



We always see the big picture | Directors' Report



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## Declaration From MTB Chariman

### Dear Valued Shareholders,

On behalf of the Board of Directors, I welcome you all to the 16th 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 before you the Directors' Report for your consideration.

### Global Economy

Global growth in 2014 was lower than initially expected, continuing a pattern of disappointing performance over the past several years. Growth picked up, only marginally in 2014, to 2.6 percent, from 2.5 percent in 2013. Beneath these headline numbers, increasingly divergent trends are at work in the major economies.

While activity in the United States and the United Kingdom has gathered momentum, as labor markets heal and monetary policy remains extremely accommodative, the recovery has been sputtering in the Euro Area and Japan, as legacies of the financial crisis linger, intertwined with structural bottlenecks. China, meanwhile, is undergoing a carefully managed slowdown. Disappointing growth in other developing countries in 2014 reflected weak external demand, and also domestic policy tightening, political uncertainties and supply-side constraints.

Several major forces are driving the global outlook: soft commodity prices, persistently low interest rates, but increasingly divergent monetary policies across major economies and weak world trade. In particular, the sharp decline in oil prices since mid-2014 will support global activity, and help offset some of the headwinds to growth in the oil importing developing economies. However, it will dampen growth prospects for oil exporting countries, with significant regional repercussions.

Overall, global growth is expected to rise moderately to 3.0 percent in 2015, and average about 3.3 percent through 2017. High-income countries are likely to see growth of 2.2 percent in 2015-17, up from 1.8 percent in 2014, on the back of gradually recovering labor markets, ebbing fiscal consolidation, and still low financing costs. In developing countries, as the domestic headwinds that held back growth in 2014 ease, and the recovery in high-income countries slowly strengthens, growth is projected to gradually accelerate, rising from 4.4 percent in 2014 to 4.8 percent in 2015 and 5.4 percent by 2017. Lower oil prices will contribute to diverging prospects for oil exporting and importing countries, particularly in 2015.

### Bangladesh Economy

Though 2014 had a slow start due to political unrest, yet the economy bounced back strongly in the later part of the year. The positive trend of 2014 justifies the high forecast for 2015 by the related authorities. Without any doubt, actual growth will be largely determined by the political environment. In addition, the Government's new fiscal policy, inflow of remittances, export growth and balance between exports and imports will play crucial roles.

The capital market exhibited a positive trend throughout the year 2014. After the 2010 capital market crash, this was the first year when investors consistently showed confidence in the market. The broad market index increased by 14.03 percent and market capitalization by 23.10 percent respectively. 17 new companies were listed on the Dhaka Stock Exchange (DSE) and participation by foreign investors increased by 84.60 percent during 2014.

The performance of closed end funds was better than that of the usual stocks. All the parameters indicate a mood of renewed confidence amongst the investors and a more buoyant stock market ahead.

Inflation management is another success story for our country. The contractionary monetary policy of Bangladesh Bank has helped to keep inflation within the limit. The 12-month average inflation rate was 6.99 percent for 2014. Though the Non-Food inflation rate was reduced from 6.94 percent to 5.60 percent, yet food inflation remained the same throughout the year. The targeted inflation for the year 2015 is 7.0 percent.

Like in 2013, foreign currency reserves of the country continued to rise at a steady pace, and the year ended with a healthy balance of USD 22.31 billion. This position was somewhat at risk due to higher import payments and lower export proceeds, but good remittance flows helped to maintain the strong position of forex reserves. The current account balance stood at a deficit of USD 1.32 billion during first five months of the fiscal year 2014-15.

### **MTB at a Glance**

During 2014, MTB gained a remarkable 29.54 percent and 15.09 percent growth over 2013 in assets and liabilities, respectively. The bank ended the year 2014 with a credit-deposit ratio of 79.44 percent, despite the economic turmoil. The bank reached the milestone of having set up a century of branches, spread across the country along with expansion of ATM machines, POS devices, Kiosks, Internet Banking and SMS banking services.

### **Business Review**

MTB's vision, mission, corporate core values, strategic priorities and Outlook for 2015 are given at the beginning of the report. The bank has established the highest level of ethical standards in order to achieve MTB3V.

### **Brief History of MTB**

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

The company was issued Certificate for Commencement of Business on October 5, 1999, and on the same day, Bangladesh Bank granted it a license under the Bank Companies Act, 1991. Mutual Trust Bank started its banking operation on October 24, 1999. As envisaged in the Memorandum of Association, and, as licensed by Bangladesh Bank under the provisions of the Bank Companies Act, 1991, the company started its operation to progressively carry out its banking businesses, such as Wholesale, Retail, International Trade Financing, SME Banking, NRB Banking, Off-Shore Banking, Privilege Banking, etc. The Company (Bank) operates through its Corporate Head Office located at MTB Centre, Gulshan 1, Dhaka and its network of 103 branches. The bank carries out its international business through a global network of over four hundred foreign correspondent banks.

The bank's current network includes 14 SME/Agri branches, two booths at Hazrat Shahjalal International Airport, Dhaka and three fully-owned subsidiary companies - MTB Securities Ltd. (MTBSL), MTB Capital Ltd. (MTBCL) and MTB Exchange (UK) Ltd.

### **Strategic Plan**

The strategic priorities and action plans, as stated in the bank's Strategic Plan 2015 are stated below:

- Retain the position as the Best SME Bank of the Year and strengthen the business further by increasing the SME portfolio
- Maintain efficient deposit mix by increasing low cost and zero cost deposits
- Minimize asset-liability mismatch through efficient fund management
- Increase fee based income through disbursing non-funded loans and advances
- Increase and enhance loan portfolio through RMG clients
- Reduce Non-Performing Loans and enhance recovery of written-off loans
- Cross sell retail products to a large number of customers, and introduce innovative products to attract new ones
- Improve internal governance through strengthening good corporate culture at all levels of management
- Strengthening internal control and compliance
- Upgrade infrastructure for Information & Technology Services (ITS) to enable development of new IT based products and services

- Transformation of Human Resources to Human Capital through proper training, both at home and abroad in each area of banking and leadership practices

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

#### Review of MTB Operations, Products and Services

A review of the bank's operational activities is presented in detail in the later part of this Annual Report. A brief review of the bank and its other subsidiaries are presented below:

#### **MTB Securities Ltd.**

Mutual Trust Bank Limited started its brokerage functions in June 2006 as a division of the bank. Subsequently, as per the directives of Bangladesh Bank and the Securities Exchange Commission, the division emerged as a subsidiary company of Mutual Trust Bank Limited in the name of MTB Securities Limited. MTBSL is currently operating with 16 brokerage house branches, spread across the country. During the year 2014, the company made an operating profit of BDT 360 million as against BDT 334 million in 2013.

#### **MTB Capital Ltd.**

MTB Capital Limited (MTBCL) is a fully owned subsidiary of Mutual Trust Bank Limited, and a full-fledged Merchant Banker, licensed by Bangladesh Securities and Exchange Commission (BSEC) in December 2010. MTBCL was incorporated to explore new markets and meet the demand for merchant banking services. The company extends co-operation and value added services to its customers. During the year 2014, MTBCL made an operating profit of BDT 48 million as against BDT 20 million in 2013.

#### **MTB Exchange (UK) Ltd.**

MTB Exchange (UK) Limited (MTB UK) is one of the three fully owned subsidiary companies of Mutual Trust Bank Limited (MTB). It is the third exchange house, opened amongst other Bangladeshi private commercial banks' exchange houses in The United Kingdom, and started its operation from February 15, 2011. During 2014, a total amount of GBP 4.49 million was remitted to Bangladesh through MTB Exchange (UK) Ltd.

#### **Offshore Banking**

MTB was permitted to operate an Off-shore Banking Unit (OBU) by Bangladesh Bank in 2009. The total loans and advances of the OBU stood at USD 7.6 million in December 2014 compared to USD 3.03 million in December 2013, with a growth of 151 percent. In 2014, OBU's operating profit stood at USD. 043 million equivalent to BDT 3.34 million, as against USD. 026 million, equivalent to BDT 2.03 million in 2013.

