDT 1 Crore to the Prime Minister's Relief Fund for the Savar tragedy victims



Sponsorship of 'Masters of Ideation Program' organized by North South University



Annual contribution to the families affected by the BDR carnage



Sponsorship of the "MTB-The Daily Star Brainstorming Business Idea Contest 2013" organized by Drishty, Chittagong



Distribution of mineral water to the Savar tragedy victims



• Donation of house building materials to the families affected by the Brahmanbaria tornado



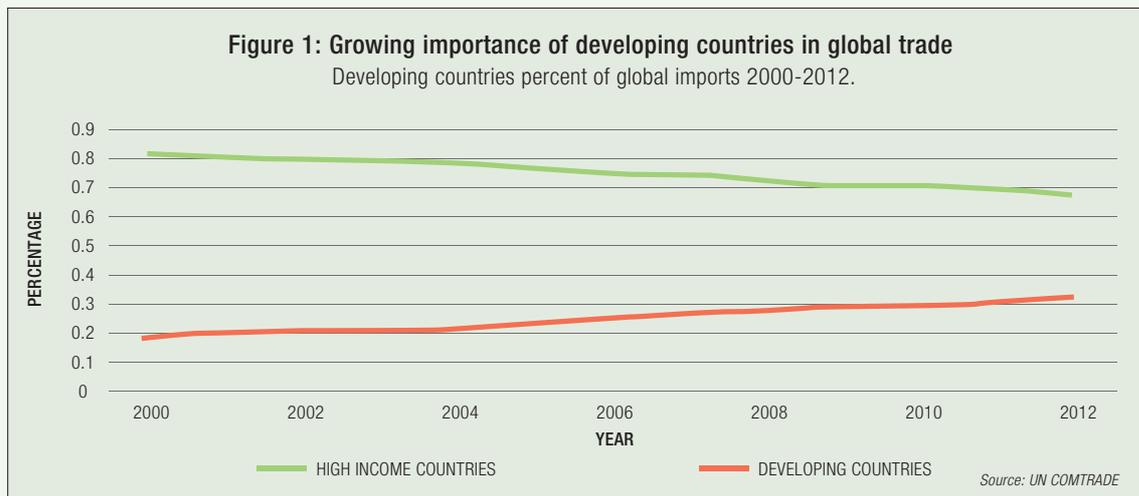
• Scholarship Distribution Program at MTB Nazirhat Branch



• Winter clothes distribution at Bogra

International Trade

Global trade finance is growing slowly and steadily. A big role is being played by the developing countries in fueling this trade growth. According to a survey of International Chamber of Commerce (ICC), economic opportunity is expanding in the Eastern and South-eastern parts of the globe where, emerging markets will likely account for a far larger share of economic activity.



South-South trading which has emerged over the last decade has become the most vibrant in volume and rate of growth. Just 20 years ago, South-South trade represented only 10 percent of world trade. By 2020, one-third of global trade is likely to be South-South. Therefore, the global trading system will be re-arranged in the coming years and the developing countries will be responsible for the changed scenario.

This year, global trading has undergone vigorous compliance standard reform compared to any other time in the recent past, especially in USA and UK. Consequently, global banks have become more stringent in implementing full-proof compliance standard which has ultimately increased overall cost of maintenance of each and every correspondent relationship. Keeping in line with the global compliance culture, Bangladesh Bank (BB) is also reshaping its monitoring system through introducing online supervision in addition to its traditional on and off-site supervision.

Import

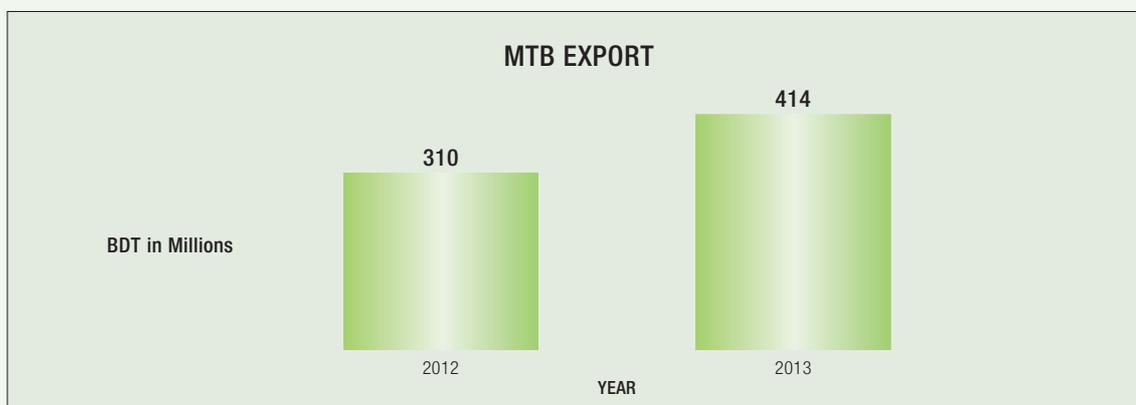
The national import stood at USD 31,408.79 million (till Oct-2013) as compared to USD 30,339.51 (till Oct-2012), which demonstrated a growth of 3.52% from the previous year.

Import business volume of MTB during the year 2013 was USD 571.61 million compared to USD 479.61 million in 2012, which showed a growth by 19.18%. The major import areas were raw materials, fabrics and accessories, chemical, electronic goods and other consumer products, capital machineries, medical equipments and food grains (vegetable oil, pulse, rice, sugar etc.).



Export

The national export stood at USD 26,387.24 million (till Nov-2013) as compared to USD 22,658.36 (till Nov-2012), which demonstrated a growth of 16.46% from the previous year.



During 2013, total export volume of MTB stood at USD 414.07 million compared to USD 309.98 million in 2012. This reflected a growth of 33.58%. The Bank has given emphasis on export of traditional items like jute, jute products, raw jute, leather and ready-made garments.

Overall economic activities had been thwarted severely due to some national disaster and political instability in the domestic market throughout the year. Despite all odds, country's overall exports - especially Readymade garment (RMG) sector, has shown great resilience through performing stellar export business. On the opposite side, Import business was largely affected in the last year because of breakdown of distribution channel due to political unrest. Despite the political instability, inter-bank rate, Bangladesh Bank (BB) reserve and local and foreign currency flow were very normal in the year 2013.

Business Outlook 2014

Bangladesh has a great prospect to increase its trade in the changing context of world trade. The present scenario is much more congenial which is expected to continue in the coming year 2014. On this aspiration, we envisage and mark 2014, as a very good economic year given that political stability will continue to prevail.

NRB Division

Remittance has created a new dimension in the economic development of Bangladesh. It is the second largest sector of foreign exchange earnings after garments. MTB certainly recognizes the important role of remittance and has undertaken a number of initiatives to take advantage of the global trend in continuous growth of remittance flow towards Bangladesh. MTB NRB Division offers an array of deposit products in local currency for the NRBs who are residing abroad and want to save their hard-earned money to facilitate their family maintenance. We recognize that every Non-Resident Bangladeshi (NRB) has distinct different needs. We strive to fulfill these needs by providing exemplary levels of personal service, convenience and security.

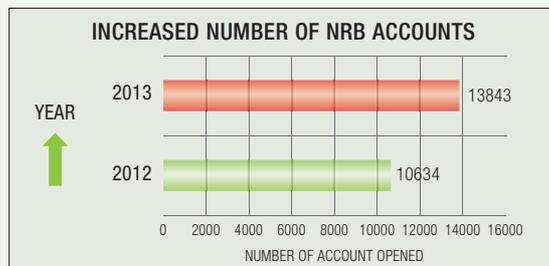
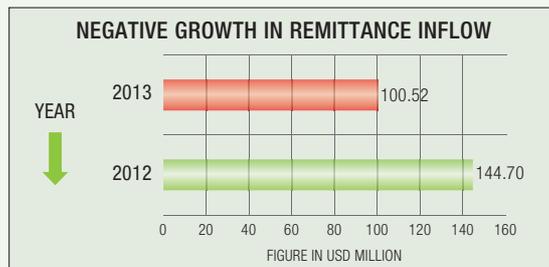
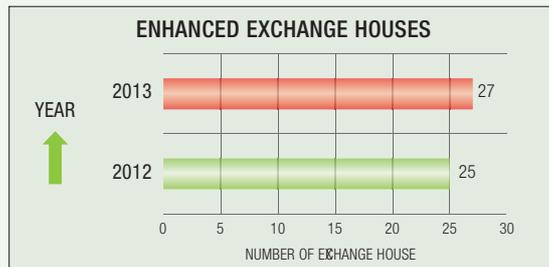
Performance Highlights at a Glance



Review of NRB Operations 2013

2013 has been quite a challenging year for remittance business as competition has increased in the industry. But despite all the challenges MTB NRB Division has maintained a reasonable growth in 2013. This year, we have procured inward foreign remittance of USD 100.52 million equivalent to BDT 7,691.08 million. The growth is not very healthy compared to the previous year as the volume of remittance has decreased by almost 30%. However, the growth of this year may be considered reasonable as the overall remittance inflow to the country was declining.

The division has established a few remittance drawing arrangements with foreign correspondents by this time and some more are in the pipeline. Currently, we have 27 foreign correspondents (exchange houses) in different countries. MTB has a very strong presence in Middle East, a fully-owned subsidiary is running smoothly in United Kingdom, world's top money transfer companies are already MTB's remittance partner; i.e. Western Union, MoneyGram, UAE Exchange, Wall Street Exchange, Instant Cash Worldwide, Xpress Money, Transfast, Ria Financial to name a few. We are now expanding our reach to Malaysia, Australia, Italy and Europe.

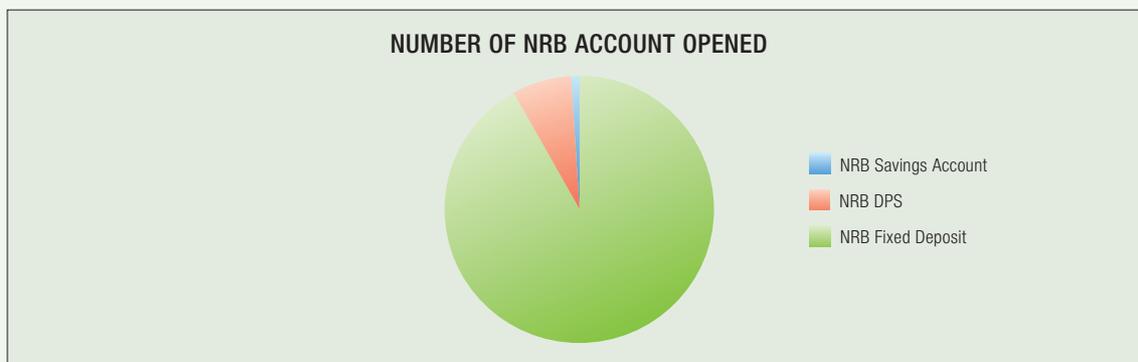


NRB Products at MTB

MTB's NRB division had previously been merged with MTB International Division. In 2009, MTB established a separate NRB Division. This division deals with Foreign Remittance, NRB Services and Administrative support to MTB's subsidiary exchange company in UK and foreign currency exchange booths at Dhaka and Chittagong Airports. It has two wings to

Product	No. of A/C
NRB Savings Account	13,843
NRB DPS	1,043
NRB Fixed Deposit	125

*As on December 31, 2013



support the divisional work: Business and Operational Unit. MTB NRB Division offers 3 types of deposit products, NRB Savings Account, NRB DPS and NRB Fixed Deposit.

Performance Highlights of the Division

- NRB Division has 27 foreign correspondents (exchange houses) in different countries
- Business Unit has added 2 foreign correspondents (exchange houses) to MTB's fleet in 2013
- NRB Division co-ordinated with MTB Alternate Delivery Channel Department (ADC) for developing Application Programming Interface (API) Connectivity with exchange houses
- NRB Division arranged online access for exchange houses to view their Non-Resident Taka (NRT) and Non-Resident Foreign Currency (NRFC) account as real-time statement
- NRB helped transform exchange house NRT and NRFC account into Current Account (online). Correspondents are now able to view their statement of account through online facility (i-banking)
- NRB helped to reduce reconciliation issues for different exchange houses

Technology That MTB Uses

MTB NRB Division's competitive strength lies in the use of technology and its ability to deliver world-class service with fast response time. NRB Division and ADC are working together to develop a robust software for remittance business. The benefits of this new system include: 1) Direct MTB account credit by exchange houses 2) Other bank account transfer and 3) Cash-over-the-counter at MTB Branches. The software will be connected using the Host-to-Host connectivity (API) where exchange house users will have online-direct-access to their NRT & NRFC account.

MTB HSIA Booth

Hazrat Shahjalal Int'l Airport (HSIA) Booth is the key foreign currency exchange booth for MTB. This booth is playing a significant role in generating foreign currency for the bank and this year it has purchased BDT 8.26 million in different foreign currencies. Average number of endorsement of the booth is 125 per month. This is a 24/7 service centre for all incoming & outgoing passengers at the Airport. Major currencies the booth exchanges are: USD, SAR, AED, MR, SGD, EUR and GBP.

Business Outlook 2014

Remittance Business is observing increased competition day-by-day. This is specially true in international market, where new banks or banks with small networks are struggling for their survival. The import/export business also plays a role in the remittance situation and as such, the NRB division is constantly monitoring and adopting its business strategy to suit the needs. We believe that with our new initiatives of updated business strategy, we will increase the volume of number of remittances received in 2014.

Treasury Operations

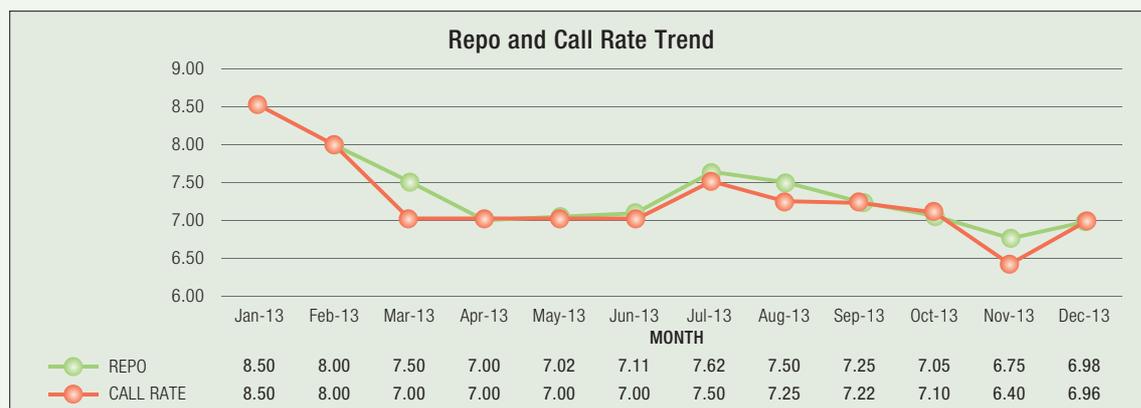
Treasury is considered one of the most invaluable departments, where all the funds of a bank is managed and utilized in an efficient manner. The general mission of the treasury department is to manage the liquidity, interest rate, exchange rate and other risk associated with the business. This means that all current and projected inflows and outflows of fund must be monitored to ensure sufficient fund to operate business, as well as to ensure the excess fund is properly invested. Treasury Department generally deals with Money Market Operation, Fixed Income activities, Foreign Exchange Operation, Asset Liability Management, Primary Dealership, Liquidity & Market Risk Management etc.