#### **Risk Management**

The prime objective of risk management is to appropriately balance the trade-off between risk and return. MTB faces varied and wide range of risks, in its day to day business operations, and, side by side it handles risks judiciously to ensure optimum return on its assets and equities.

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

#### **Capital Management**

As per Bangladesh Bank's guidelines, banks in the country are required to maintain capital at 10.00 percent of its risk-weighted assets (RWA). Under the Basel-II guidelines, banks' capital has two components, Tier-I & Tier-II. Tier-I capital should be minimum 5 percent of the total capital. Tier-I includes the paid-up capital, share premium, statutory reserve and retained earnings, and Tier-II includes general provision on unclassified loans and advances, revaluation reserves, unsecured subordinated debt and exchange equalization account. MTB's total capital registered an increase by BDT 586.48 million and stood at BDT8,712.40 million

in 2014. Tier-I capital grew by BDT 961.56 million, and was recorded at BDT 6,247.92 million in 2014. Total capital is now equivalent to 10.72 percent of the bank's total risk weighted assets. The details of capital adequacy and capital management are given in the "Market Discipline - Disclosures on Risk Based Capital (Basel-II)" chapter of this Annual Report.

### Human Resources

MTB has been working, persistently, with a view to transforming its MTBians into human capital through exposure to appropriate training courses and development programs, both at home and abroad. A most congenial environment has been created, where employees enjoy coming to work at MTB. The MTB Code of Conduct, unveiled in 2010, is being strictly practiced in order to ensure complete transparency and integrity in all its operations. A total of 1,467 employees were given training, both at home and abroad in different fields of banking and management practices up to December 31, 2014.

### Corporate Sustainability

In respect of corporate sustainability, MTB focuses on key areas - nation-building, promotion of the workplace, support to the community and protection of the environment. The bank has set up the "Mutual Trust Bank Foundation", and contributes a part of its profit as donation, for undertaking various projects, particularly in the health and education sectors. The details of activities of the foundation have been incorporated in the chapter on "Corporate Social Responsibility", later in this annual report. Apart from the CSR activities taken by the Mutual Trust Bank Foundation, the bank also undertook various CSR activities during the year 2014, details of which are given in the "Green Banking" and "Corporate Social Responsibility" part of the Annual Report.

### Corporate Governance

The bank adheres strictly to the regulatory guidelines on corporate governance. The disclosures on corporate governance are provided in the chapter on "Corporate Governance Report" of this Annual Report.

### Financial Analysis

#### Total Assets

The consolidated assets of the bank stood at BDT 116,301 million in 2014 compared to BDT 101,172 million in 2013. Total assets of MTB stood at BDT 115,705 million in 2014 compared to BDT 100,732 million in 2013, with a growth of 14.86 percent. MTB has been successful in marketing significant amount of deposits by launching new and innovative products in the marketplace.

#### MTB Funds under Management

BDT in Million

	2014	2013	Growth
Deposits	97,106	84,373	15.09%
Advances	77,141	59,548	29.54%
Funds Under Management (FUM)	174,247	143,921	21.07%

#### Cash and Balances with Bangladesh Bank and its Agents

MTB's consolidated cash and balances with Bangladesh Bank and its Agents stood at BDT 8,933 million in 2014 compared to BDT 7,169 million in 2013. The growth in customer deposits has also resulted in an increase in the Cash Reserve Requirement (CRR) set by Bangladesh Bank.

#### Balances with other banks and financial institutions

MTB's consolidated balances of accounts with other banks and financial institutions stood at BDT 2,173 million in 2014 compared to BDT 1,633 million in 2013. This was BDT 1,970 million in 2014 compared with BDT 1,370 million in 2013.

#### Investments

MTB's investments decreased during the year under review by BDT 5,057 million to BDT 20,767 million in 2014. The decline is mainly due to decrease in holding of Government Securities through trading in the secondary market.

#### Loans and Advances

MTB's consolidated loans and advances stood at BDT 77,141 million in 2014. Outstanding loans and

advances of the Off-Shore Banking Unit was BDT 598 million in 2014 compared to BDT 235 million in 2013. The yield on loans and advances decreased to 14.64 percent in 2014 from 15.62 percent in 2013 due to reduction of lending rates. The details of loans and advances are given in Note No. 7 to the Accounts. The ratio of non-performing loans of MTB stood at 2.67 percent, which was happily much below the industry average.

### Liabilities

The consolidated total liabilities of the bank stood at BDT 109,530 million in 2014 compared to BDT 95,723 million in 2013. MTB's total liabilities rose to BDT 108,902 million in 2014 from BDT 95,249 million in 2013, with a steady growth of 14 percent. The increase in liabilities was mainly due to growth in deposits and borrowings.

### Borrowings from other banks, financial institutions and agents

MTB's total borrowings stood at BDT 2,702 million in 2014 which was BDT 2,638 million in 2013.

### Deposits

MTB customer deposits grew by 15.09 percent to BDT 97,106 million in 2014. The growth was supported by its extensive branch network, well spread throughout the country. With the setting up of 103 branches and alternate delivery channels, MTB has been able to obtain more low cost funds in 2014. Fixed deposits contributed 51 percent to the total deposit basket. Cost of deposits decreased to 7.97 percent in 2014 compared to 9.21 percent in 2013.

BDT in Million

Deposits	2014	2013	Growth over 2013
Current Deposit & Other Accounts	17,262	11,569	49.21%
Bills Payable	1,284	780	64.62%
Fixed Deposits	49,412	48,282	2.34%
Deposit Products	14,764	12,704	16.22%
<b>Total Deposits</b>	<b>97,106</b>	<b>84,373</b>	<b>15.09%</b>

### Shareholders' Equity

MTB's consolidated shareholders' equity increased by 24.24 percent to BDT 6,770 million in 2014. The bank's paid-up capital increased by 10 percent to BDT 3,077.63 million in 2014. Statutory reserves increased by 18.50 percent to BDT 2,276 million during 2014. Total distributable profits stood at BDT 653.37 million in 2014.

### Analysis of Income Statement of MTB

BDT in Million

SL	Particulars	2014	2013	Growth over 2013
1	Interest Income	9,717	8,985	8.14%
2	Interest Expenditure	7,882	7,957	-0.95%
3	Net Interest Margin (NIM)	1,835	1,028	78.53%
4	Net Interest Margin (NIM) Ratio	2.44%	1.79%	0.65%
5	Income from Investment, Commission, Brokerage	3,890	3,591	8.32%
6	Total Net Income (Net Interest Income + Non Interest Income)	5,725	4,619	23.95%
7	Operating Expenditure	3,122	2,593	20.40%
8	Profit Before Provision	2,603	2,026	28.50%
9	Net Profit after tax	962	573	67.74%



### Interest Income

MTB's interest income increased by 8.14 percent to BDT 9,717 million in 2014. The gross yield on advances stood at 14.64 percent in 2014 compared to 15.62 percent in 2013.

### Interest Expense

Interest expenditure decreased by 0.95 percent to BDT 7,882 million in 2014.

### Net Interest Margin

MTB's net interest margin (NIM) increased by a very healthy 78.53 percent to BDT 1,835 million in 2014. The increase in interest income contributed largely to the increase in net interest margin. MTB's net interest margin ratio stood at 2.44 percent in 2014 compared to 1.79 percent in 2013.

Income from Investments, Commission, Exchange, Brokerage and Other Operating Activities

The income from investments, commission and brokerage increased to BDT 3,889.75 million compared to BDT 3,591.12 million in 2013 with a growth of 8.32 percent.

### Total Operating Income

MTB's total operating income increased by 23.95 percent to BDT 5,725 million during the year 2014 compared to BDT 4,619 million in 2013.

### Total Operating Expenses

MTB's total operating expenses increased by 20.40 percent to BDT 3,122 million in 2014 compared to BDT 2,593 million in 2013.

### Provision for Loans and Advances

MTB's total provision against loans and advances for the year 2014 was BDT 427.53 million compared to BDT 455.89 million in 2013. The Non-Performing Loan ratio improved considerably during the year under review.

	2014	2013
NPL ratio	2.67%	3.62%

### Profit before Tax

Profit before tax stood at BDT 1,929.40 million in 2014 with a growth of 37.88 percent as against BDT 1,399.31 million in 2013.

### Provision for Income Tax

MTB's provision for income tax was BDT 967.84 million in 2014 compared to BDT 826.06 million in 2013.

### Net Profit after Tax

Net profit after tax recorded a resounding growth of 67.74 percent to BDT 962 million in 2014 compared to BDT 573 million in 2013. MTB's basic Earnings per share (EPS) increased to BDT 3.12 in 2014 compared to BDT 1.86 in 2013.

### Statutory Reserves

As per the Bank Companies Act 1991, 20 percent of the profit before tax is required to be transferred to statutory reserve. As such, an amount of BDT 358.87 million has been transferred to statutory reserve in 2014.

### Dividends

The fund available for distribution was BDT 653.37 million in 2014. In order to maintain a satisfactory capital adequacy ratio of the bank, the Board has decided to recommend 20 percent stock dividend for the year 2014.



### Remuneration of Directors

As per BRPD Circular No. 09 dated 19/09/1996, the Chairman of the bank may be provided a car, telephone, office and a private secretary. However, MTB only pays the prescribed fees to its Directors for attending meetings of the Board and its Executive Committee, Audit Committee and Risk Management Committee. The Managing Director and CEO is paid a salary and allowances, in accordance with the approval of the bank's Board of Directors and Bangladesh Bank.

### Adequate Accounting Records

MTB maintains all books of accounts and other records in accordance with Section 181 of The Companies Act, 1994; Bank Companies Act, 1991 as amended in 2013, Tax Ordinance and Rules, VAT Act, BSEC and DSE rules and regulations and Bangladesh Bank's guidelines.

### Accounting Policy and Implementation of BAS/BFRS

The Board of Directors is responsible for the preparation and fair presentation of the Bank's Annual Financial Statements, incorporating its financial position in 2014, comprehensive income, changes in equity and cash flow during the year, and the notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory notes in accordance with the Bangladesh Financial Reporting Standards (BFRS), and in the manner required by the Companies Act, 1994.

The directors' responsibilities also include designing, implementing and maintaining internal controls, relevant to the preparation and fair presentation of these Financial Statements, that are free from material mis-statement, whether due to fraud and error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Internal Control and Compliance (ICC) System

The MTB Board of Directors has responsibility in order to ensure compliance at all levels in the bank's day-to-day activities. The ICC Division helps to ensure that the internal control structure in the bank is working smoothly with appropriate assignments, accountability of the personnel, and checks that delegation of authorities to functional management have been made with the necessary approvals. The Division ensures a compliance culture within the organization, under the active guidance and supervision of the senior management and the Board of Directors. The Bank Companies Act, 1991, as amended in 2013, requires some changes in the reporting line and organogram of the ICC Division. Meanwhile, the reporting line has been changed and the organogram revamped, to ensure that internal audit functions are dealt with independently from the ambit of management, and its report is submitted to the Board Audit Committee of the Bank.

### Standards of Reporting

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

### Going Concern

Going Concern is one of the fundamental assumptions in accounting, on the basis of which the financial statements are prepared. According to the Going Concern Assumption, a business entity will continue to operate in the foreseeable future, without the need or intention on the part of its management to liquidate the

entity, or to significantly curtail its operational activities. Therefore, it is assumed that the entity will realize its assets and settle its obligations in the normal course of business. It is the responsibility of the management of a company to determine whether the going concern assumption is appropriate in the preparation of financial statements. MTB has prepared its Financial Statements considering the going concern assumption.

### **Control Environment**

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

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

### **Supplier Payment Policy**

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

### **Related Party Transactions**

The details of transactions of related parties of the company have been given in Note 44 of the financial statements.

### **Shareholders' Value**

MTB remains fully committed to delivery of higher shareholder value. The high profitability track record, underpins the value the shareholders derive from investing in the shares of the bank. The earnings per share increased and stood at BDT 3.12 and return on average equity stood at 15.74 percent during 2014. Market capitalization of MTB stood at BDT 6,093.71 million as at December 31, 2014.

### **Meetings of the MTB Board of Directors**

**Fourteen meetings of the MTB Board were held in 2014.**

### **Appointment of Auditors**

**M.J. Abedin & Co. was appointed as External Auditors for 2015.**

### **Annual General Meeting**

The Annual General Meeting of Mutual Trust Bank will be held on Monday, March 30, 2015 at the International Convention City, Bashundhara (1 Gulnaksha), Joarsahara, Khilkhet, Dhaka at 10:15 am. The Directors' Report and Financial Statements were approved at the 176th Board Meeting held on February 24, 2015 for presentation to the shareholders.

Thank you.

On behalf of the Board of Directors



Rashed A. Chowdhury  
Chairman

## Financial Analysis

2014 was a focus year for Mutual Trust Bank as regards expansion and diversification of various business lines. A strategic approach streamlining diverse business opportunities has 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 the fierce competition amongst the major players seeking to streamline themselves successfully in order to keep pace with transformation.

As of the year 2014, MTB's total assets along with subsidiary had risen by 14.95% over 2013, reaching BDT 116,301 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 2.67% from 3.62%, which is still much lower than that of the country's NPL.

In 2014, our Net Income increased by 67.74%, to BDT 962 million from 573 million over the previous year. A number of successful strategies were taken in 2014, 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 14.95% increase in 2014, rose from BDT 101,172 million to BDT 116,301 million. A major contributor to this growth was the increase in loans and advances, which grew by 29.54%, from BDT 59,548 million to BDT 77,141 million. Fixed assets of the Bank also increased to BDT 2,489 million from BDT 2,458 million portraying an increase of 1.25%.

MTB also increased its Cash Reserve Requirement (CRR) maintained with Bangladesh Bank (BB) and its agents in the year 2014. The earnings asset grew at a rate of 14.88% to BDT 98,025.82 million.

#### Summary of Assets in Balance Sheet:

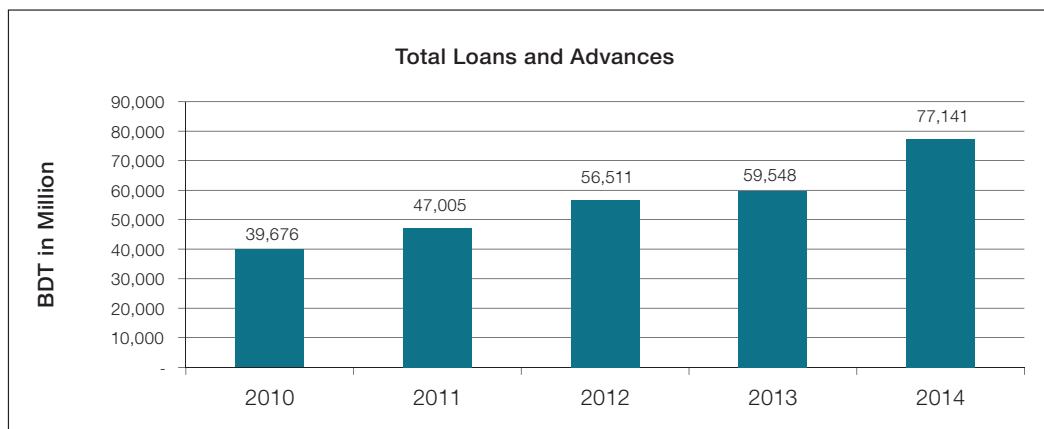
BDT in Million

Particulars	2014	2013	(%) Change
Total Asset	116,301	101,172	14.95
Loans & Advances	77,141	59,548	29.54
Fixed Assets	2,489	2,458	1.25
Other Assets	4,796	4,078	17.61

#### Loans and Advances:

The Bank's exposure to loans and advances increased from BDT 59,548 million to BDT 77,141 million in 2014 registering a 29.54% growth over the last year. With a pie of around 77.57% in corporate lending, MTB's credit exposure is well diversified and spread over more than 14 sectors such as agriculture, textile & RMG, ship- building, ship-breaking, construction, transportation, service industries, etc. Retail and SME together constitute more than 12% of the loan portfolio.

Overdraft against Margin loan stands at BDT 3,995.75 million in the year 2014 from 3,991.85 million in the year 2013 in MTB Securities Ltd. a subsidiary of MTB.