Money Market

In the year 2013, Money market experienced a stable situation. There was no crisis of liquidity in the banking sector and consequently overnight borrowing rate was quite stable almost throughout the year. As a part of the monetary policy, Bangladesh Bank (BB) reduced the rate of REPO and Reverse REPO by 25 basis points in the early period of 2013.

MTB money market desk analyzes and forecasts the market, and takes the market opportunities by regularly participating in the inter-bank market of the country and exercising all types of existing money markets products like Call Money, Term Placement, Repo, ALS, Reverse Repo etc. with Bangladesh Bank (BB) and inter-bank. As 2013 was a national election year, the economy was slow and the overall private sector credit growth of the country was low. As a result, money market was relatively liquid and AD ratio in the banking industry was low as well.



Source: MTBL Treasury Front Office

Foreign Exchange

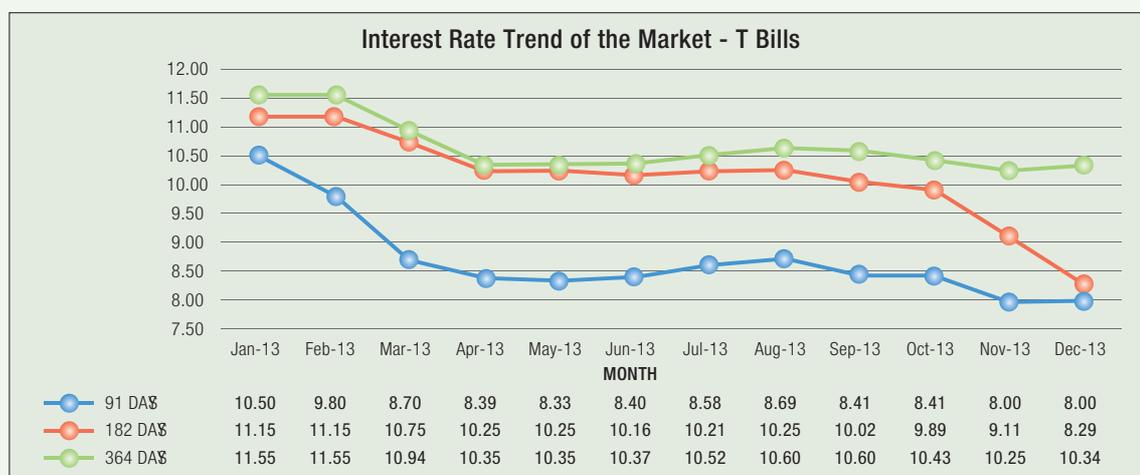
Foreign Exchange risk for a bank is mainly related to the change in earnings due to changes in the Exchange Rate. Foreign Exchange risk arises due to the banks' involvement in foreign currency transactions that include foreign currency exchange, placements, investments, loanings, borrowings and different contractual agreements. The role of Treasury department in relation to Foreign Exchange trading is mainly currency management by trading and market making. Our Foreign Exchange Management includes borrowing/purchasing foreign currencies when necessary, channeling idle funds into investments/placements and deploying instruments such as swap and forward contracts in order to manage the Bank's funds prudently.

In the year 2013, Foreign Exchange reserve of Bangladesh increased significantly due to huge inflow of wage earners remittance and export and downward trend of import. As a result, the local currency BDT appreciated against US Dollar. Treasury department of MTB was able to forecast the situation timely and acted efficiently by managing the exchange position to maximize profitability. Besides these, Treasury department meets LC commitment and funding requirement of the customers with proper risk management.

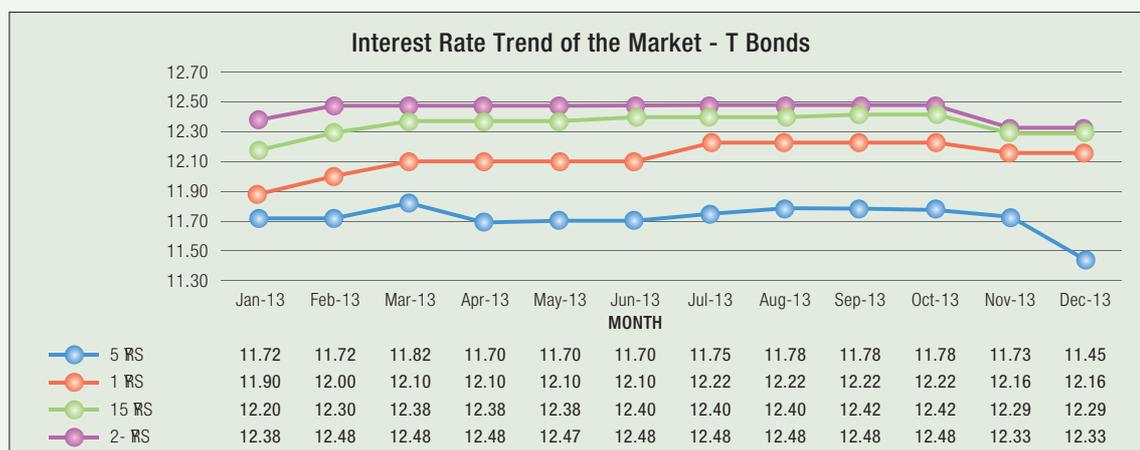
Primary Dealer Fixed Income Securities

MTB is an active member of Primary Dealers Bangladesh Limited (PDBL). As a Primary Dealer of Government Securities, MTB participates in all auctions as per the auction calendar given by Bangladesh Bank (BB). The bank was very active in primary dealership activities and was involved in both primary and secondary market activities throughout the year. The bank has been trying to develop an active secondary market by providing services to its corporate and individual customers through selling and purchasing of government securities. The bank was also involved in providing advisory services to existing and potential customers. Due to the active participation in the market, the Treasury Department contributed a significant income for the bank through Primary Dealership activities and Fixed Income trading.

Above all, like other PD banks, MTB also helped government's budgetary target by participating in bids in the primary auctions.



Source: Bangladesh Bank Website



Source: Bangladesh Bank Website

Asset Liability Management

As a part of Integrated Treasury Management, Asset Liability Management (ALM) involves analysis, evaluation, identification and management of certain risks or combination of risks. The main objective of ALM is to manage the Balance Sheet risk of the bank through management of Net Interest Income (NII), sensitivity, mitigation of liquidity risk, Capital Management, undertaking financial hedge positions, internal profitability measurement and regulatory compliance.

Treasury department plays an active role in Asset Liability Management (ALM), which is the ongoing management of the bank's Balance Sheet in order to ensure the right balance between the sources and uses of funds in respect of their profile, cost and yield and risk exposure. This dynamic process examines volumes, mix, maturities, yields, sensitivities, quality and costs in order to maintain Liquidity and Net Interest Margin (NIM). MTB Asset Liability Committee (ALCO) comprises of senior management and meets at least once a month to discuss the market and take strategic decisions on fixation of asset liability pricing. Special ALCO meetings are also held to respond to the unusual or seasonal market behavior or other volatile market scenarios as and when required.

The ALCO of MTB was able to manage different balance sheet risk in a prudent manner throughout the year.

Regulatory Compliance

All the regulatory requirement of the Bank like Cash Reserve Requirement (CRR) and Statuary Liquidity Requirement (SLR) were met throughout the year. The Division also maintained exchange position of the Bank prudently in line with the Bangladesh Bank (BB) Net Open Position (NOP) limit.



MTB Information Technology Services (ITS)

In 2013, Group MTB embarked on a comprehensive strategy to make IT an efficient asset that supports, sustains and enables growth and operational excellence.

The Bank has been taking proactive technology initiatives to enhance customer service and customer experience at all levels by aligning IT with its business objectives and providing technology-enabled services in tune with customers' requirements.

MTB is centralizing and automating all its processes to achieve better data protection, higher levels of efficiency and better turnaround times. Through its development of technology-based innovations, the Bank is gearing up to provide customers with exciting banking services. Further enhancement in e-banking platforms in 2013 will set the stage for a game changing service experience for the Bank's customers in the years ahead.

MTB started leveraging technology to bank a part of the unbanked people. New channels for access are being created and deployed to start banking services to the doorstep of these unbanked people. These initiatives are in line with the Bank's efforts in the area of financial inclusion in the Bangladesh economy.

New Data Centre at MTB Tower

Technology is an important driver of Mutual Trust Bank's business. MTB successfully transformed its IT infrastructure in 2013, deploying cutting-edge technology, as the Bank gears up for the next phase of growth. A new state-of-the-art disaster recovery data-centre is being built and installed at the Bank's own building at MTB Tower, to significantly improve transaction processing and service delivery for customers.

Setting up the data centre along with the network cabling at the 12-storied MTB Tower building had been a major project for MTB ITS in 2013. The project comprised of various phases beginning from preparing tender documents to inviting and awarding the tenders. Thanks to the concerted efforts, the project work is in progress and we are hoping to see the live data centre by March 2014.

Centralization and Segregation of Interest & Penal Interest

One of the major changes in the Core Banking System (CBS) in 2013 was the segregation of the Penal Interest from the due interest as well as centralized recovery of the same. The implementation of the process significantly increased the interest income as well strengthened the MIS system to fathom the exact income from the penal interest itself.

Segregation of General Ledger (GL) Heads

One of the major initiatives that took place in CBS is the segregation of GL heads, where MTB lending products were segregated according to the customer's nature, which is required for various regulatory reports as well as for internal reports. All the MTB loan products were separated into Wholesale and Medium Enterprise Finance, Small Enterprise Finance and Retail Finance heads.

Implementation of Treasury Software

In order to automate the treasury back-office functions and integrate it with the CBS, an agreement had been signed with the software vendor and accordingly the software is in the implementation stage.

Implementation of MTB Gift Cheque

The CBS had been enhanced with the facility to accommodate the MTB Gift Cheque, a new retail product for the customers.

Shifting of MTB Securities Ltd (MTBSL) Head Office to WW Tower

The MTB Securities head office and the main data centre was relocated in 2013. The migration process came with the challenge of continuation of the service with the least amount of downtime; ITS network team successfully completed

the task ensuring the resumption of operations of the 18 MTBSL offices from the relocated data centre at WW Tower in Motijheel.

Facilitating MTBSL Internet Trading

ITS also worked closely with the implementation team of the MTBSL Internet Trading Module including the installation of servers and networking equipments.

Expansion of ATM and POS Network

Since the inauguration of first MTB ATM in the year 2011, the bank now has 170 ATMs across the country, making MTB one of the top ATM service providing banks in the country. A constant effort is always on, to further expand the ATM network and broaden the customer reach. MTB ATM Installation Committee (MAM) is also taking regular statistics on the transaction of every ATM and analyzing the transactions behavior to decide whether MTB needs further ATMs in a particular area or to relocate the underutilized ATMs to elsewhere. With an increase in ATMs in strategic areas, the bank has successfully shifted the MTB card users to use MTB ATMs. This shift was possible only due to the card holder's confidence in MTB's ATM services.

At present, approximately 85% of cash withdrawals by the MTB card holders take place through MTB's own ATM network while 15% through the VISA network. In 2013, 22 ATMs and 2 Kiosks were added to the network. MTB customers perform nearly 100,000 (one hundred thousand) cash withdrawals and 30,000 (thirty thousand) balance inquiry or mini-statement per month through MTB ATM network. Last year, nearly BDT 800 crore was withdrawn through MTB ATM network and the number of withdrawals was more than a million!

MTB Point of Sale (POS) network is also expanding at a good pace. Presently there are about 1,500 POS machines deployed across the country and contributing towards generation of a handsome amount of low-cost fund. Every month, MTB Card Division is adding 50-60 POS machines to the network.

EMV for MTB POS network

As per VISA regulatory guidelines, our POS network needs to be migrated to contact and contact less EMV chip technology. Investment in chip technology will accelerate the adoption of payments, enhance international card acceptance and improve security through the use of dynamic authentication elements. Considering this, the bank management has undertaken a project with TS² international & VISA International to make MTB POS terminals as EMV compliant terminals in the near future.

Inclusion of Reward, Collector and Installment buy feature in Card Management System

The management has decided to invest in the enhancement of Card Management System and to include features like Reward, Collector and Installment buy. These features are meant to add momentum to the card business as well as deployment of more POS machines to bigger merchants. This project is expected to be completed within June 2014.

Participation in National Payment Switch Bangladesh (NPSB)

In 2013, MTB initiated the process to facilitate the electronic payment system of inter-banking through National Payment Switch Bangladesh (NPSB) of Bangladesh Bank (BB). The system was certified from Bangladesh Bank (BB) and is now waiting to go live. NPSB is designed to connect all switches already in place in the private sector banks, including the mobile operator switches and the internet banking solutions enabling banks to send inter-bank payment instructions to the NPSB for clearing and settlement purpose.

Implementation of Oracle Active Data Guard for the Switching software of MTB

MTB started a project to implement real-time data protection and availability while eliminating compromises inherent to other solutions for data protection. This software has unique corruption detection and automatic repair and read-only access to a physical standby database for production workload off-loading. MTB used NetApp unified storage system while implementing the active data card.

Mobile Top-up

The in-house developed MTB Internet Banking was further enhanced with a value added feature “Mobile Top-up” to facilitate customers to recharge their mobile phone talk-time. Customers can recharge any operator’s mobile phone from our Internet Banking through this facility.

Mobile Banking App

Due to the increased number of customer demand and tremendous growth of android applications in the smartphone, MTB Mobile Banking apps have been designed for Android and iPhone smart devices. This app enables customers to manage their money from their phones. The state-of-the-art app, designed and developed in-house, is the country’s first true mobile app.

Mobile Financial Services

In order to ensure the access of unbanked people by taking advantage of countrywide mobile network, internet coverage, MTB is ready to launch its own Mobile Financial Services (MFS). MTB has entered into the agreement with Flora Telecom Limited to launch “MTB Mobile Banking”. This will be launched by the first quarter of 2014.



Group Human Resources

MTBians have gone through an era of transformation between 2009 and 2013 in terms of HR practices. Back in 2008, MTB had a traditional HR system which was basically a personnel department. As much as 70-80% of HR time was involved in manual day-to-day HR routine operational activities. A revolutionary change has been brought in all HR functions under the supervision of skilled HR professionals of MTB. MTB incorporated world-class benefits and facilities for employees. For long-term sustainability in banking industry, GHR has given concentration to developing professional and specialized employees. This has been continued since 2009 to all MTBians so that they can serve MTB clients with highly valued products and services. MTB has cultivated the kind of corporate culture which encourages values of forward-looking, creative attitudes and mutual cooperation.