#### Asset Quality & Non-Performing Loans (NPL)

At the end of the year 2014, the Bank's total credit was up by 29.54% over 2013, showing an increase of BDT 17,593 million. Despite this growth, the Bank's NPL ratio decreased to 2.67% from 3.62%.

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

Particulars	2014	2013
Total Loans & Advances	77,141	59,548
Non-performing Loans(NPL)	2,060	2,155
NPL ratio	2.67%	3.62%

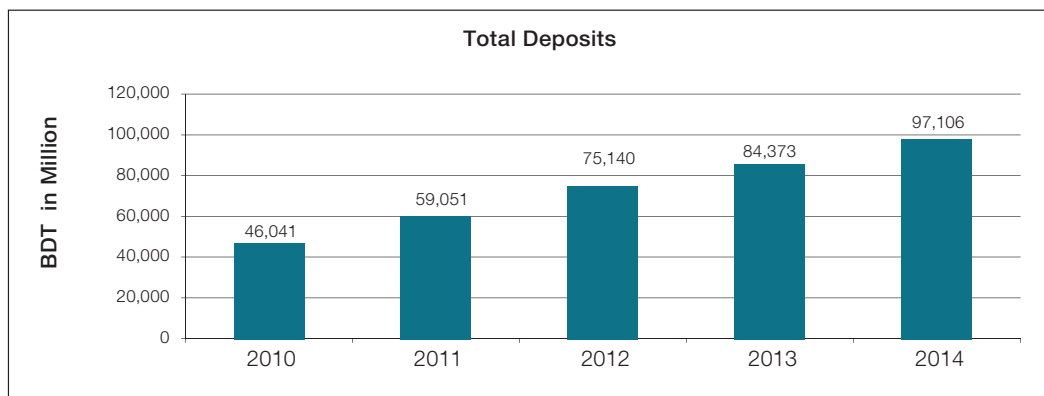
#### Liabilities and Shareholders' Equity

##### Liabilities

Total liabilities (excluding equity) stood at BDT 109,530 million at the end of year 2014, which was 14.42% more than the previous year's figure. This increase in liabilities is mainly due to an increase in deposits from customers and borrowing from other banks.

##### Total Deposits

Deposits represent the largest portion of total liabilities of the bank. This year, it saw an increase of 15.09%, to BDT 97,106 Million from BDT 84,373. Over the past five years, MTB was able to more than double its deposit portfolio from BDT 42,354 million in the year 2009 to BDT 97,106 million in the year 2014.



## Deposit Mix and Growth

The deposit mix showed significant changes during the year 2014

Particulars	BDT in million		Growth (%)	Mix	
	2014	2013		2014	2013
CD & Other Accounts	17,262	11,509	49.99	17.78	13.64
Bills Payable	1,284	779	64.70	1.32	0.92
Savings Deposits	14,384	11,097	29.61	14.81	13.15
Fixed Deposits	49,412	48,281	2.34	50.88	57.22
Other Deposit Products	14,764	12,704	16.21	15.20	15.06

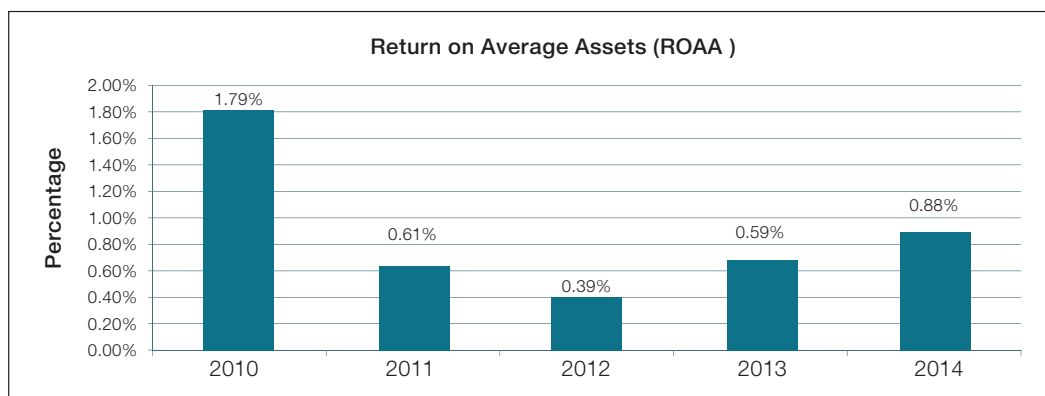
The proportion of fixed deposit (i.e. high cost deposit) increased by 2.34%, i.e. from BDT 48,281 million to BDT 49,412 million. Deposit Products also increased by 16.21% to BDT 14,764 million from BDT 12,704 million. In addition to this, zero cost deposits increased by 49.99%, BDT 5,753 million i.e. from BDT 11,509 million to BDT 17,262 million.

## Shareholders' Equity

Shareholders' equity increased from BDT 5,449 million to BDT 6,770 million in 2014. This rise, propelled by earnings growth, was also reflected in consolidated net income. General reserve is kept at BDT 276.77 million due to a policy to strengthen the reserve base for taking over any future claim for tax and others.

Consolidated Earnings per Share (EPS) stood at BDT 3.12 (Face value per Share BDT 10) and Return on Average Equity (RoAE) at 15.74% during 2014. Market capitalization stood at BDT 6,094 million as of December 2014. During 2014, the Bank declared 20% stock as final dividend.

Particulars	BDT in million		% Change
	2014	2013	
Paid up Capital	3,078	2,798	10.00
Statutory Reserve	2,276	1,917	18.73
Revaluation gain	520	162	220.98
Foreign currency gain	2	1	118.88
General Reserve	277	277	-
Retained Earnings	617	294	109.86



### Capital Adequacy

The Bank's Capital Adequacy Ratio (CAR) decreased by 0.80% at the end of 2014. The main reason for the decrease of CAR was due to the increase in risk weighted assets even though retained earnings increased by 109.86% i.e. BDT 617 Million from BDT 294 Million. In terms of capital adequacy, Tier I capital edged up to post 7.72% at the end of the year 2014. A significant negative effect was made in Tier II capital for subordinated debt.

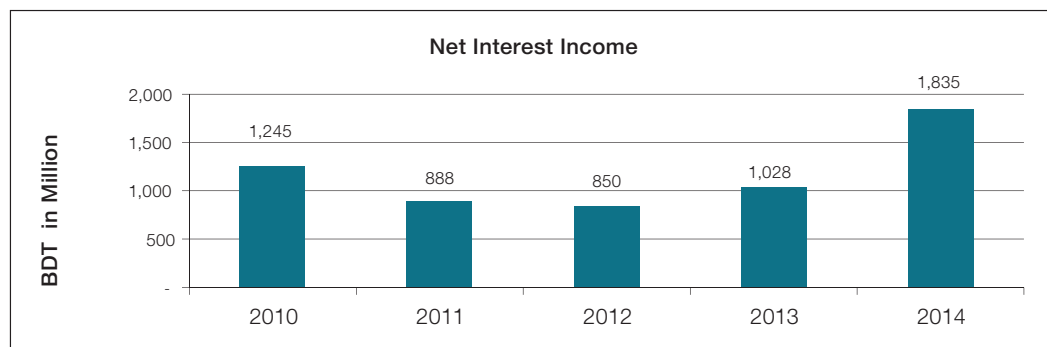
#### Position of Capital Adequacy Ratio:

Particulars	2014	2013	Change
Required/Base Ratio	10%	10%	-
Tier-I Ratio (%)	7.72%	7.51%	0.21%
Tier-II Ratio (%)	3.05%	4.06%	(1.01%)
Maintained Ratio	10.77%	11.57%	(0.80%)

### Earning Analysis

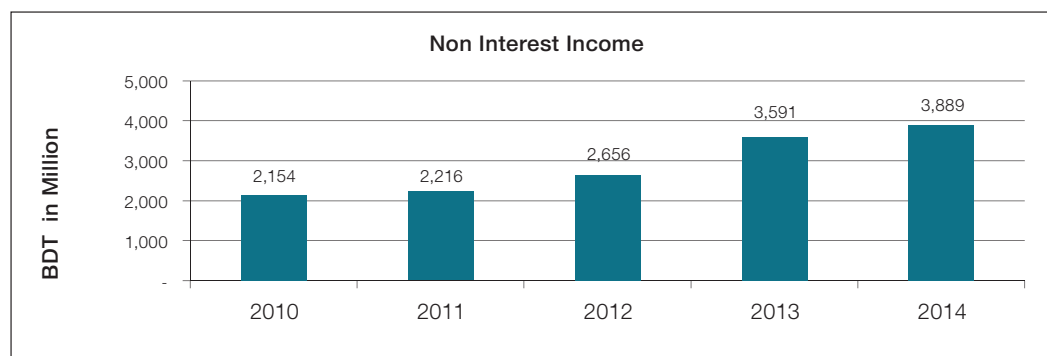
#### Net Interest Income

Total interest income in 2014 showed a positive growth of 8.14% to reach BDT 9,717 million from BDT 8,985 million despite numerous challenges. Interest expenses in the year were BDT 7,882 million, which decreased by 0.95% from 2013 (BDT 7,957 million). Comparatively, the growth of interest income is higher than the growth of interest expense, the resultant net interest income (NIM) showed a positive growth by 78.53% in 2014 (BDT 1,835 million in 2014 and BDT 1,028 million in 2013)



#### Non-interest Income

In 2014, investment income, fee income from assurance/guarantee, beneficiary certificates and brokerage, credit cards and foreign exchange trading gains reached an amount of BDT 3,889 million collectively, which was 8.30% higher than 2013 (BDT 3,591 million). Investment income consists of interest earned on treasury bills & bonds and dividends received on shares.



### Operating Expenses

Total operating expenses increased by 20.38%, or BDT 529 million, resulting in an amount of BDT 3,122 million in 2014. This is because of a significant increase in people cost, rental, advertisement and other expenses, which include mainly employee training, business development, registration fees, security services for additional branches, etc.

The Bank provided full provision for gratuity payment, which was BDT 55 million in 2014. Increase of fixed assets also caused a 13.13% increase in depreciation charged during the year 2014. The headcount slightly increased by 15.09% throughout the year, mainly due to opening of new branches, expansion of business network.

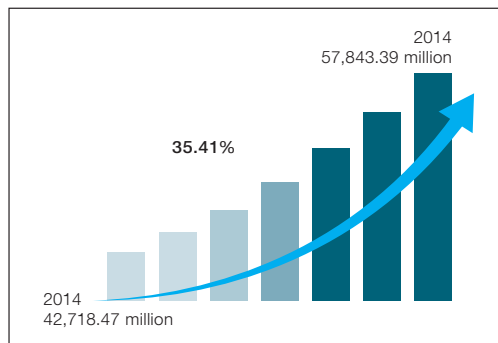
Particulars	2014	2013
Operating Income per employee	3.61M	1.47M
Profit before tax per employee	1.22M	1.02M



## Wholesale Banking Division

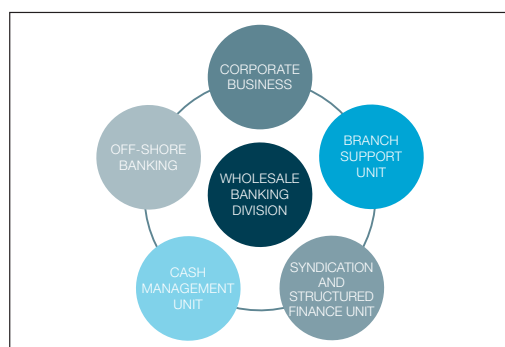
The economy of Bangladesh has been challenging in 2014. Since the fierce political crisis of 2013 has left uncertainty and strong risk factors, the economy has experienced very limited or sluggish movements in the field of business expansion and new investment. Although the overall deposits and the foreign exchange touched their zenith in 2014, the overall credit demand by the private sector in Bangladesh has declined due to limited opportunities to invest, which, in turn, left a huge amount of non-invested liabilities. Consequently, all the banks had to reduce their prescribed rate of return on both assets and liabilities from time to time. In addition, indifference in investment initiatives affected the overall import performance of the country. However, volume of remittance inflow remained the same or escalated at some points throughout the year, while export growth was satisfactory. Such a paradoxical import and export situation resulted in an increase in foreign currency reserve, which reached a record USD 22.5 billion.

Despite the challenges, the MTB Wholesale Banking Division achieved enormous growth by leveraging strong customer relationships, overseeing the latest macro-economic developments and expansion strategies, and by providing innovative solutions to meet the growing financial needs of the Large Corporate Conglomerates. The asset contribution of WBD in 2014 was BDT 57,843.39 million, resulting in 35.41% growth, comparing with BDT 42,718.47 million in 2013.



The promise of world class wholesale banking has created a new panorama of opportunity to leverage on the excellent image created over the years. We are keen to deliver international service standards to our corporate and institutional customers with crystal clear transparency, accountability and flexibility. We are enriched with global expertise as well as an industry best team of professionals, which ensures that our customers get the best financial products and services.

MTB Wholesale Banking division is an integrated & specialized area of MTB that meets the diverse financial needs of the corporate customers by designing customized and structured financial solutions for their businesses. It is a blend of the Corporate, Off-Shore Banking, Cash Management and Structured Finance



Unit, which focuses on offering a wide range of services to large corporate, multinationals and institutional clients. Driven by Corporate Business Unit of WBD and the Branch Support Unit of Wholesale Banking Large Clients, the division offers full-fledged, innovative, customized solutions and services to the clients.

Besides the traditional industries like Footwear, Home Textiles, Melamine, Ceramics, Glass & Tubes, Paper, Pharmaceuticals, Particle Board, Plastics, Garments Accessories, Dyeing, Printing & Finishing, and RMG (Woven & Knit), MTB Wholesale Banking division has set its footprints in Power, Basic

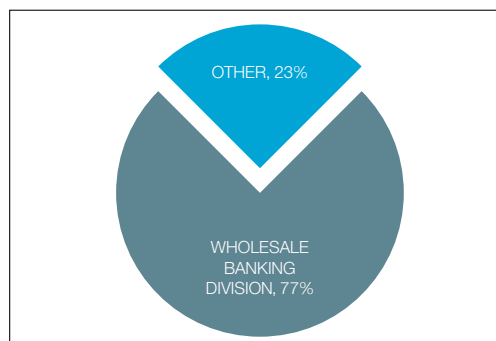
Chemical, Petro-Chemical, Poultry & Feeds, Steel & Billet, Fish Culture & Processing, ICT, Yarn Spinning, Polymer Pipes, Food Processing & Products, Polymer Fabric, Bags & Pipes, Renewable Energy (Solar) and Ship-breaking.

A major 77% of the assets of the bank was contributed from Wholesale Banking Division in 2014. At present, MTB is following a Dedicated Relationship Managers Model as well as a Branch Based Business Model for providing its banking services to its clients. In addition, it also provides solutions for clients' comprehensive financing needs through its Corporate Business Unit. WBD offers a range of credit packages and delivers integrated financial solutions ranging from project finance, term finances, working capital management and cash management services to its ever-growing list of corporate and institutional banking clients all over the country through 5 major units:

#### Corporate Business Unit

The Wholesale Banking Corporate Business Unit engages mainstream clients through their relationship management initiatives, resulting in higher top-of-mind awareness, deeper cross-sell and proactive risk management. The unit provides clients with a complete suite of banking services.

The growth of the Corporate Business Unit's contribution in 2014 was BDT 5511.27 million, or 102.20% of the contribution in 2013. This unit books high end customers from the market and associates them to different branches as per proximity of locations as well as the preference of the clients. Nevertheless, the customers receive very personalized service from their respective desks.



#### Branch Support Unit

The Branch Support Unit provides approval, monitoring and quality compliance support to the clients managed at the branch level. This unit enables the customers to enjoy the Wholesale Banking facilities across the entire MTB network. The growth of the Branch Support Unit's contribution in 2014 was BDT 9613.65 million, or 25.76% of that of 2013. The Branch Support Unit maintains the same quality as the Corporate Business Unit does for its bookings.