MTB GHR Goals	<2009	2010	2011	2012	2013>
	Year for CENTRALIZING	Year for BENCHMARKING	Year for LEARNING	Year for PERFORMING	Year for EFFICIENCY
People	841	1,089	1,269	1,316	1,378

MTB GHR activities are currently on-line through MTB’s dynamic one-click destination in the Corporate Intranet system. All HR information is available to every employee from the first day of his/her joining. These corporate intranet HR pages are now a popular dashboard for day-to-day uses by MTBians to know employee’s information, training, circulars, upcoming events and recognition programs.



Along with that, in order to bring about greater alignment between corporate objectives and individual growth, the Bank’s Performance Management System, has been streamlined in 2013. The changes have helped to increase the ownership of appraiser and reviewer in the performance management process.

MTB recognizes that its success is deeply embedded in the success of its human capital. During 2012-13, the Bank continued to strengthen its HR processes in line with its MTB3V, of creating an inspired workforce. The employee engagement initiatives included placing greater emphasis on learning and development, launching leadership

development programmes, introducing internal communication, providing opportunities to employees to seek aspirational roles through internal job postings and periodic job rotations, streamlining the Performance Management System, making the compensation structure more competitive and streamlining the performance-linked rewards and incentives.



The Bank has built a training infrastructure which is state-of-the-art: Mutual Trust Bank Training Institute (MTBTI). The flagship in-house programmes of MTBTI include the Induction Programme for new entrants and credit and foreign exchange programmes for building a pool of specialists in the respective domains. External programmes for team-building, leadership, organisational development, management development programmes and people management programmes have been organized for all employees. As a part of leadership and management development program, MTB has recruited 47 Management trainees (MMT2011, MMT2012, MMT2013) from 2011 to 2013. They had a rigorous cross-departmental and branch exposure training for 12 months.

The Bank has emerged as a strong employer brand for better working and learning environment in the banking sector of Bangladesh. MTB is moving forward in 2014 by enhancing its capability to become more adaptable, resilient, agile, and customer-focused to succeed in future. Also MTBGHR is developing its ability to manage a diverse body of talent that can bring innovative ideas, perspectives and views to their work by becoming an employer of choice and a model of best practice Human Resource Management.

Risk Management (RM)

MTB conducts its lending and other business operations by taking appropriate and judicious care of the associated risks. Managing a varied and wide range of risks has always been the primary concern of the bank.

Side-by-side, in order to increase the capability of the bank, in terms of solvency against potential losses arising from those risks, the bank maintains adequate capital in order to absorb financial losses that may potentially occur. MTB proactively manages its risks by taking precautionary measures before incidents occur. The Risk Management Division (RMD) of the bank is responsible for establishing the Bank's risk management framework, ensuring that procedures for identifying, monitoring, mitigating, and managing risks are in place, and operating effectively to ensure compliance with Risk Management Guidelines, Core Risk Management Guidelines, and Guidelines relating to BASEL Accords.

We are extensively working on capacity building by way of organizing trainings, exchanging ideas about BASEL II, and risk management in order to create enterprise-wide risk awareness, and instill a risk management culture.

Risk Appetite

MTB does not try to eliminate risks as a whole, it assumes both tangible and intangible risks in conformity with the institutional policy in respect of the level of risks it is willing to take, in order to achieve its strategic objectives during the course of regular business operations and properly addresses the same. MTB's risk appetite framework sets out specific principles, objectives and measures in order to optimize its profitability by remaining compliant to the highest order of regulatory authority

Risk Governance

Risk governance structure of MTB:



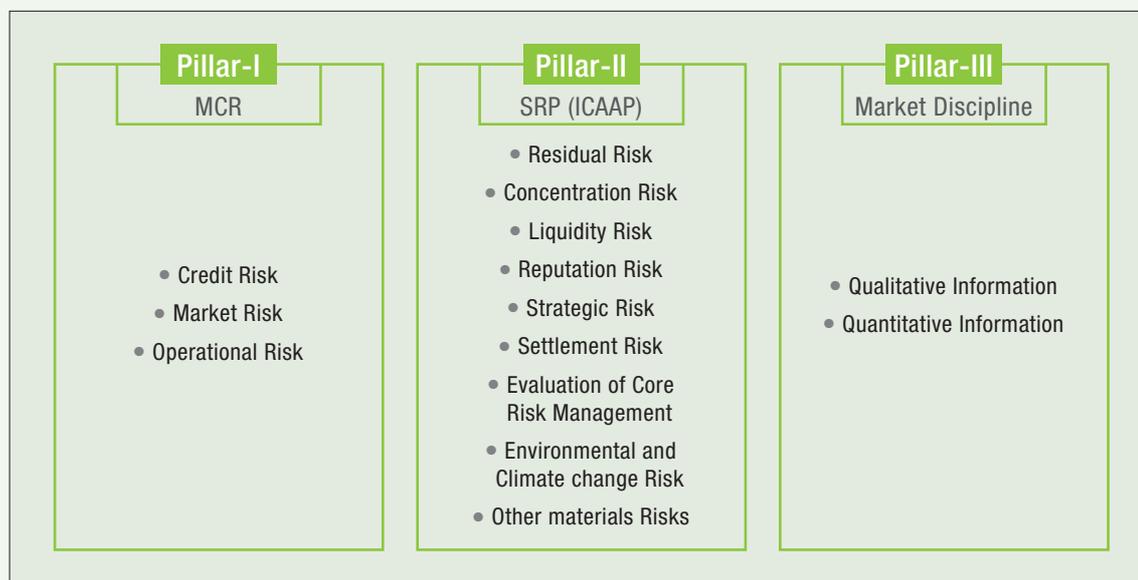
MTB Risk Management Practice under BASEL II Accord

MTB follows the three approaches to determine the capital requirement, based on Total Risk Weighted Assets (RWA) under Pillar-I of BASEL II Accord:

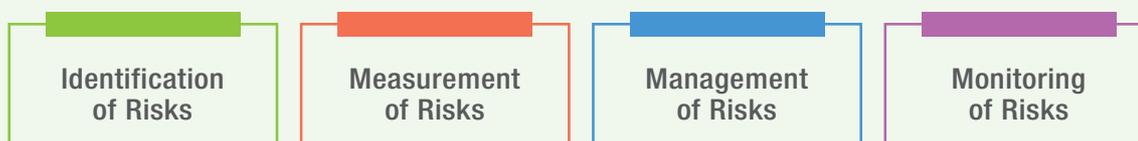
- Standardized approach for credit risk
- Standardized approach for market risk
- Basic Indicator approach for operational risk

Supervisory Review Process (the second pillar of BASEL II and III) is intended not only to ensure that banks have adequate capital to support all the risks in their business, but also to assist banks to develop and use better risk management techniques in monitoring and managing the risks. In order to supervise the process for assessing overall

capital adequacy in relation to risk profile and working out the strategy for maintaining the capital at an adequate level, MTB has its Supervisory Review Process (SRP) team in place. As per regulatory requirement, the bank calculates its additional capital requirement based on Revised Process Document for Supervisory Review Process and Supervisory Review Evaluation Process (SRP-SREP) Dialogue on Internal Capital Adequacy Assessment Process (ICAAP), Implementation of 2nd Pillar of BASEL II issued by Central bank in May-2013. BASEL II framework:



The qualitative and quantitative information is disclosed in the annual report, as well as, in the website as per Bangladesh Bank (BB) instructions. All these processes are in line with the guideline provided by the regulatory body. MTB's risk management process encompasses the following flowchart:



Stress Testing- Sensitivity Analysis

Stress testing sheds light on inherent risk exposures and offers alternative insight into the potential severity of negative outcomes. The matrixes generated, helps the management to evaluate capital and liquidity needs under adverse scenarios, informs to the setting of risk tolerances, and facilitates formation of appropriate contingency plans.

Risk Management Paper

The Risk Management paper mainly focuses on credit, market, liquidity and operational risk that the bank is exposed to. The main objective of the paper is to identify, monitor and manage various risks following the guidelines of Bangladesh Bank (BB).

MTB Risk Management Practice under Core Risk Management Guidelines of BB

The six core risk areas, MTB has been working with, are:

- Credit risk
- Asset-Liability/Balance Sheet risk
- Foreign exchange risk
- Internal Control and Compliance risk
- Money Laundering risk
- Information and Communication Technology risk

Internal modules for managing risks have been developed, in accordance with Bangladesh Bank (BB) Guidelines, for calculation of required capital against each of these core risks.

Credit risk management

The instruments and tools, through which we manage credit risk, are as follows:

- Exposure Ceilings
- Review/Renewal
- Risk Rating Model
- Risk-based scientific pricing
- Portfolio Management
- Credit Audit/Loan Review Mechanism

Credit policies and principles

MTB's credit functions are conducted in a compliant manner under a strict judicious and rational credit policies and principles in conformity with Credit Risk Management guidelines of Bangladesh Bank (BB). Credit initiation and approvals are done in a segregated manner. Each and every sanction is done through a very stringent evaluation process, which in fine, ensures quality of assets and minimizes losses likely to arise from potential bad loans. In order to make credit operations judicious, quality and rewarding, a strict credit policy is adhered to, which consists of the following:

- Extending credit to the clients having clean CIB report.
- Maintaining rational loan deposit ratio
- Avoiding directed and name lending
- Lending maintaining highest ethical standard
- Extending credit in the areas where risks are significantly understood and can be managed
- Conducting lending operations complying with norms and regulations

Credit administration

MTB's credit disbursement functions and administration are strictly handled by our Credit Administration Department (CAD) which ensures that:

- Documented credit approval are obtained
- Legally enforceable security documents are prepared
- Limit creation and Loan Documentation Check List (LDCL) are obtained
- All standard charge documents are executed
- Loan classification and provisioning are done as per norms
- Credit disbursement approvals are promptly given

Credit monitoring

Our Credit Monitoring System (CMS) is a tool that allows us to manage, monitor and control performance of assets (Loans) in a rational manner to prevent them from turning into Non-Performing Assets (NPA). Statements on early alert accounts, delinquent and specially mentioned accounts are generated timely and necessary actions are taken by the credit monitoring cell.

Non-performing loan (NPL) management

MTB's Special Asset Management Department (SAM) is responsible for effective NPL account management and is totally independent of credit origination and approval functions. SAM operates autonomously and prepares and implements our recovery strategy.

Asset-Liability Risk Management

MTB's Asset-Liability Management Committee (ALCO) is headed by the Managing Director and CEO, and considers the management of risk sensitive assets and liabilities, credit risk, capital risk, market risk, interest rate risk and liquidity risk. The functions of the committee include:

Implementation of ALM System by

- Monitoring the risk levels of the Bank
- Articulating the Interest Rate Position and fixing the interest rate on Deposits and Advances
- Fixing differential rate of interest on Bulk Deposits
- Facilitating and coordinating bank-wide implementation of the ALM system

Foreign Exchange Risk Management

MTB's policy regarding Foreign Exchange, in line with the policy given by our regulator, has well-defined internal approval procedures and position limits for each foreign currency transaction, as well as vigorous accounting and information systems and internal compliance control. Our internal audit system reports on foreign exchange risk management policy on a regular basis to the senior management.

To minimize potential losses due to foreign exchange risk, our bank emphasizes on the following:

- Monitoring dealers' dealing limit
- Reconciliation of treasury front and back-office positions
- Daily reconciliation of NOSTRO accounts
- Matching of open items
- L/C related unmatched items and unmatched items other than L/Cs

Internal Control and Compliance Risk Management

MTB has a structured Internal Control and Compliance (ICC) division of which there are the following three distinct units headed by a senior level executive:

- Audit and Inspection
- Compliance
- Monitoring

The mission of MTB's compliance function is to promote the culture and practice of compliance with legal and regulatory requirements and the Bank's ethical standards. Internal control and compliance division reports on non-compliance detected by internal and external audits to the audit committee of the board for appropriate and necessary action.

Money Laundering Risk Management

MTB, as a financial intermediary, is committed to take preventive measures against money laundering and terrorist financing in line with the Money Laundering Prevention Act (Amendment), 2012, Anti-Terrorism Act (Amendment), 2012; Guidance Notes on Prevention of Money Laundering of Bangladesh Bank (BB), and the instructions circulated by them from time to time. MTB applies risk sensitive Customer Due Diligence (CDD) measures, monitors business relationships and records suspicious transactions in line with regulations.

MTB's activities regarding money laundering risk management:

- MTB's policy guidelines have been drawn according to Bangladesh Bank (BB) regulations regarding prevention of money laundering and combating financing of terrorism.
- Identifying and suggesting correct and full documentation of Know Your Customers (KYC), which enables prudential prevention of money laundering.
- Identifying training needs and arranging regular trainings for employees on prevention of money laundering and combating financing of terrorism.
- Ensuring regular monitoring, compliance and accountability both at corporate head office and branch level through Chief Anti-Money Laundering officer (CAMLCO) and 92 Branch Anti-Money Laundering Officer (BAMLCO).
- Updating KYC and Transaction Profile (TP) of the customers at least once a year.
- Holding quarterly meeting of Central Compliance Unit (CCU) to ensure compliance with AML instructions.
- Reporting activities regarding money laundering to the Managing Director and CEO, who oversees the Bank's AML campaign.
- Ascertaining status of AML compliance at the field
- MTB has integrated core banking software regarding customer information which helps maintaining the updated KYC and TP, monitoring and detecting suspicious transactions using the support of MTB's integrated core banking software.
- Each branch has at least one official with assigned specific AML compliance responsibilities.
- MTB has Customer Acceptance Policy in place.

Information and Communication Technology (ICT) Risk Management

MTB has evolved into a “one-stop” centre for a wide range of financial services for our valuable customers. MTB has its own “IT Security Policy” which is in compliance with guidelines regarding ICT Security provided by Bangladesh Bank (BB). These policies define responsibilities and requirements for protecting information and information systems. They also define hardware, network, and related communication technologies and their use in providing financial services.

The MTB data centre, equipped with sophisticated technology, network and security systems tackles ICT security threats. Our ITS division upgrades the existing system regularly and controls ICT related risks. When developing and implementing ICT Management Frameworks, the ITS Department addresses issues related to:

- Business partners, which include customers, suppliers, retailers, and other stakeholders who have access to organizational ICT infrastructure on site or using remote access
- Core business and related processes, include the understanding of the organizational activities and processes
- Data and data infrastructure, including the organization of data used for business purposes, and infrastructure used to capture, store, manage, publish, archive, and remove the data
- Software and related applications, including the understanding of business applications (standard and special purpose) software management practices used to process the business information
- Hardware, network, and related communication technologies: these look at the hardware side of equipment used in processing and transmission of information across the stakeholders
- Security measures and related development processes. As such, addressing security issues starts from the development process (each phase) to daily management of ICT, to ensure that risks, if not totally removed, are at least minimized to low rate of occurrences



MTB Securities Limited (MTBSL)

Board of Directors



MR. RASHED AHMED CHOWDHURY
Chairman



MR. ANIS A. KHAN
Vice Chairman



MR. ANWARUL AMIN
Independent Director



MR. QUAMRUL ISLAM CHOWDHURY
Director



MR. MD. NAZRUL ISLAM MAZUMDER
CEO and Director

Management Team

- **MD NAZRUL ISLAM MAZUMDER**
Chief Executive Officer
- **CHINMOY DAS**
Vice President and Deputy Chief Executive Officer
- **MD. BOKHTIAR RANA**
Company Secretary

MTB Securities Limited (MTBSL) is one of the leading stock brokerage service providers of Bangladesh, offering full-fledged international standard brokerage service for individual, institutional and foreign clients. The company is a fully owned subsidiary of Mutual Trust Bank Limited, one of the leading private commercial bank of the country. With its 18 outlets spread throughout the country in strategic business locations, the company aims to lead the country's capital market.

With a membership in Dhaka Stock Exchange (DSE), MTBSL is dedicated to providing a high level of professional and personalized services to its domestic and international customers. It has a proven reputation in serving customers by maintaining stringent compliance practices and strong ethical standards. MTBSL is also recognized by its regulators as one of the most compliant brokerage institute of the country.

MTBSL is one of the Top 10 most active members of Dhaka Stock Exchange (DSE). The success is underpinned by its strong business network and superior service quality offered and has been recognized for its professionalism in its trade execution capability and settlement procedures from local financial institutions, corporates, and brokers alike.

Services Provided by MTBSL

Stock Brokerage

As we aspire to be one of the leading Brokerage in the country, we have dedicated all our endeavors in developing a solid trading infrastructure. With a view to be the market leader through our widespread network, we have already taken some big strides by establishing spacious trading floor, female trading booths, multiple VIP Trading booths and an online trading platform.

Margin Trading

MTBSL provides brokerage margin to facilitate leverage to its investors. We provide margin facility as per Margin Rules 1999. A customer has to go through proper credit evaluation to get a margin loan. We keep the securities purchased through the margin loan in individual BO accounts of the clients and appropriate charge documents are created on the BO accounts to cover the loan.

Foreign and Institutional Trading

Foreign and Institutional Trading service requires superior customer service, efficient trade execution and robust technology platform. Customer service for foreign and institutional investors starts with extending equity research and corporate advisory on the local companies. MTBSL has established an exclusive partnership with 1857 Advisors Limited to serve the Foreign and Institutional customers. 1857 Advisors is an independent equity research and corporate finance advisory firm committed to delivering international quality Frontier South-Asian research and advisory services.

MTBSL has dedicated Traders and Trading Workstations, set up in a protected environment to service the foreign and institutional trade orders. We ensure timely execution and confidentiality of trades at all times. We are capable of providing Strategic Trading services like:

- **Block Trades:** Ensure bulk volume trades within a prefixed range
- **Over-the-day Trade:** Considers the four-hour trading session of the day
- **Market Order:** Provide best price execution over-the-day considering volatility
- **Limit Order:** Trading in a prefixed rate considering days volume of relevant script
- **VWAP Trading:** Provide best price considering Volume Weighted Average of single day trade
- **DWAP and TWAP Trading:** Executing trades on the basis of Daily and Time Weighted Average Price

NRB Trading Facilities

Non-Resident Bangladeshi (NRB) can invest in the Bangladesh Capital Market from anywhere in the world. We have arrangements with different custodian banks to refer our customers for opening Non-resident Investor Taka Account (NITA) required for investments in foreign currencies. This allows 100% repatriation of investment, capital gain and dividend earned.

Depository Participant

MTBSL offers Full Service Depository Participant with its dedicated CDBL operation team. DP services include:

- BO (Beneficial Owner) accounts opening and maintenance
- Dematerialization and re-materialization
- Pledging, un-pledging and confiscation
- Transfer and transmission of securities

Technology Platform

Our technology platform is built on a state of the art equipment with adequate redundancy to ensure uninterrupted trading services to the customers. We are connected to Bloomberg for order management and using SWIFT for trade settlement services.

Risk Management

As a subsidiary of Mutual Trust Bank Limited, MTBSL is under regular inspection by Group Internal Control and Compliance (GICC) Division of the bank which constantly checks the possible operational risks and recommends remedies of those. Moreover, MTBSL has a separate risk management unit for trade execution and margin loan management. Trading limits are set and monitored centrally to prevent over buy or short sells. We have customized Management Information System (MIS) to manage Margin Loan operation. The MIS reports are used to identify risky margin loan portfolio and appropriate measures are taken immediately to mitigate those risks.

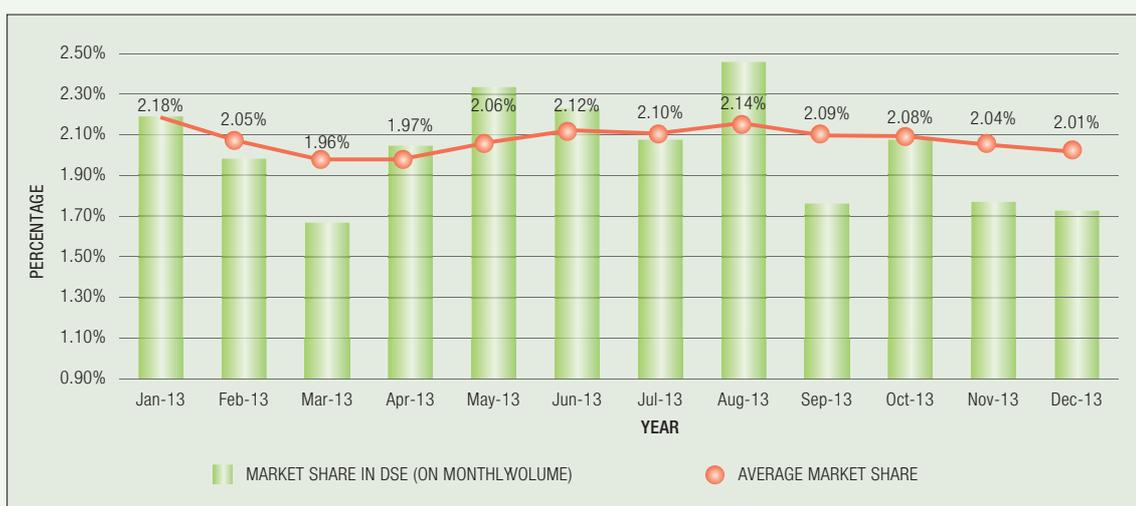
Anti-Money Laundering

According to the guideline of Bangladesh Bank (BB), MTBSL has developed its own Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) Policy. The policy was approved by the Board of MTBSL in its 15th Meeting of 2013.

Business Strategy

Trading of Local Investors

MTBSL has a large base of retail investors and most of them are very active in trading. This enables us to maintain a steady trade volume in Dhaka Stock Exchange (DSE). Currently MTBSL occupies around 2% market share in DSE trading. There are some fluctuations due to adjustment requirements of margin loans especially in quarter ending months.



Business outlook 2014

In order to retain the retail investor base, we shall introduce value added services like online order management system and SMS notifications on trade execution.

Institutional and Foreign Trading

MTBSL will expand its commission based earnings through trading accounts of institutional and foreign investors and shall reduce margin loan extension to increase the quality of income. The company started foreign trading business from May 2013 and acquired more than 10% market share in foreign trading in DSE in this short span of time.



In future, MTBSL will arrange investment road shows to attract frontier market funds and to introduce promising Bangladeshi companies to the international investors. We are also planning to introduce real-time trade order management and execution system once the local stock exchange is ready to support the facility.

Demutualization of Dhaka Stock Exchange Limited

MTBSL was a member of Dhaka Stock Exchange (DSE) and after demutualization, the company now owns the share of the exchange. This will enable the company to receive dividends from the exchange and realize capital gains from selling the shares of the exchange. This will open up the opportunity to enhance the company’s bottom line.



MTB Capital Limited (MTBCL)

Board of Directors



MR. RASHED AHMED CHOWDHURY
Chairman



MR. ANIS A. KHAN
Vice Chairman



MR. ANWARUL AMIN
Independent Director



MR. QUAMRUL ISLAM CHOWDHURY
Director



MR. KHAIRUL BASHAR ABU TAHER MOHAMMED
CEO

Management Team

- **KHAIRUL BASHAR ABU TAHER MOHAMMED**
Chief Executive Officer
- **MD. KAMRUJJAMAN**
First Asst. Vice President
- **MD. ASHADUL ISLAM**
Junior Asst. Vice President

MTB Capital Limited (MTBCL) is a fully owned subsidiary of Mutual Trust Bank Limited and is a full-fledged Merchant Banker licensed by the Bangladesh Securities and Exchange Commission (BSEC) on December 06, 2010. MTBCL was incorporated to explore new markets and unresolved demand for merchant banking services. MTB Capital is dedicated to providing a high level of professional and personalized service to its clients. Preferential treatment with quality service to clients is what the company believes to be its ultimate goal.

Products and Services

MTBCL offers merchant banking services of every kind including Issue Management (IPO, Right Issue, Capital Raising, Issue of Preference share, bond, etc.), Underwriting, Portfolio Management including both non-discretionary (margin and cash accounts namely, MTB Green Cap) and discretionary portfolios for Bangladeshi (Residents and non-residents) and foreign investors and Corporate and financial advisory (venture capital, equity financing, mergers and acquisitions, capital restructuring etc.).

Capital Market Operations and Equity Investment

The general index of the main bourse (DSE) looked steady in 2013, with a recovery apparent. The recent developments in the capital market including automated trading system and new index in DSE by S&P, demutualization of exchanges, online surveillance in BSEC, increased foreign investment will lead to a favourable climate in which we will be able to continue our business growth with strong fundamentals.

In 2013, our portfolio (including clients) stood at BDT 144.44 million whereas in 2012 it was BDT 50 million and signed five underwriting agreements worth BDT 145 million. Three of our clients namely Zaheen Spinning Limited, Data Edge Limited and Crystal Insurance Limited have completed their capital raising worth BDT 962.34 million. IPO application for BDT 120 million of Zaheen Spinning Limited is under review of BSEC. One of our clients, Excursion and Resort Limited is at the final stage of getting permission for capital raising worth BDT 1,330 million from BSEC. In continuation with our issue management services, we have signed an Issue Management Agreement with data edge limited that will raise BDT 1,500 million from the capital market.

We earned BDT 20.07 million including BDT 5.53 million in capital gains and dividends from our own portfolio. This performance underpins our belief that we can continue to maximize shareholder value in future.

Business outlook for the year 2014

We anticipate a better year in 2014 and hope to earn a target profit of BDT 40 million that was BDT 20 million in 2013. To achieve this target, we will give emphasis to increase the number of clients and their portfolio size. We will keep our loan size within BDT 12 to 15 crore. Last year, our loan size was BDT 1 to 8 crore. Our own portfolio is always the main source of earning and this year we will utilize up to BDT 10 crore for our own portfolio. BDT 10 crore against FDR and BDT 14.50 crore to enhance our earnings. We will try to enhance our earnings through Underwriting and Issue Management.



MTB Capital Limited signs Issue Management Agreement with Data Edge Limited

MTB Exchange (UK) Limited (MTB UK)

Board of Directors



MR. RASHED AHMED CHOWDHURY
Chairman



MR. M. A. ROUF, JP
Vice Chairman



MR. SYED MANZUR ELAHI
Director



DR. SULTAN HAFEEZ RAHMAN
Independent Director



MR. ANIS A. KHAN
Director

Management Team

- **MR. MD. ANISUR RAHMAN**
Chief Executive Officer

MTB Exchange (UK) Limited (MTB UK) is a fully owned subsidiary of Mutual Trust Bank Limited (MTB). The company has been operational since February 15, 2011. MTB UK was the third exchange house opened among other private commercial bank's exchange houses in UK. Presently 14 exchange houses owned by Bangladeshi commercial banks are operating here.

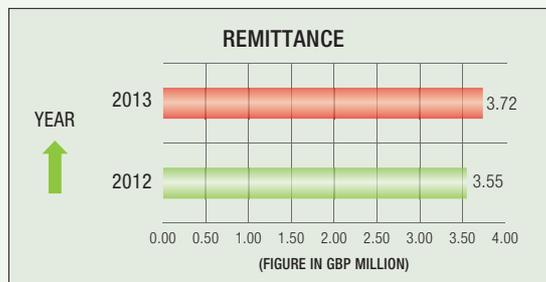
Remittance Industry in UK

It is estimated that about half a million British-Bangladeshis live in the UK today. This year, the UK has lost its 5th position and is currently the 6th largest source of foreign remittance for Bangladesh, next to Saudi Arabia, the UAE, the US, Kuwait and Malaysia. The competition in 2013 was fierce as many banks opened their Exchange Houses in London, gaining market share from the limited market size. The remittance market size is also not increasing from London due to Government policy on migration and fewer students' number going to UK as they are not getting the work permit from their colleges. As a result, remittance earnings have not increased significantly in the UK this year. Remittance from the UK to Bangladesh in the last fiscal year (2012-13) was to the tune of USD 991.59 million (*Source: Bangladesh Bank*).

Review of MTB UK Exchange Performance 2013

Remittance

MTB's total remittance from UK for the year of 2013 was GBP 3.72 million. The remittance figure did not increase substantially throughout the year.



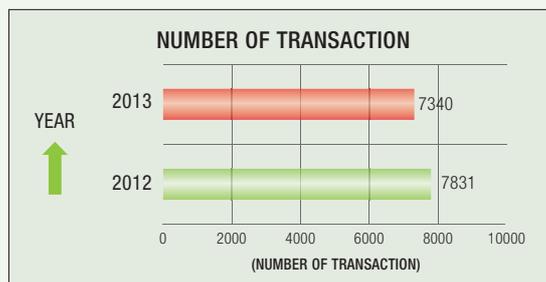
13% Growth in Commission Earnings

Despite the negative trend of remittance inflow, trend of commission earnings was positive. MTB earned GBP 47,597 as commission earnings from remittance transactions, which is 13% more than the previous year. This is the result of an increase in small volume transactions in last few months which has eventually lead to an increase in the total number of transactions. As a result, an upward trend in commission earnings has been observed.



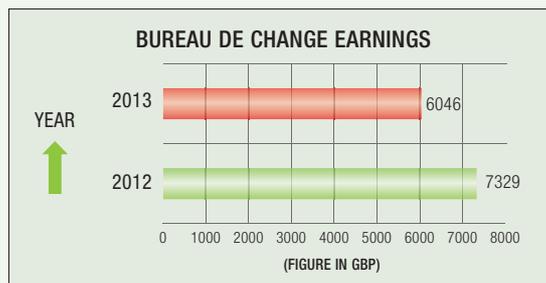
Number of Remittance Transactions

This year 7,831 transactions have been done from MTB UK, as remitters are sending small volume of remittance due to overall adverse economic condition in UK.



Bureau De Change earnings

The Exchange gain on Bureau De Change has also increased from 2013 as GBP 7,329 was the earnings from foreign currency exchange, whereas in 2012, it was GBP 6,046.



Total accounts opened

We have opened 161 different types of NRB accounts directly from MTB Exchange UK Ltd this year. Now-a-days, we are getting huge responses from the remitter to open new account as UKBA (UK Border Agency) has recognized our Bank, whose statement will be accepted for VISA in UK under their point based system.