#### Syndication and Structured Finance Unit

MTB is active in the Syndication market with the finest experts in the industry to enable its corporate clients to access large loans through cost efficient structures. It offers tailor made solutions to fit clients' business requirements. MTB's SFU product basket contains Long Term Financing along with a full range product mix



for Short Term Financing of day to day operations and non-funded facilities. MTB seeks to understand the unique needs of clients' businesses and incessantly strives to meet and exceed their expectations so that clients can save the time and effort of approaching individual banks for arranging funds for large projects.

The MTB Syndication and Structured Finance Unit acted as the arranger and agent for issuing the Commercial Paper of BDT 450 million issued by PRAN Agro Limited in 2014. The launching of the Commercial Paper is one of the most important milestones for the bank and this unit.

#### 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 its competitive interest rates. Although there was constraint of foreign currency sourced outside the territory, MTB OBU widened its business through offering Import L/Cs under Discounted Bill of MTB itself and also negotiated direct or deemed export bills accepted by other scheduled banks of Bangladesh and abroad. In the year 2014, OBU executed many transactions and the total value of these transactions was BDT 598.01 million, or USD 7.65 million, in 2014. Provided that more funds 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

Cash Management Unit (CMU) has been providing innovative and automated transactional solutions to corporate clients & Govt. institutions. Our unparalleled technological platform is evident in our ability to deliver a wide range of Cash Management Products and solutions designed to fit each clients' unique needs. We offer tailored fund management solutions to the growing customer base through collection, automated payment, robust MIS support while ensuring the highest level of customer service and competitive ROI. CMU solutions include: Automated collection and payment system, Web service, Internet banking, Automated Data reconciliation and MIS support. Providing the transactional value to the client, this unit plays a critical role in sourcing low cost funds for MTB.

#### Priorities in 2015

- For WBD overall, the priority would be to grow the good relationships with the clients on board as per their needs.
- For the MTB Corporate Business Unit and Branch Support Unit, the priorities would be to attract more prominent and flourishing clients and form quality relationships with them by means of different customized solutions.

- For the MTB Structured Finance team, the priorities would be to understand unique needs of clients' businesses and incessantly strive to meet and to exceed their expectations by arranging more credits and by providing unique solutions to the clients.
- For the MTB CMU, the priority would be to be the preferred Cash Management Service Partner. This unit is well equipped & committed to produce results. It will play a critical role, with an expanding branch network and superior infrastructure support to accelerate inflow of funds.
- For the MTB OBU, the priorities would be to source and secure significant credit lines from internationally reputed and large foreign currency lenders in 2015.

In brief, the MTB Wholesale Banking Division has left significant footprints in 2014 in every wing of this division. However, with the prediction of political turmoil in the first part of 2015, the MTB Wholesale Banking Division is planning its moves very cautiously for the upcoming year. Nevertheless, it will be striving for excellence in accordance with MTB 3V. The goal would be to explore new businesses with innovative marketing efforts, delight existing clients with the brilliance and expertise of the industry-best performers, and make the division a one-stop solution for the financial needs of the customer.

## Retail Banking (RB)

MTB offers specialized and diversified products to cater to an individual's day-to-day needs, which ensures a one-stop solution for every member in a family. For better management of our large customer base and distribution network, MTB Retail Banking operates through several value centers and departments. Working together impeccably, we ensure top class banking experience for our valued customers. Currently, MTB has 16 retail deposit products and 4 retail lending products. These products have been designed to cater to different customer segments with appropriate solutions. We also offer dual currency/international credit card, debit card, internet banking, SMS banking and locker services to meet retail customer requirement.

Highlights of 2014	Milestones
<ul style="list-style-type: none"> <li>Achieved 63.91% growth in Savings Accounts</li> <li>Attained 72,096 new accounts</li> <li>Disbursed BDT 515.0 million in retail loans</li> <li>Achieved 54.80% growth in New Card Acquisition of VISA Credit Card</li> <li>Achieved 25.45% growth in New Card Acquisition of VISA Debit Card</li> <li>Over 58,241 outbound calls have been made from the 24/7 Contact Center to serve customer needs</li> </ul>	<ul style="list-style-type: none"> <li>No. of Branches: 103</li> <li>No. of ATMs: 176</li> <li>No. of POS Machines: 1900</li> <li>No. of KIOSKS: 8</li> <li>No. of Internet Banking Users: 23,860</li> <li>No. of SMS Banking Users: 25,852</li> </ul>

### Retail Products and Services:

#### MTB Deposit Products:

MTB has designed its wide array of deposit products with the motto: "Every individual has different needs". MTB offers almost every kind of DPS and FDR scheme to cater to consumer demand in the most innovative ways. With the understanding that different individuals have different needs, MTB has launched some savings products with special features:

MTB Sanchay is uniquely designed for the lower income groups of society, like garments workers, CNG drivers, etc. This is a uniquely designed product to provide banking services to the underprivileged wage-earning segment.

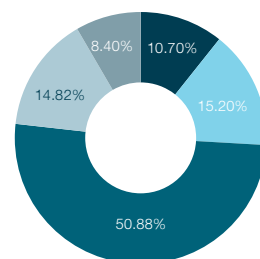
MTB Junior is offered to the youth of society aged below 18 years. This product aims at facilitating services for school children with free debit card, free of all account maintenance fees, etc. MTB has undergone rigorous campaigns at different schools across the country to promote school banking with a view to develop savings habits. We have received a noticeable response from the students and their guardians.

**MTB Ankur** is another savings deposit product with unique features suitable for street and working children, which will be operated by designated officials of associated NGOs. It is an initiative of MTB to include the under-privileged segment of society under the banking umbrella.

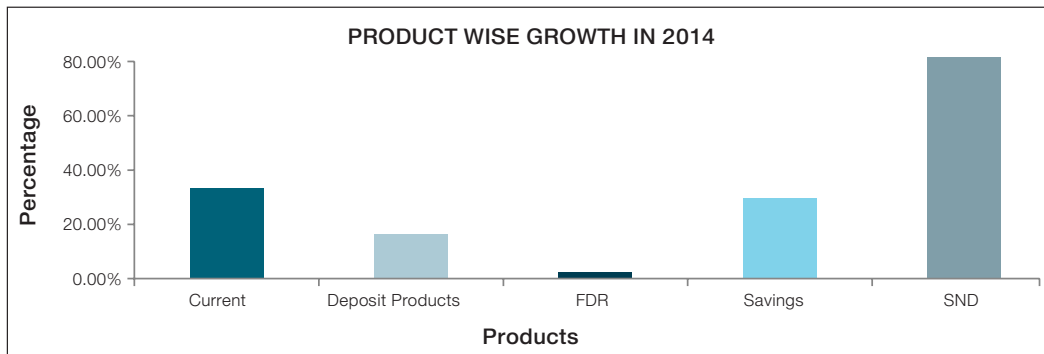
**MTB Care** is a savings deposit product designed for autistic and special-needs children, operated by the legal guardian of the child.

**DEPOSIT MIX 2014**

■ Current  
 ■ Deposit Products  
 ■ FDR  
 ■ Savings  
 ■ SND



### Deposit Portfolio Growth in 2014

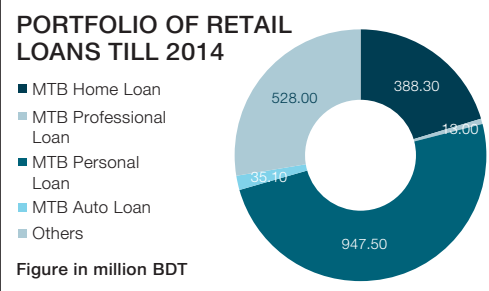


### MTB Retail Loans

Considering the different needs and demands of individuals, MTB has designed its retail loans in 4 categories: Personal Loan, Auto Loan, Home Loan and MTB Professional's Loan.

#### Portfolio of MTB Retail Loan

To enhance disbursement of retail loans, MTB launched a campaign from August 18, 2014 to December 31, 2014 with special offers like discounts on interest rates and processing fees. This campaign was a boost-up call for branch level employees to serve as Retail Relationship managers. In the coming days, MTB is prepared to offer more and more innovative solutions to retail loan customers with a promise of modern banking.