Performance Highlights at a Glance

Figure in GBP

	2013	2012
Remittance	3,718,012.74	3,546,984.07
Commission	47,597.41	42,106.54
No. of Transactions	7,831	7,340
Bureau De Change Gain	7,340.42	3,018.38

Business Outlook

The Remittance Business in Bangladesh has become extremely competitive. 14 Bangladeshi Bank's Exchange Houses and around 20 private money exchange companies with hundreds of their agents are operating in this market. The competition is fierce in the East London area where our Branch is located. To grow the business further, there is no alternative rather than attracting the market outside London. Our target markets are Birmingham, Scotland, Manchester, Bradford, Oldham, Luton etc.

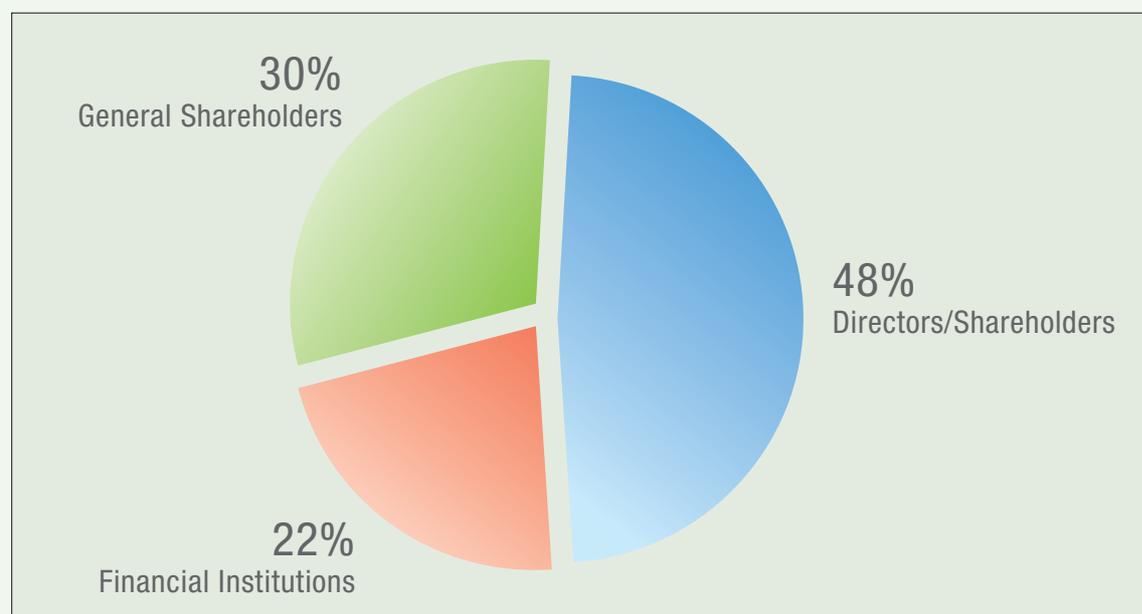
Our premise position is very lucrative to attract money transfer worldwide. We are looking forward to establishing business relationship with leading money transfer companies. To facilitate the customer, we are planning to provide online money transfer service. We are also planning to build robust software which will accelerate our transaction processing time.

Presently we are acting as Small Payment Institution (SPI), but as our business grows, we plan to take the status as API (Authorized Payment Institution). The MTB Board has already approved the issue of getting permission of API. Once we receive the status of API, we can set our business in other countries of Europe easily in addition to having all over UK.

MTB Shareholding Structure

Category-Wise
Ownership of Company's Securities
As on December 31, 2013

SL No.	Distribution of value addition	No. of Shares	Values of Shares in BDT	(%) of holding
1	Directors/Shareholders	134,024,860	1,340,248,600	47.90%
2	Financial Institutions	62,876,059	628,760,590	22.47%
3	General Shareholders	82,883,905	828,839,050	29.62%
Grand Total		279,784,824	2,797,848,240	100.00%



Directors' Responsibilities for Financial Reporting

The Directors are required to present a report along with financial statements and place them before the general meeting as per Companies Act, 1994.

The Directors are also required to report that the financial statements of the Bank and its subsidiaries, which are prepared by the management, give a true and fair view of:

- a) The state of affairs as at balance sheet date; and
- b) The profit and loss for the financial year ended on the balance sheet date.

In preparing these financial statements, the Directors are required to ensure that:

- The appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
- Estimates and judgments have been made, which are reasonable and prudent; and
- All applicable accounting standards, as relevant, have been followed.

The Directors are also required to declare the following matters in their report as per BSEC's notification dated July 3rd 2012:

- Industry outlook and possible future developments in the industry;
- Segment-wise or product-wise performance with relevant risks;
- Extraordinary gain or loss;
- Related party transactions-a statement of all related party transactions;
- Utilization of proceeds from public issues, rights issues and/or through any other instruments;
- Significant variance between quarterly financial performance and annual financial statements;
- Remuneration to directors including independent directors;
- Preparation of the financial statements and any departure there of, has been adequately disclosed;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts upon the bank's ability to continue as a going concern;
- Significant deviations from the last year's operating results;
- Key operating and financial data of at least preceding 5 (five) years;
- If no dividend (cash or stock) has been declared for the year, the reasons thereof shall be given;
- The number of Board meetings held during the year and attendance by each director;
- The pattern of shareholding structure; and
- In case of the appointment/re-appointment of a director, the following information to be disclosed to the shareholders:-
 - a) A brief resume of the director; b) Nature of his/her expertise in specific functional areas; c) Names of companies in which the person also holds the directorship and the membership of committees of the board.

The Directors confirm that the Annual Report together with the Directors' Report and Consolidated Financial Statements have been prepared in compliance with the laws, rules and regulatory guidelines and BSEC Notification No. SEC/CMRRCD/2006- 158/129/Admin/43 dated July 03, 2012.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board.



RASHED AHMED CHOWDHURY
Chairman

Corporate Governance



- Our governance responsibilities are integral to our performance and long-term sustainability.
- Our corporate governance standards reflect emerging best practices and meet or exceed legal and regulatory requirements.

We strive to earn and retain the trust of our shareholders through our high standards of corporate governance. We have rigorous oversight and regulations in place, and we work to embed those practices in our culture.

1. Board of Directors

1.1. Composition of the Board

The Board consists of 12 highly accomplished directors, who are professionals in management, law and business. They possess the skills, experience and knowledge to set directions and oversee the overall activities of the bank.

1.2. Meetings

During the year, board meetings were held at approximately monthly intervals, to formulate policy, set goals and evaluate overall performance.

1.3. Board's Responsibilities

The main responsibilities of the Board are:

a) Developing and implementing corporate strategies; b) Monitoring and reviewing the corporate governance framework; c) Monitoring and reviewing the risk management process; d) Reviewing business results and monitoring budgetary control; e) Maintaining a direct, on-going and healthy communication with regulatory bodies; f) Setting standards and monitoring compliance with our social responsibility policies and practices; and g) Recommending shareholders to appoint an external auditor.

1.4. Company Secretary

The Company Secretary is responsible for advising the Chairman and the Board on all corporate governance matters, board procedures and compliance with applicable rules and regulations. The Board Secretary maintains minutes of the board meetings.

1.5. Training for New Directors

Presentations are made by the senior management to the Board from time-to-time on industry related matters.

1.6. Delegation of Power

The Board has delegated appropriate administrative, financial and business authority to the concerned committees and management as per Bangladesh Bank (BB) Guidelines. As approved by Bangladesh Bank (BB), the role of the Executive Committee is:

- To review the policies and guidelines issued by Bangladesh Bank (BB)
- To approve credit proposals as per approved board policy

The Executive Committee is comprised of the following Directors:

Mr. Hedayetullah	Chairman
Mr. M. A. Rouf, JP	Member
Mr. Md. Abdul Malek	Member
Mr. Md. Wakiluddin	Member
Mr. Q. A. F. M. Serajul Islam	Member

2. Role of Chairman, Managing Director and CEO

2.1. Role of the Chairman

The Chairman is a non-executive director, elected by the Board, responsible for organizing the business of the board, ensuring its effectiveness and setting its agenda. The Chairman is not involved in the day-to-day business of the bank. He ensures that board members undertake appropriate induction, covering terms of appointment, duties and responsibilities.

2.2. Role of the Managing Director and CEO

The Managing Director is responsible for overall activities of the business and for formulating and implementing board strategy and policy. He has control of the bank on a day-to-day basis and is accountable to the Board for its financial and operational performance.

3. Appointment to the Board

3.1. Directors Appointments

Appointment of a new director is made with the consent of all directors at the immediate Annual General Meeting (AGM). A detailed biography, a declaration of his or her non-engagement with other financial institutions and that he/she is not a loan defaulter is required to be submitted to Bangladesh Bank (BB). As per the Bank Companies Act, 1991 a person cannot be a director of more than one financial institution, and we adhere to this rule.

3.2 Independent Director

Two Independent Directors in the Board of Mutual Trust Bank Ltd. have been appointed in compliance with the Bank Companies Amendment Act 2013. While calculating the required number of Independent Director as per clause 1.2 (i) of BSEC Notification no. SEC/CMRRCD/2006-158/134/Admin/44, dated August 07, 2012, the Board has taken the nearest number of fractional value.

3.3 Retirement and Re-election of the Directors

According to the Articles of Association of the bank and the Companies Act 1994, each Director other than MD and CEO, retires by rotation once every three years and is required to stand for re-election by shareholders at the Annual General Meeting.

4. Appraisal and Removal of the Managing Director and CEO

4.1. Appraisal of the Managing Director and CEO

The performance of the Managing Director and CEO is reviewed every year by the full Board against financial and non-financial targets, which are in line with the short, medium and long-term objectives of the Bank.

4.2. Removal of the Managing Director and CEO

The Board is not authorized to remove the Managing Director and CEO without prior consent of the Central Bank.

5. Directors' Remuneration

5.1. Directors' Remuneration

The directors do not receive any type of remuneration or incentives. The board members receive BDT 5,000 for attending each Board and Committee meetings.

The remuneration package of the Managing Director is determined by the Board and requires central bank's approval. He is entitled to get incentive bonus as per Central Bank Guidelines. The Managing Director has been appointed for a three-year term and his remuneration is not reviewed by the Board during this time.

5.2. Disclosure of Directors' Remuneration

The law requires the disclosure of information related to the remuneration paid to the Managing Director and Directors. Remuneration paid to the Managing Director is disclosed on page 157 of this report. The directors' fees during 2013 were as follows:

Sl. No.	Name of the Directors	Position	Remuneration (BDT)
1	Mr. Rashed Ahmed Chowdhury	Chairman (from February 26, 2014)	75,000.00
2	Mr. M. A. Rouf, JP	Vice Chairman (from February 26, 2014)	75,000.00
3	Mr. Syed Manzur Elahi	Founding Chairman and Director	70,000.00
4	Dr. Arif Dowla	Director (Former Chairman)	65,000.00
5	Mr. Hedayetullah	Director	65,000.00
6	Mr. Md. Abdul Malek	Director	80,000.00
7	Mr. Md. Wakiluddin	Director	65,000.00
8	Mrs. Khwaja Nargis Hossain	Director	75,000.00
9	Mr. Anjan Chowdhury	Director	20,000.00
10	Mr. Q.A.F.M. Serajul Islam	Director	65,000.00
11	Mr. Anwarul Amin	Independent Director	50,000.00
12	Dr. Sultan Hafeez Rahman	Independent Director	30,000.00
TOTAL			735,000.00

6. Relations with Shareholders

6.1. Notice of the Annual General Meeting (AGM)

The annual report including financial statements and the notice of the meeting are sent to shareholders at least 14 days prior to the AGM.

6.2. Beneficial Use of the Annual General Meeting (AGM)

The primary means of communication between the bank and shareholders are the MTB annual report and the AGM. Required information is received by the shareholders prior to the AGM, which gives them an opportunity to exercise their prerogative to raise any business-related issues, either verbally or in writing at the AGM. The directors remain present at the AGM to answer any queries of the shareholders.

7. Accountability

7.1. Financial Reporting, Statutory and Regulatory Reporting

In the preparation of quarterly and annual financial statements, MTB has complied with the requirements of the Companies Act 1994, Bank Companies Act 1991, Bangladesh Bank (BB), Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE).

7.2. Report of the Board Audit Committee in the Annual Report

The report is given on page 128 of the Annual Report

7.3. Declaration by the Board that the Business is a Going Concern

This is given in the Directors' Report on page 115 of the Annual Report.

8. Audit Committee and Audit

The Audit Committee provides direction to the audit and risk management functions in the bank and monitors the quality of internal audits and management audits. The responsibilities of the Audit Committee are:

a) Ensure proper disclosure of the financial statements; b) Recommend appointment/removal of external auditors and fixing their remunerations; c) Review the financial statements before submission to the Board; d) Review the adequacy of the internal control systems; e) Review the findings of internal investigations; f) Discuss the scope of audit with external auditors; g) Looking into reasons of substantial defaulters, if any, of non-payment to stakeholders

The Audit Committee is comprised of the following Directors:

Mr. Anwarul Amin, Independent Director	Chairman
Mr. Syed Manzur Elahi, Founding Chairman & Director	Member
Mr. Rashed Ahmed Chowdhury, Chairman (from February 26, 2014)	Member
Mrs. Khwaja Nargis Hossain, Director	Member
Dr. Sultan Hafeez Rahman, Independent Director	Member

8.1. External Audit

A. Qasem & Co., Chartered Accountants is the statutory auditor of the bank. They do not provide any other accounting, taxation or advisory services to the bank except audit of cash incentives payable to exporters.

8.2. Audits by Bangladesh Bank

Bangladesh Bank (BB) also undertakes audit and inspection of MTB at regular intervals. The reports of the Central Bank are reviewed by the Board and its audit committee. The Bank gives utmost importance to the inspection report and corrective actions are taken regarding the lapses mentioned in the report.

9. Internal Control

The internal control system is designed to manage rather than eliminate the risk of failure in achieving business objectives. Internal controls are aimed at providing reasonable and not absolute assurance against material misstatement or loss.

The internal Audit Division of the bank, as well as the Board, reviews the internal control system and its effectiveness.

10. Awards and Recognition

MTB received the Merit Certificate for consecutive 3 years under the Institute of Chartered Accountants of Bangladesh (ICAB) National Award 2011, 2012 and 2013 for its published accounts for the year 2010, 2011 and 2012 respectively in the banking category under the financial sector.

11. Contribution to National Exchequer

At MTB, we recognize that we have certain responsibilities to the development of the society and the country as a whole. MTB has contributed significantly to the government exchequer during 2013. The details are:

BDT Millions

Items	2013	2012
Income Tax from Bank Earning	642	443
Income Tax, VAT and Excise Duty deducted at source	1,284	946
Income Tax from Employee's earning	32	43
Total	1,958	1,432

12. Disciplinary Committee

At MTB, we have four (4) written guidelines which are: a) Mutual Trust Bank Ltd. Employees Service Rule-2000, b) MTB Code of Conduct, c) MTB Winning and 4) MTB Compliance Manual. These guidelines are based on the following principles:

- a) INTEGRITY:** This implies adherence to accepted moral principles of being honest, impartial and fair-minded.
- b) CONFIDENTIALITY:** Among the basic tenets, upon which the banking system is founded is confidentiality. This requires the utmost professional conduct in respecting and protecting the privacy and secrecy of the employer, the employer's customers, fellow employees and any other groups on the understanding that information acquired has been obtained in confidence and merits the same care as protection of funds.
- c) LOYALTY:** Above the requirement of honesty and integrity, members owe their primary business loyalty to their employer and remain faithful to the employers' customers, the Bank and the profession.
- d) LEGALITY:** The ethical conduct of banking depends upon the propriety and behavior of those engaged as professionals in the banking industry. In this case, members should always avoid any form of dubious business practice in contradiction to the law and regulations of the country.

If an employee is accused of violating any of the above, the Disciplinary Action committee plays a crucial role in resolving the matter.

13. Risk Management

The Board Risk Management Committee has taken various steps to identify risks, which are related to the lending, trading and operating activities of the Bank. The committee evaluates risk on a comprehensive basis including, among others, balance sheet management, capital adequacy, credit and operational risk. The committee assesses the risks arising from various activities of bank's operation; develops strategies and policies to mitigate and control those risks, ensures the effective implementation of these policies and strategies; and also reviews and amends the policies and strategies from time to time for ensuring effective control on risk management of the Bank.

The Board Risk Management Committee is comprised of the following Directors:

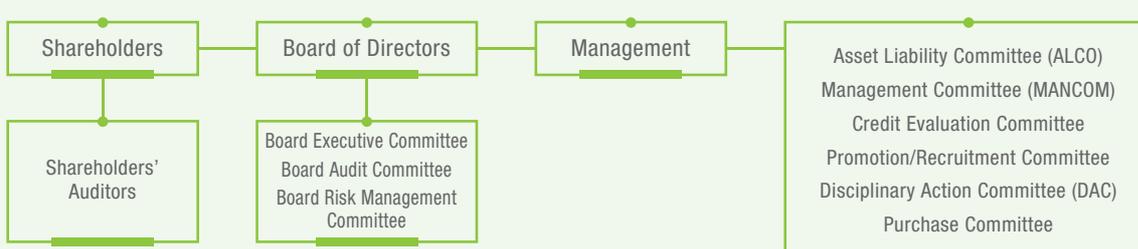
Mr. Syed Manzur Elahi, Director (Founding Chairman)	Chairman
Mr. Rashed Ahmed Chowdhury, Chairman (from February 26, 2014)	Member
Mr. M. A. Rouf, JP, Vice Chairman (from February 26, 2014)	Member
Mr. Anjan Chowdhury, Director	Member
Dr. Sultan Hafeez Rahman, Independent Director	Member

14. Code of Conduct of Board Members

The code of conduct as prescribed from time to time by the Bangladesh Bank Guidelines are followed by the Board Members. The Directors have complied with such code of conduct during the year 2013.

15. Our Governance Structure

The Board and its committees act independently. Every board and committee meeting includes in-camera sessions without management present.



Compliance Report on BSEC's Notification

The Bangladesh Securities and Exchange Commission (BSEC) requires all listed companies to report on the compliance of the conditions described in BSEC's notification dated August 07, 2012 on 'comply' basis.

The company shall obtain a certificate from a practicing professional Accountant/Chartered Accountant/Chartered Secretary/Cost and Management Accountant regarding compliance of conditions of corporate governance guidelines of the commission. The issuer company should not engage its External/Statutory Auditors to perform Audit/Certification Services on compliance of corporate governance as required under condition number 7. In compliance with the notification, we have appointed SARashid & Associates (Chartered Secretaries) for certification in this regard.

The Board of Directors of MTB has taken appropriate steps to comply with the conditions as detailed in Annexure-I, II & III below:

Annexure-I

12 (twelve) meetings of the Board of Directors were held from January 01, 2013 to December 31, 2013. Attendance of the Directors are given below:

Sl No	Name	Position	Meeting held	Attended	Remarks
1.	Mr. Rashed Ahmed Chowdhury (Representing Associated Builders Corporation Ltd.)	Chairman (from february 26, 2014)	12	11	Leave of absence was granted by the Board
2.	Mr. M. A. Rouf, JP	Vice Chairman (from february 26, 2014)	12	10	Leave of absence was granted by the Board
3.	Mr. Syed Manzur Elahi	Director (Founding Chairman)	12	9	Leave of absence was granted by the Board
4.	Dr. Arif Dowla (Representing Advanced Chemical Industries Ltd.)	Director (Former Chairman)	12	12	
5.	Mr. Hedayetullah	Director	12	8	Leave of absence was granted by the Board
6.	Mr. Md. Abdul Malek	Director	12	11	Leave of absence was granted by the Board
7.	Mr. Md. Wakiluddin	Director	12	10	Leave of absence was granted by the Board
8.	Mrs. Khwaja Nargis Hossain	Director	12	12	
9.	Mr. Anjan Chowdhury (Representing ASTRAS Ltd.)	Director	12	3	Leave of absence was granted by the Board
10.	Mr. Q. A. F. M Serajul Islam (Representing Pioneer Insurance Company Ltd.)	Director	12	12	
11.	Mr. Anwarul Amin	Independent Director	9	8	Appointed as Director on March 30, 2013
12.	Dr. Sultan Hafeez Rahman	Independent Director	9	4	Appointed as Director on March 30, 2013
13.	Mr. Anis A. Khan	Managing Director and CEO	12	12	Ex-Officio Director

Annexure-II

The pattern of shareholding of Mutual Trust Bank Limited as on 31.12.2013 as per BSEC's Notification No. SEC/CMRRCD/2006-158/129/Admin/43 dated August 07, 2012.

a) Shareholding by Parent/Subsidiary/Associated Companies and other related parties : Nil

b) Shareholding by :

i) Directors:

SL No.	Name	Designation	No. of Shares	% of Share as on 31.12.2013
1.	Mr. Rashed Ahmed Chowdhury (Representing Associated Builders Corporation Ltd.)	Chairman (from February 26, 2014)	1,39,89,228	5.00
2.	Mr. M. A. Rouf, JP	Vice Chairman (from February 26, 2014)	56,06,151	2.00
3.	Mr. Syed Manzur Elahi	Director (Founding Chairman)	95,59,308	3.42
4.	Dr. Arif Dowla (Representing Advanced Chemical Industries Ltd.)	Director (Former Chairman)	93,26,141	3.33
5.	Mr. Md. Hedayetullah	Director	55,98,912	2.00
6.	Mr. Md. Abdul Malek	Director	56,43,121	2.02
7.	Mr. Md. Wakiluddin	Director	56,00,804	2.00
8.	Mrs. Khwaja Nargis Hossain	Director	55,95,865	2.00
9.	Mr. Anjan Chowdhury (Representing ASTRAS Ltd.)	Director	69,94,592	2.50
10.	Mr. Q. A. F. M Serajul Islam (Representing Pioneer Insurance Company Ltd.)	Director	1,96,81,145	7.03
11.	Mr. Anwarul Amin	Independent Director	Nil	Nil
12.	Dr. Sultan Hafeez Rahman	Independent Director	Nil	Nil
	TOTAL		8,75,95,267	31.30

- i) Managing Director and CEO : 2,926
- iii) Company Secretary and DMD : 17,160
- iv) Chief Financial Officer : Nil
- v) Head of Internal Control and Compliance : Nil
- vi) Spouses of above Executives : Nil

c) Shareholding by other Executives (Top 5):

- i) Md. Ahsan-uz Zaman, AMD : Nil
- ii) Md. Hashem Chowdhury, DMD : 16,126
- iii) Md. Zakir Hussain, DMD : Nil
- iv) Syed Rafiqul Haq, DMD : Nil
- v) Md. Nurul Islam, SEVP : Nil

d) Shareholders holding ten percent (10%) or more shares : Nil.

Annexure-III

Status of compliance with the conditions imposed by the Commission's Notification No. SEC/CMRRCD/2006-158/129/Admin/43 dated 03 July 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

(Report under Condition No. 7.00)

Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
1.	BOARD OF DIRECTORS:			
1.1	Board's size: Should not be less than 5 (five) and more than 20 (twenty)	✓		
1.2	Independent Directors			
1.2 (i)	At least one-fifth (1/5) of the total number of directors in the company's board	✓		
1.2 (ii) a)	Holds less than one percent (1%) shares of the total paid-up shares of the company	✓		
1.2 (ii) b)	Not connected with any of the company's sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship	✓		
1.2(ii)c)	Does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies	✓		
1.2(ii)d)	Is not a member, director or officer of any stock exchange	✓		
1.2(ii)e)	Is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market	✓		
1.2(ii)f)	Is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of any statutory audit firm	✓		
1.2(ii)g)	Shall not be an independent director in more than 3 (three) listed companies	✓		
1.2(ii)h)	Has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI)	✓		
1.2(ii)i)	Has not been convicted for a criminal offence involving moral turpitude	✓		
1.2(iii)	Nominated by the board of directors and approved by the shareholders in the Annual General Meeting (AGM)	✓		
1.2(iv)	Post of independent director(s) not remain vacant for more than 90 (ninety) days			N/A
1.2(v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded	✓		
1.2(vi)	Tenure of office of an independent director to be for a period of 3 (three) years, which may be extended for 1 (one) term only	✓		
1.3	Qualification of Independent Director (ID)			
1.3(i)	Shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business	✓		
1.3(ii)	Should be a Business Leader/Corporate Leader/Bureaucrat/University Teacher with Economics or Business Studies or Law background/ Professionals like Chartered Accountants, Cost and Management Accountants, Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management/ professional experiences	✓		
1.3(iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission			N/A
1.4	Separate Chairman of the Board and Chief Executive and clearly defined roles and responsibilities	✓		
1.5	The Directors' Report to Shareholders: shall include the following additional statements:			

Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
1.5 (i)	Industry outlook and possible future developments in the industry	✓		
1.5(ii)	Segment-wise or product-wise performance	✓		
1.5(iii)	Risks and concerns	✓		
1.5(iv)	A discussion on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin	✓		
1.5(v)	Discussion on continuity of any Extra-Ordinary gain or loss			N/A
1.5(vi)	Basis for related party transactions- a statement of all related party transactions should be disclosed in the annual report	✓		
1.5(vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments			N/A
1.5(viii)	An explanation, if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.			N/A
1.5(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements, the management shall explain about the variance on their Annual Report	✓		
1.5(x)	Remuneration to directors including independent directors	✓		
1.5(xi)	Fair presentation on Financial Statements	✓		
1.5(xii)	Maintenance of proper books of accounts	✓		
1.5(xiii)	Consistent application of appropriate accounting policies and estimates	✓		
1.5(xiv)	Compliance with International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh	✓		
1.5(xv)	Soundness of Internal Control System	✓		
1.5(xvi)	Ability to continue as a going concern	✓		
1.5(xvii)	Significant deviations in Operating results from last year			N/A
1.5(xviii)	Presentation of at least preceding 5 (five) years' Key operating and financial data	✓		
1.5(xix)	Reason for non Declaration of Dividend			N/A
1.5(xx)	Number of board meetings and attendance of directors	✓		
1.5(xxi)	Shareholding pattern:			
1.5(xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name-wise details)	✓		
1.5(xxi) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name-wise details)	✓		
1.5(xxi) c)	Executives	✓		
1.5(xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details)	✓		
1.5(xxii)	In case of the appointment/re-appointment of a director			N/A
1.5(xxii) a)	a brief resume of the director	✓		
1.5(xxii) b)	nature of his/her expertise in specific functional areas	✓		
1.5(xxii) c)	names of companies in which the person also holds the directorship and the membership of committees of the board	✓		
2	CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT (INTERNAL CONTROL AND COMPLIANCE) AND COMPANY SECRETARY (CS):			
2.1	Appointment and clearly defined respective roles, responsibilities and duties	✓		

Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
2.2	Attendance of CFO and Company Secretary in the Board of Directors meeting	✓		
3	AUDIT COMMITTEE:			
3 (i)	A sub-committee of the Board of Directors	✓		
3 (ii)	Shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business	✓		
3(iii)	Shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing	✓		
3.1	Constitution of the Audit Committee			
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members	✓		
3.1 (ii)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) independent director	✓		
3.1 (iii)	All members of the audit committee should be “financially literate” and at least 1 (one) member shall have accounting or related financial management experience	✓		
3.1 (iv)	Term of service of the Audit Committee members and Filling of casual vacancy			N/A
3.1 (v)	The company secretary shall act as the secretary of the Committee	✓		
3.1 (vi)	Quorum of the Audit Committee	✓		
3.2	Chairman of the Audit Committee			
3.2 (i)	Who shall be an independent director	✓		
3.2 (ii)	Shall remain present in the Annual General Meeting (AGM)	✓		
3.3	Role of Audit Committee shall include the following:			
3.3 (i)	Oversee the financial reporting process	✓		
3.3 (ii)	Monitor choice of accounting policies and principles	✓		
3.3 (iii)	Monitor Internal Control Risk management process	✓		
3.3 (iv)	Oversee hiring and performance of external auditors	✓		
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval	✓		
3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval	✓		
3.3 (vii)	Review the adequacy of internal audit function	✓		
3.3 (viii)	Review statement of significant related party transactions submitted by the management	✓		
3.3 (ix)	Review Management Letters/Letter of Internal Control weakness issued by statutory auditors	✓		
3.3 (x)	Disclosure of utilization of fund-raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue to the Audit Committee on a quarterly basis, as a part of their quarterly declaration of financial results			N/A
3.4	Reporting of the Audit Committee			
3.4.1	Reporting to the Board of Directors			
3.4.1(i)	Audit Committee shall report on its activities to the Board of Directors	✓		
3.4.1(ii)	Audit Committee shall immediately report to the Board of Directors on the following findings, if any:			
3.4.1(ii) a)	report on conflicts of interests			N/A
3.4.1(ii) b)	suspected or presumed fraud or irregularity or material defect in the internal control system			N/A

Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
3.4.1(ii) c)	suspected infringement of laws, including securities related laws, rules and regulations	✓		
3.4.1(ii) d)	any other matter which shall be disclosed to the Board of Directors immediately			N/A
3.4.2	Reporting to the Authorities (the Commission)			N/A
3.5	Reporting to the Shareholders and General Investors	✓		
4.	EXTERNAL/STATUTORY AUDITORS: Should not engage to perform the following services; namely:			
4 (i)	Appraisal or valuation services or fairness opinions	✓		
4 (ii)	Financial information systems design and implementation	✓		
4 (iii)	Book-keeping or other services related to the accounting records or financial statements	✓		
4 (iv)	Broker-dealer services	✓		
4 (v)	Actuarial services	✓		
4 (vi)	Internal audit services	✓		
4 (vii)	Any other service that the Audit Committee determines	✓		
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company	✓		
4 (ix)	Audit/certification service on compliance of corporate governance	✓		
5.	SUBSIDIARY COMPANY:			
5 (i)	Composition of the Board of Directors	✓		
5 (ii)	Appointment of independent director	✓		
5 (iii)	Review of minutes of Board meeting by the holding company	✓		
5 (iv)	Review the affairs of the subsidiary company also	✓		
5 (v)	Review the financial statements by the Audit Committee of the holding company	✓		
6.	DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO): The CEO and CFO shall certify to the Board that:			
6. (i)	They have reviewed financial statements for the year and that to the best of their knowledge and belief:	✓		
6 (i) a)	these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	✓		
6 (i) b)	these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws	✓		
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct	✓		
7.	REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE:			
7 (i)	Obtainment of certificate regarding compliance of conditions of Corporate Governance Guidelines	✓		
7 (ii)	Director's statement on compliance with these conditions	✓		

Certificate on Compliance of Corporate Governance Guidelines

S. Abdur Rashid FCS

BCom (Hons), MBS (Fin & Banking), MBA (Finance), PGD-HRM, AIPM

Chartered Secretary in Practice

Private Practice Certificate No.: 003

Phone # 01726-533 655, 01193-095 297

E-mail : sarashid12000@yahoo.com

SARashid & Associates **(Chartered Secretaries)**

Noakhali Tower (10th Floor, 11-F)
55/B Purana Paltan, Dhaka-1000, Bangladesh
E-mail : sarashidnasso@gmail.com

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[Issued under Condition # 7(i) of Corporate Governance Guidelines of BSEC vide
Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012]

I have reviewed the Compliance of Conditions of the Corporate Governance Guidelines by **Mutual Trust Bank Limited** ("the Company") for the year ended 31 December 2013. Such compliance is the responsibility of the Company as stipulated in the above mentioned notification issued by Bangladesh Securities and Exchange Commission ("BSEC").