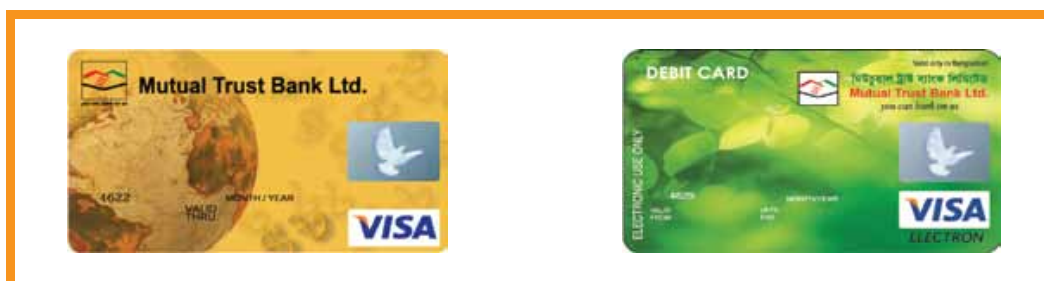
### MTB Gift Cheque

An MTB Gift Cheque is a gift voucher that is prepared for any citizen in our country with the slogan: "A gift that grows with time". This cheque can be found at any branch of MTB and can be cashed at any branch of MTB in Bangladesh. With the attractive feature that the amount of gift cheque increases till it is cashed, people are getting interested to procure it as a gift for their near and dear ones.



### MTB Cards

Mutual Trust Bank offers a VISA Dual Currency/International Credit Card as well as a VISA Debit Card for retail consumers. In 2014, MTB achieved significant growth in the card section. Till 2014, MTB has issued 11,376 credit cards and 138,270 debit cards.





### Alternative Delivery Channel (ADC)

MTB aspires to be a technically sound and leading bank, where customers find the latest banking solutions with state-of-the art technology. To facilitate its customers, MTB has launched many other alternative ways to deliver banking services without coming to the bank premises. MTB has developed the channels through ATM booths, POS machines, KIOSKS, Internet Banking and SMS banking. Till 2014, MTB has 176 ATM booths, 1900 POS machines, 8 KIOSK machines.

Through Internet banking, customers can avail services like balance inquiry, mini statement of account, PIN change, fund transfer and mobile & internet bill payment. As MTB is continuously working for the digitalization of banking services, it has developed a mobile app that facilitates smart banking with smart phone devices. Through mobile banking, MTB account holders can access their MTB transactional accounts with the MTB mobile app, which can be downloaded from both the Play Store and the App Store. This app empowers our customers to monitor and manage their finances at any time, from anywhere.

MTB is enhancing customer privileges to assist our customers. In 2014, MTB introduced the Balaka VIP Lounge facility at Hazrat Shahjalal International Airport. Customers can avail the MTB Flexipay installment program using MTB Credit Cards with 17 merchants and 442 outlets across the country. Other attractive offers are also provided to our esteemed customers who use MTB cards throughout the year.

Throughout the entire year, MTB has arranged a lot of campaigns for different retail products. These campaigns have helped MTB achieve 27,000 new CASA accounts, BDT 1,800 million growth in savings deposit, 3,500 new Internet Banking accounts and greater response for other retail products.

### Unlocking new horizon

MTB is one of the most visionary banks in the banking industry in this country. MTB is continuously striving to achieve its 'MTB3V' vision. To be a truly world class bank, MTB is preparing its platform for digitalized banking services. To attain the digitalization of banking, MTB has already started its journey by taking initiatives to enhance internet banking services nationwide.

Since Retail Banking deals with the individual customers and today's world is driven by tech-based knowledge, it is worth saying that if we do not integrate internet facilities with banking services, then surely the mass people will not get that involved in banking.

To facilitate banking services from both the customer's point of view and the banker's point of view, today's banking system must be mobile, portable and flexible. The MTB Retail Banking team is dedicated to working on those criteria. With the accelerated growth of E-commerce and E-business, integration of banking services with technology is going to be the need of tomorrow.

**Hence,** "The MTB Retail Division will continue to fulfill the demands of all of the stakeholders with innovative solutions that will enable not only the bank itself but also its esteemed clientele base to experience world class banking by unlocking new horizons!"

**MTB Offers Free Access to Balaka VIP Lounge**  
Hazrat Shahjalal International Airport, Dhaka

**Facilities Include:**

- Buffet Snacks
- Wi-Fi Network
- High-speed Internet
- Shower Facilities
- Bottomless Tea/Coffee

**Terms & Conditions:**

- MTB Visa Gold Card and Privilege customers can enjoy the facilities along with one companion and two children.
- The offer will be effective from April 1, 2014.

24/7 MTB CONTACT CENTRE  
16219 or 09604016219

মিউচুয়াল ট্রাস্ট ব্যাংক লিমিটেড  
Mutual Trust Bank Ltd.  
you can bank on us

www.mutualtrustbank.com



## SME Banking Division

“SMEs are the fulcrum of the economy of Bangladesh. Hence, SME Banking will be the core of MTB's business strategy. Banking SMEs are no more costly, risky and difficult but are more respectable and more profitable. We will increase MTB SME Banking footprint in a most structured and sustainable manner that will ensure Double Bottom Line for MTB; Social Development and Shareholders Wealth Maximization.”

In Bangladesh, small and medium enterprises (SMEs) typically account for more than 95% of all business entities, contribute around 25% of gross domestic product (GDP), created a big window of employment generating 40% of employment, 80% of industrial jobs and 25 % of the total labor force. Improved SME competitiveness could obviously contribute to economic and social development and poverty reduction. As an important source of new business creation and developing new entrepreneurial talents, SMEs provide the diversity vitality and dynamism to national economy.

SMEs are also the engine of growth in Bangladesh, that can help the country to become a middle income country by 2021. As such, SME is considered a priority sector as announced by the present government of Bangladesh. SMEs are, indeed, vital players for sustainable and inclusive growth in Bangladesh.

We, at MTB, believe that a bank needs to support the country's economy by adopting Social Development approach in its business model through SME Banking and Inclusive Banking. Hence, MTB can support the vision of inclusive and sustainable growth in Bangladesh.



First ever cycle chain manufacturing industry, an import substitute product, in Bangladesh financed by MTB SME Banking Division.

### SME Bank of the Year Award 2014

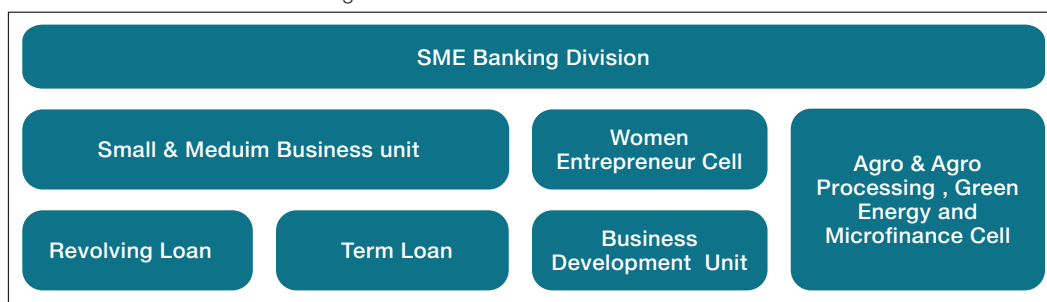


MTB has been awarded as **Best SME Bank of the Year 2014** at the **SME Financing Fair-2014**

Bangladesh Bank and SME Foundation for the 1st time introduced SME Banking Award in 2014 in the financial market of Bangladesh. In total, 32 Banks and 9 NBFI applied for the awards in 5 (five) sub categories and one overall category; SME Bank of the Year-2014. MTB SME Banking has differentiated itself in the market in its business approach. Some of the unique features that awarded us with the honor of “**Best SME Bank of the Year 2014**”:

- MTB charges affordable interest rate to SMEs; on average at 13.50%. Affordable interest rate facilitates SMEs to do business in a more sustainable manner.
- Our exposure to manufacturing sector is around 40% and less in trading sector. Financing in the manufacturing sector helps economy by creating jobs.
- We finance mostly to Small Enterprises; our exposure is 67%.
- We also finance mostly to Rural Enterprises. 68% of our exposure is to rural SMEs.

MTB SME Banking started its journey in 2007. The business segment is growing slowly in a sustainable manner. Its portfolio comprises 9.68% of MTB Total Loan portfolio, is sound and diversified. Following is the business structure of SME Banking in MTB.