I have conducted my review in a manner that has provided me a reasonable basis for evaluating the compliances and expressing my opinion thereon. This review has been limited to the measures adopted by the Company in ensuring such compliances and this has not been for expression of opinion on the financial statements or future viability of the Company.

I do hereby certify that according to the information and explanations provided to me by the Management the Company has complied with all the conditions of aforesaid Corporate Governance Guidelines of BSEC.



S. Abdur Rashid FCS



Dhaka, 13 March 2014

Report on Board Audit Committee

The bank formed an Audit Committee on January 18, 2003 comprising of 03 (three) members of the Board as per BRPD Circular no. 12 dated December 23, 2002 of Bangladesh Bank (BB) and the Notification of Bangladesh Securities and Exchange Commission (BSEC) No. SEC/CMRRCD/2006-158/Admin/02-08 dated February 20, 2006. However, the Audit Committee was lastly reconstituted on November 24, 2013 comprising of 05 (five) members of the Board as per BRPD Circular No. 11 dated October 27, 2013 and in line with the BSEC's Notification No. SEC/CMRRC/2006-158/129/Admin/43 dated July 03, 2012.

Role of the Committee

The Audit Committee of the Board of a bank can play an effective role in building a bridge among the board and management, shareholders, depositors and other stakeholders and help in ensuring efficient, safe and sound banking practices. The Board of Directors of MTB recognizes the importance of the Audit Committee. The Committee assists the Board in fulfilling its oversight responsibilities including implementation of the objectives, strategies and overall business plans set by the Board for effective functioning of the Bank. The key role of the committee is to assist the Board in its oversight responsibility. In order to fulfil the same, among others, the following are the prime responsibilities of the Audit Committee:

a) Internal Control:

- i) Evaluate whether the management has set the appropriate compliance culture by communicating the importance of internal control and clearly define the duties and responsibilities of the bank officials, and whether the management has full control on their activities.
- ii) Review the arrangements made by the management for building a suitable Management Information System (MIS) including computerized system and its applications.
- iii) Consider whether the internal control strategies/structure recommended by internal and external auditors time to time have been implemented by the management.
- iv) Review the corrective measures taken by the management as regards the incidents relating to fraud-forgery, deficiencies in internal control or other similar issues detected by internal and external auditors and inspectors of the regulatory authorities and inform the board on a regular basis.

b) Financial Reporting:

- i) Review the annual financial statements and determine whether these are complete and consistent with the accounting standards set by the regulatory authorities, including full and precise disclosure.
- ii) Meet the management and the external auditors to exchange views before the finalization of the financial statements.

c) Internal Audit:

- i) Evaluate whether internal audit functions operate independently of the management.
- ii) Review the internal audit functions and organizational structure in order to ensure that unjustified restrictions or limitations do not create a hindrance to audit functions.
- iii) Review the efficiency and effectiveness of internal audit functions.
- iv) Review the findings and recommendations made by the internal auditors for removing the irregularities are duly acted upon by the Management in running the affairs of the bank.

d) External Audit:

- i) Review the audit performance of the external auditors and audit report.
- ii) Review the findings and recommendations made by the external auditors for removing the irregularities are duly acted upon by the Management in running the affairs of the bank.
- iii) Make recommendations to the board regarding the appointment of the external auditors for conducting audit works of the bank.

e) Compliance with Existing Laws, Rules and Regulations:

Review whether the rules and regulations framed by the regulatory authorities (Central Bank and other agencies) and internal regulations, approved by the board, are being complied with.

f) Other Responsibilities

- i) Place compliance report before the board regarding regularization of the errors, omissions, frauds and forgeries and other irregularities as detected by the internal and external auditors and inspection teams of Bangladesh Bank (BB).
- ii) If asked by the Audit Committee, the internal and external auditors will submit evaluation reports to the committee on a particular issue.
- iii) Perform other oversight functions as requested by the board and evaluate its own performance on a regular basis.

Composition of the Committee:

The members of the Audit Committee are:

- 1) Mr. Anwarul Amin, Independent Director : Chairman
- 2) Mr. Syed Manzur Elahi, Director (Founding Chairman) : Member
- 3) Mr. Rashed Ahmed Chowdhury, Director : Member
- 4) Mr. Md. Wakiluddin, Director : Member
- 5) Mrs. Khwaja Nargis Hossain, Director : Member

Company Secretary of the Bank functions as the Secretary to the Committee as per regulatory guidelines. The Managing Director and CEO, other members of Corporate Management, representatives of the External Auditors, Head of Credit Risk Management, Head of Internal Control and Compliance, Head of Group Finance, Head of Special Assets Management and other bank officials are invited to attend the meetings as and when the Committee requires their presence.

Meetings:

The Committee meets regularly the Heads of Credit Risk Management, Internal Control & Compliance, Group Finance, Special Assets Management Division, other Bank Officials and also the External Auditors to discuss Bank's Financial Reporting, Audit Review, Internal Control and Compliance Position, recovery of Special Assets and other relevant matters. During the year 2013, four meetings of the Audit Committee were held.

Activities:

During the year under review, the Committee, inter alia, focused on the following activities:

- Reviewed the internal audit plan for the year 2013 along with its implementation.
- Reviewed the draft financial statements and recommended the same to the Board for consideration after the meeting with the representatives of the External Auditors.
- Reviewed the Management Letter issued by the External Auditors, management responses thereon and corrective measures taken by the Bank to avoid recurrence of the lapses mentioned therein.
- Reviewed the Quarterly Financials of the Bank prepared to evaluate the performance for onward submission to the shareholders as statutory requirements.
- Reviewed the major internal audit findings (Branches and Divisions/Departments of Corporate Head Office) with a view to taking corrective action on time.
- Reviewed the major findings/observations of Bangladesh Bank's Inspection Reports and advised the Management of the Bank to take steps for rectification of lapses/irregularities toward fulfilling compliance requirements of the regulator.
- Placed compliance reports/minutes before the Board detailing the decisions taken/recommendations made by the Committee in its various meetings for information/concurrence of the Board.

Approval of Financial Statements:

The Audit Committee reviewed and examined the Annual Financial Statements 2013 prepared by the Management and audited by the External Auditors, A Kashem & Co. and recommended to place the same before the Board for consideration. The Board approved the same in its 163rd meeting held on March 09, 2014.

Acknowledgement:

The Board Audit Committee expresses its sincere thanks to the members of the Board, Management and the Auditors for their support in carrying out its duties and responsibilities effectively.



ANWARUL AMIN

Chairman of the Board Audit Committee

Report on Internal Control and Compliance

Internal control and compliance is the process, effected by a company's Board of Directors, Management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws, regulations, and internal policies. It plays an important role in preventing and detecting fraud and protecting the organization's resources.

Mutual Trust Bank has restructured its Internal Control and Compliance Division headed by a senior level executive in light of Core Risk Management guidelines of Bangladesh Bank (BB). The Division comprises of three departments; Audit and Inspection Department, Compliance Department and Monitoring Department. The Bank has Internal Control and Compliance Policy and Compliance Manual duly approved by the Board of Directors.

The ICC division ensures internal control structure in the Bank with appropriate assignment, 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 Board of Directors.

As a tool of Internal Control, the Audit and Inspection Department undertakes periodic and special audit and inspection on the branches and departments/divisions of Head Office in order to sort out the weaknesses and defects in the control processes and report to the management for taking corrective measures to protect the interest of the bank.

The Compliance and Monitoring Departments of ICC division ensures timely and proper compliance of relevant laws of the land, all regulatory instructions and internal policies and procedures in the day-to-day operations of the bank by using various control tools. The concerned departments assess the operational risks and take appropriate measures to mitigate the same for smooth operation of the bank.

ICC Division reports on the serious non-compliances detected by internal and external auditors and Bangladesh Bank's inspection teams with up-to-date compliance position, large financial risk exposures, weaknesses in control mechanism and other risk areas to the Audit Committee of the Board for review and taking appropriate remedial measures.

The FCC Evaluation Committee, assists the Management Committee (MANCOM) of the Bank to provide certificate to the Board of Directors on the effectiveness of Internal Control policy, practice and procedure of the Bank annually as a regulatory compliance.

The overall Internal Control and Compliance position of the Bank was at satisfactory level during the year 2013.

Market Discipline Pillar-III Disclosure under BASEL II

1. Introduction

In accordance with Pillar III of the revised Framework for International Convergence of Capital Measurement and Capital Standards ('BASEL II') and adoption under the Bangladesh Bank rules and regulations on risk based capital adequacy (issued through Revised RBCA Guidelines, dated December 29, 2010), we are now required to make a more in-depth and expanded public disclosure regarding our risk profile (capital structure, capital adequacy, risk management, and risk measurement).

2. Disclosure Policy

Bank calculates Risk Weighted Assets (RWA) under the following approaches as per BASEL II guidelines (BRPD circular no.35, dated December 29, 2010):

a) Standardized approach for credit risk, b) Standardized approach for market risk and, c) Basic indicator approach for operational risk.

3. Scope of Application:

The Risk Based Capital Adequacy framework applies to all banks on Solo and Consolidated basis, where the framework on 'Solo' basis refers to all positions of the bank, and its local and overseas branches/offices, and 'Consolidated' basis includes subsidiary companies. Mutual Trust Bank Limited applies both the frameworks "Solo" and "Consolidated" basis, as the bank has three (3) subsidiaries, namely i) MTB Securities Limited ii) MTB Capital Limited iii) MTB Exchange (UK) Limited.

4. Components of Disclosure Framework:

i. Regulatory capital; ii. Capital adequacy; iii. Credit risk in banking book; iv. Specific provisions; v. Equities: disclosures for banking book positions; vi. Interest rate risk in the banking book; vii. Market risk in trading book; viii. Operational risk

i. Regulatory Capital

a. Qualitative Disclosures

The terms and conditions of the main features of all capital instruments have been segregated in terms of eligibility criteria (BRPD circular no. 35 dated 29th December 2010, and other instructions given by Bangladesh Bank).

Core Capital (Tier-I) of MTB is comprised of paid up capital, statutory reserve, general reserve and retained earnings. Supplementary Capital (Tier-II) comprises of general provisions (on unclassified loans and off-balance sheet exposure), revaluation reserves for securities up to 50% and MTB's partially convertible subordinate bond, as approved by Bangladesh Bank (BB), and Bangladesh Securities and Exchange Commission (BSEC).

The Bank does not have any Tier-III Capital.

b. Quantitative Disclosures

(Figures in BDT Millions)

Particulars	Solo	Consolidated
Total Eligible Capital		
Tier-I Capital:		
Paid up capital	2,797.80	2,797.80
Statutory reserve	1,917.20	1,917.20
General reserve	276.80	276.80
Retained earnings	328.70	294.40
Total Tier-I Capital	5,320.50	5,286.30
Tier-II Capital:		
General Provision	1,183.50	1,183.50
Revaluation Reserves for Securities up to 50%	80.90	80.90
Subordinated debt	1,596.20	1,585.90
Total Tier-II Capital	2,860.60	2,850.30
Tier III Capital	0.00	0.00
Total eligible capital	8,181.10	8,136.60

ii. Capital Adequacy

a. Capital Calculation Approach

Assessment of capital adequacy is carried out in conjunction with the capital adequacy reporting to the Bangladesh Bank (BB), standardized approach for credit & market risk and basic indicator approaches for operational risk.

b. Capital of the Bank

Figures in Percentage

Capital Adequacy Ratio (CAR)	Solo	Consolidated
Total		
MTB	11.87%	11.57%
Requirement as per BB <i>The surplus will act as buffer to support future activities.</i>	10%	10%
Tier 1		
MTB	7.72% %	7.51%
Requirement as per BB	5%	5%

Figures in BDT Millions

Risk Weighted Assets	2013	2012
Risk Weighted Assets	70,345.80	65,221.01
Capital		
MTB		8,136.60
Requirement as per BB		7,034.58
Surplus		1,102.02

I. Our policy is to maintain a strong capital ratio with high rating.

II. We maintain sufficient capital levels to absorb all material risks.

III. The surplus is to meet Stress Tests and ICAAP requirements. Our strategy is to maintain 1-2% capital buffer.

MTB ensures compliance with the regulatory requirements, and satisfaction of external rating agencies, and other stakeholders including depositors.

c. Capital Management

Initiative to ensure adequate capital issuance of subordinated debt to raise Tier-2 capital, and to minimize the gap between Tier-1 and Tier-2 capital.

- Consistently encouraging corporate clients to complete external credit rating to assess counterparty Credit Risk status, and to reduce capital requirements.
- Improving and enhancing eligible collateral, by collateral optimization.
- Assessment of risk profile and credit rating of new clients.

MTB's CAR is periodically reviewed and assessed by the Risk Management Division (RMD), and reported to senior management. Moreover, MTB has planned to initiate:

- Revaluation of fixed assets to enhance supplementary capital,
- Revaluation of collateral securities for ensuring sound asset quality,
- Revaluation of securities to strengthen Tier-II Capital.

Figures in BDT Millions

Capital Adequacy	Solo	Consolidated
Capital requirement for Credit Risk	6,038.07	6,102.19
Capital requirement for Market Risk	321.70	361.70
Capital requirement for Operational Risk	533.34	570.70
Total and Tier-1 capital ratio:		
- Core capital to total capital (%)	65.03	64.97
- For standalone Tier 1 capital out of maintained CAR (%)	7.72	7.51

iii. Credit Risk in Banking Book

a. Qualitative Disclosure

MTB manages credit risk through a robust process that enables the bank to proactively manage its loan portfolio in order to minimize losses, and earn an acceptable level of return for shareholders.

b. Credit Risk Management at MTB

MTB's Credit Policy Manual (CPM), approved by the Board of Directors, defines organizational structure, roles and responsibilities and processes whereby credit risks can be identified, quantified, and managed. Credit instruction manuals address regulatory issues and establish control points. MTB Credit approvals are based on Product Program Guidelines (PPG) that clearly specifies all conceivable aspects including eligibility of the borrower, requirement of paper/information/documents, borrower's stake and all other related issues of the borrowing. The credit policy encompasses all operational issues of credit right from, selection of borrower to the ultimate recovery including transfer process of delinquent account and treatment of slow overdue accounts, SMA or classified loan accounts. MTB manages credit risk through continuous measuring and monitoring of risks at obligor (borrower) levels and portfolio level and follows the Bangladesh Bank prescribed Credit Risk Grading Model (CRGM), and has developed a credit appraisal/approval process. The CRGM captures quantitative and qualitative issues related to management risk, business risk, industry risk, financial risk, and project risk, and transaction-specific credit features, while assessing the overall grading of a borrower. External credit ratings of our clients are also being done. Till date MTB's total rated clients are 282 which was only 68 in 2012. Credit approval direction has also been given to various tiers for ensuring good governance, quick lending approvals and better control.

c. Loan Classification

All the loans and advances are grouped into four categories for the purpose of classification, which are; (i) Continuous Loan (ii) Demand Loan (iii) Fixed Term Loan and (iv) Short-term Agricultural and Micro-Credit

Continuous & Demand Loans are classified as:

- Sub-standard - if past due for 3 months or more, but less than 6 months;
- Doubtful - if past due for 6 months or more, but less than 9 months;
- Bad/Loss - if past due for 9 months or more.

Fixed Term Loans amounting up to 10 lacs are classified as:

- Sub-standard - if the defaulted installment is equal to or more than the amount of installment (s) due within 6 (Six) months;
- Doubtful - if the defaulted installment is equal to or more than the amount of installment (s) due within 9 (Nine) months;
- Bad/Loss - if the defaulted installment is equal to or more than the amount of installment (s) due within 12 (Twelve) months.

Fixed Term Loans amounting more than 10 lacs are classified as:

- Sub-standard - if the defaulted installment is equal to or more than the amount of installment (s) due within 3 (Three) months;
- Doubtful - if the defaulted installment is equal to or more than the amount of installment (s) due within 6 (Six) months;
- Bad/Loss - if the defaulted installment is equal to or more than the amount of installment (s) due within 9 (Nine) months.

Short-term Agricultural and Micro Credit are classified as:

- Sub-standard - if the irregular status continues after a period of 12 (twelve) months;
- Doubtful - if the irregular status continues after a period of 36 (thirty-six) months;
- Bad/Loss - if the irregular status continues after a period of 60 (sixty) months.

A continuous credit, demand loan or term loan which remains overdue for a period of 60 days or more is classified as a "Special Mention Account (SMA)".

Figures in BDT Millions

Credit Risk	Amount
a) Total gross credit risk exposures broken down by major types of credit exposure	59,548.36
Term Loan	14,619.47
SME Financing	4,868.92
Consumer Financing	641.92
Retail Financing	1,700.77
General Loans	338.30
Demand Loan	630.28
Payment Against Documents (PAD)	122.08
Trust Receipts	7,913.42
Lease Finance	402.14
House Building Loan	2,104.90
Staff/Employee Loan	541.78
Loans and Advances - Off-shore Banking Unit	235.61

Figures in BDT Millions

Credit Risk	Amount
Loan to subsidiaries	4,068.39
Cash Credit	9,962.14
Secured Overdraft	9,804.25
Bills purchased and discounted	1,593.96
Payable in Bangladesh	1,552.71
Payable outside Bangladesh	41.25
b) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.	59,548.36
Urban	55,233.45
Dhaka Division	38,585.38
Chittagong Division	12,649.04
Rajshahi Division	1,402.48
Sylhet Division	769.71
Khulna Division	880.56
Rangpur Division	946.27
Barisal Division	00.00
Rural	4,314.92
Dhaka Division	2,456.69
Chittagong Division	1,060.84
Rajshahi Division	657.25
Sylhet Division	92.14
Khulna Division	0.00
Rangpur Division	0.00
Barisal Division	47.98
c) Industry or counter-party type distribution of exposures, broken down by major types of credit exposure.	59,548.36
Agriculture	719.20
RMG	4,047.40
Textile	4,052.10
Ship-Building	695.50
Ship-Breaking	1,247.60
Other Manufacturing Industry	10,339.40
SME loans	2,970.30
Construction	658.50
Power, Gas	884.30
Transport, Storage and Communication	918.40
Trade Service	7,809.60
Commercial real-estate financing	3,849.90
Residual real-estate financing	966.70
Consumer credit	2,135.50
Capital Market	4,328.40
NBFIs	4,987.20
Others	8,938.36
d) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure	59,548.36
On Demand	4,428.14
Not more than three months	21,490.82
More than three months but less than one year	14,503.51
More than one year but less than five years	14,105.91
More than five years	5,019.98

iv. Specific Provisions - Guidelines for Loan Loss Provisions

The Bank follows Bangladesh Bank (BB) guidelines regarding loan classification, provisioning, and any other issues related to Non-Performing Loan (NPL). Internal credit guidelines direct loan provisioning review procedure, debt write-off, facility grading, reporting requirement and interest recognition.

Particulars	Rate
General Provision	
Against all unclassified loans of Small and Medium Enterprise (SME)	0.25%
Against all unclassified loans and off-balance sheet exposures (other than loans under Consumer Financing, Loans to Brokerage House, Merchant Banks, Stock dealers etc., Special Mention Account as well as SME Financing.)	1%
On the unclassified amount for (i) Housing Finance and (ii) Loans for Professionals to set up business under Consumer Financing Scheme, Brokerage House, Merchant Banks, Stock dealers, etc.	2%
On the unclassified amount for Consumer Financing other than Housing Finance, Loans for Professionals and Loans to share business	5%
On the outstanding amount of loans kept in the 'Special Mention Account'.	5%
Specific Provision	
Specific provision on Sub-standard Loans and advances:	20%
Specific provision on Doubtful Loans and advances:	50%
Specific provision on Bad and Loss Loans and advances:	100%

Throughout the year 2013, we reviewed loans and advances to assess whether objective evidence of impairment had arisen.

Movement of NPA and specific provision for NPA

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

Figures in BDT Millions/Percentage

Gross Non Performing Assets (NPAs)	Amount
Non Performing Assets (NPAs) to Outstanding Loans & advances (%)	3.61
Movement of Non Performing Assets (NPAs)	
Opening balance	2,085.01
Additions	70.76
Reductions	
Closing Balance	2,155.57
Movement of specific provisions for NPAs	
Opening balance	926.30
Provisions made during the period	149.27
Less: Write-off	86.06
Write-back of excess provisions	
Closing Balance	989.51

Amount of Impaired Loans

Figures in BDT Millions

Particulars	Amount
Continuous Loans	553.83
Demand Loans	398.24
Term Loans	1,198.24
Short-Term Agro-Credit and Macro-Credit	5.46
Total	2,155.77

Specific and General Provisions

Specific and general provisions were made on the amount of classified and unclassified loans and advances/investments, exposures of off-balance sheet, and off-shore banking units of the Bank.

Figures in BDT Millions

Particulars	Amount
Provision on classified loans and advances/ investments including Off-shore banking unit	989.51
Provision on unclassified loans and advances/ investments	944.46
Provision on Off-balance sheet exposure	238.97
Total	2,172.94

v. Equities: Disclosures For Banking Book Positions

MTB's stock brokerage functions are undertaken by a subsidiary - MTB Securities Limited as a corporate member of Dhaka Stock Exchange Limited (Member No. 197). For equity financing, only investment in unquoted securities are considered as Banking Book assets; investment in equity for relationship or strategic reason is considered under trading book. Investment in equity securities are broadly categorized into two parts:

- i) Quoted securities (common or preference shares and mutual funds) traded in the secondary market (trading book assets).
- ii) Unquoted securities are categorized as banking book equity exposures which are further sub-divided into two groups:
 - a) unquoted securities which are invested without any expectation that these will be quoted in near future i.e. Held To Maturity (HTM);
 - b) Unquoted securities acquired under private placement or IPO which are going to be traded in the secondary market after completing required formalities.

The primary aim is capital gain or dividend income. Dividends received from these equity securities are accounted for as and when received. Both quoted and un-quoted equity securities are valued at cost, and necessary provisions are maintained if the prices fall below the cost price. As per Bangladesh Bank (BB) guidelines, Held For Trading (HFT) equity securities are marked-to-market (revaluated) once a week, and HTM equity securities are amortized annually. HTM securities are revaluated if reclassified to HFT (with approval of the Board of Directors). The quoted shares of the bank are valued at cost or market price, whichever is lower.

Figures in BDT Millions

Equities		Amount
a) Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value	Cost price	1,082.20
	Market price	957.90
	Difference	(124.30)
b) The cumulative realized gains (losses) arising from sales and liquidations in the reporting period		
c) Total unrealized gains (losses)		0.00
d) Total latent revaluation gains (losses)		0.00
e) Any amounts of the above included in Tier 2 capital		0.00
f) Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements	Specific Risk	115.50
	General Market Risk	115.50

vi. Interest Rate Risk In The Banking Book

Interest rate risk occurs when changes in market interest rates adversely affect a bank's financial condition, affecting both current earnings (earnings perspective) and net worth of the bank (economic value perspective).

The short term impact of changes in interest rates is on the bank's Net Interest Income (NII). Longer term, changes in interest rates impact asset cash flows, liabilities, and off-balance sheet items. This poses a risk to the net worth of the bank, arising out of all re-pricing mismatches, and other interest rate sensitive positions. MTB assesses the economic value at risk due to interest rate shock on a quarterly basis.

Figures in BDT Millions/Percentage

Interest Rate Risk in the banking book			Amount
Total Risk Sensitive Assets			47,533.20
Total Risk Sensitive Liabilities			48,612.40
Cumulative Gap			
-3months			227.10
3-6 months			4,487.60
6-12 months			(1,079.20)
CAR before Shock (%)			11.57
Assumed Change in Interest Rate (%)	1.00%	2.00%	3.00%
Net Interest Income and Repricing impact (%)			
CAR after Shock (%)	9.07%	6.57%	4.08%

vii. Market Risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in different market variables, namely:

- i) Interest rate movements;
- ii) Currency- foreign exchange rate movements;
- iii) Equity- stock price movements;
- iv) Commodity- commodity price movements

MTB's Market Risk Policy, approved by the Board, covers assessment, monitoring, and management of the above market risks. The Board sets limits and reviews compliance on a regular basis, in order to provide cost effective funding to finance asset growth, and trade related transactions.

a. Methods Used to Measure Market Risk

Standardized approach for market risk calculates the minimum capital requirement, for each risk sub-category, in terms of two separately calculated capital charges for "specific risk" and "general market risk".

b. Market Risk Management System

The Treasury Department manages market risk covering liquidity, interest rate, and foreign exchange risks, with oversight from Asset Liability Management Committee (ALCO), comprising of senior executives of the bank. ALCO is chaired by the Managing Director and CEO. ALCO meetings are held at least once in a month.

c. Policies and Process for Managing Market Risk

There are approved limits for credit deposit ratio, liquid asset to total asset ratio, maturity mismatch, commitments for both on-balance sheet and off-balance sheet items, and borrowing from money market and foreign exchange position. The limits are monitored and enforced on a regular basis to mitigate market risks. The Treasury Department of the Bank reviews the prevailing market conditions, exchange rates, foreign exchange position, and transaction to mitigate foreign exchange risks on a daily basis. Foreign exchange risk is computed on the sum of net short positions, or net long positions, whichever is higher of the foreign currency positions held by the bank. The bank adopts the maturity method in measuring interest rate risk in respect of securities in trading book. In order to mitigate risk related to market, RMD of MTB has internally developed 'Value at Risk' module (VaR) to analyze equity investment (own portfolio), and Foreign Exchange position of the bank.

Figures in BDT Millions

Quantitative Disclosure of Market Risk	Amount
The Capital Requirement for:	
Interest Rate related instruments	94.40
Equities	230.90
Foreign Exchange Position	36.40
Commodity Risk	
Total	361.70

viii. Operational Risk

Operational risk arises from inadequate or failed internal processes, people and systems, or from external causes, whether deliberate, accidental or natural - inherent in all of the Bank's activities. The policy for operational risks including internal control and compliance risk is approved by the Board, taking into account relevant guidelines of Bangladesh Bank. The Audit Committee of the Board directly oversees the activities of the Internal Control and Compliance Division (ICCD) with the object of mitigating all operational risks.

a. Performance Gap of Executives and Staff

MTB has made efforts to be the best pay master and ensures workplace safety for employees with consistent employment practices and non-discrimination regarding compensation, health and safety. Our strong brand image plays an important role in employee motivation. Combination of all these has acted in a judicious manner to narrow the gap significantly.

b. Systems

MTB has invested heavily in IT infrastructure for better automation, online transaction platform and network links to avoid business disruption and system failure. The Bank's IT system does not allow any kind of external access, safeguarding from external fraud (theft/ hacking of information assets, forgery etc.).

c. Policies and Processes for Managing Operational Risk

The preparation of policy guidelines on risk-based internal audit system is under process. According to the guidelines, the activities of branches will be rated in terms of their risk status. It is the policy of the bank to conduct audit on all the branches at least once a year. ICCD directly reports to the Managing Director and CEO, and the Audit Committee of the Board. MTB has also Risk Management Division in place. Its objectives are mainly to identify, assess, monitor, control and manage operational risks and also rectify risk events, and implement any additional procedures required for compliance. The Human Resource Division of MTB has also introduced a vigorous Performance Management System (PMS) to evaluate human resources in terms of performance, and instill a performance-based culture within the organization.

Figures in BDT Millions

Quantitative Disclosure of Operational Risk	Amount
The Capital requirement for:	
Operational Risk	570.70

Gratitude

The Members of the Board of Directors of MTB would like to express their gratitude to all the honorable shareholders, valued clients, patrons, employees and well wishers of this institution for their continued support and co-operation without which the Bank would not be able to reach its present position. We are also indebted to the Government of Bangladesh, the Ministry of Finance, Bangladesh Bank (BB), the Bangladesh Securities and Exchange Commission (BSEC), Office of the Registrar of Joint Stock Companies and Firms, the Dhaka Stock Bangladesh Exchange (DSE) and Chittagong Stock Exchange (CSE) for their immense support and cooperation.

On behalf of the Board of Directors,



RASHED AHMED CHOWDHURY
Chairman