#### SME Banking Business Trend:

BDT in Million

	2012	2013	2014
Disbursement	9025.90	2947.49	5848.57
Outstanding	3322.99	4868.90	7027.75
% Growth in Outstanding	12.96%	46.52%	44.34%

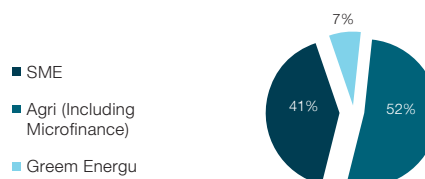
\* Including Agricultural loan

#### Business Share: SME & Inclusive Banking

MTB SME Banking has a significant market share in Agri and green energy besides financing to SME enterprises.

Segment	Outstanding (BDT Million)	Percent age (%)
SME	365.53	52.01
Agri (including Microfinance)	289.1	41.14
Green Energy	48.14	6.85
Total	702.77	100.00

#### Business Share of MTB SME



MTB was also recognized as **Best Women Entrepreneur Friendly Bank of the Year 2014** besides **SME Bank of the Year 2014** at the **SME Financing Fair-2014** for its efforts to promote the Women entrepreneurship development. Some feature of MTB SME finance:

- Nationwide General Perception of MTB Women Entrepreneur Financing is its friendly & proactive
- MTB SME offers very competitive and convenient interest rate for women entrepreneur. Average Lending rate for Women Entrepreneur loan is 9.50%
- MTB SME focus on Productive Sector rather than trading. Major exposure of MTB Women Entrepreneur is in productive Manufacturing Sector. The exposure to this sector is 60% of MTB SME portfolio.
- MTB SME plays a key role in financing marginal SME entrepreneur who don't have any collateral. 95% of Women Entrepreneur loan provided by MTB SME is collateral free.
- MTB SME partners with SME Foundation for serving Women Entrepreneur nationwide with the product MTB Gunabati which offers single digit interest rate.



## SME Banking: 2014 Initiatives

### Women Entrepreneur Cell Initiatives :

Besides regular business, MTB women Entrepreneur cell participated in various promotional events to promote MTB SME and its client.

- Women SME Conference & Product Display 2014 held at Dhaka organized by the SME & Special Programs Department of Bangladesh Bank on May 2014.
- National Trade Fair and Workshop-2014 held at Dhaka organized by For The Women By The Women Forum on July 2014
- MTB participated as the Title Sponsor in the Trade Fair 2014 held at Jessore organized by Association of Grass root Women Entrepreneurs Bangladesh (AGWEB) on December 2014.

### Agri business and Inclusive Banking :

MTB is continuing its contribution to Agri finance in an increasing rate. MTB achieved and exceeded the target of Bangladesh Bank for disbursement of Loan in Agricultural sector. As recognition of this, MTB Received appreciation letter from Bangladesh Bank for disbursement in Agri sector for the FY 2013-2014.

MTB also participated in the 4th Agro Bangladesh Expo 2014: Food Pro Bangladesh and Rice & Grain Tech Expo, Dhaka organized by Ministry of Agriculture, Government of Bangladesh.



Solar Irrigation: MTB is the lead financier in Bangladesh.

## Best Women Entrepreneur Friendly Bank of the Year 2014



MTB was also awarded as **Best Women Entrepreneur Friendly Bank of the Year 2014** at SME Financing Fair-2014.



### Ms. Tania Wahab

Managing partner of Karigar, a thriving leather goods company was awarded as "Outstanding Women in Business of the Year 2013" by Daily Star-DHL Bangladesh Awards 2013. She started her business in 2005 as a fresh graduate with 10000 Tk. and support from family. MTB was the 1st commercial bank to provide her loan facility. Since 2009, MTB has become a partner of her journey with several Loan products, now the "Karigar" creates opportunity of full time employment to 20 people and for another 100 as part time.

**Alliance & Partnership :**

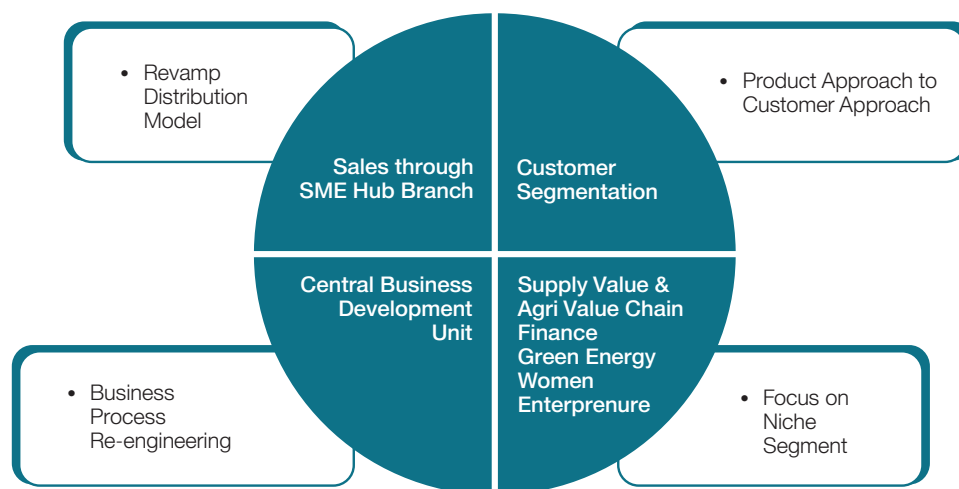
Strategic alliance and partnership is one of the key points of mutual development and business growth. MTB participated in all major Refinance or Pre-finance funds of Bangladesh Bank, SME Foundation, JICA and other key partners over the years. In consistency with this strategic approach, MTB participated in the following partnership this year :

- Agreement for participation in Bangladesh Bank Revolving Refinance Fund for providing loan facility to 10 Tk. Account holder marginal population
- Agreement for participation in Bangladesh Bank Refinance Scheme for New Entrepreneurs in Cottage , Micro and Small Enterprise Sector(NEF)

**Strategic Outlook:**

For increasing footprint in a sustainable manner, MTB's SME Banking Strategy for 2015-2020 is being formulated on the specific area of business and process.

- Distribution Strategy
- Customer Strategy
- Business Process Strategy
- Niche Strategy

**We Plan to**

- Adopt a Hybrid Model for SME Banking Operation to smooth the functionality as well as creating efficiency and ensure sustainable growth.
- Strengthen Strategic Alliance with National and International Key partners including Bangladesh Bank , SMEF, DFID, IFC, ADB, JICA etc to achieve strategic competency in the ever changing business scenario
- Conduct SME Banking Diagnostic by International agency and revamp SME Business Model based on the diagnostics.
- Identify branches to develop them as SME Hub, SME Priority and SME Service Branch for one stop concentrated services to SME cluster wise Clients.
- MTB's niche Value Centers Development for special segment i.e. Agri Finance, Green Finance & W/E Finance to promote inclusive banking as well as better service and management to the special needs of these segments.
- Conduct Comprehensive SME Product Review- Fine Tune, Re-launch, and Withdraw to fulfill the need of existing market and create momentum.
- Initiate SME Banking Campaign & Promotion similar to other retail based banking products to enhance visibility of SME product as well as secure more prospects.

If the political stability and pro SME policy remains so, and Bangladesh can utilize the benefits of framed policies for SME to a larger extent, SMEs can be "The Train" that will accelerate for Bangladesh on the highway of economic development and MTB SME will be a part of that journey of unlocking new horizons.

## Green Banking

Green banking is an innovative and positive approach that emphasizes on an eco-friendly movement to prevent environmental degradation in order to make this earth more habitable for the future generation. It deliberates on the rapid changes in the climate pattern, and also considers all the social and ecological factors with an aim to protect the environment, and uphold the natural resources. Creating awareness of climate change and environmental protection is a fundamental element of MTB's Green Banking activities.

MTB's green activities are concentrated in terms of in-house green initiatives, and green financing activities. MTB tries to avoid as much paper work as possible, and relies on online/electronic mode of transactions and communication. MTB firmly believes that by limiting paper consumption it can contribute to reduce deforestation. MTB's aim is to spread awareness and consciousness amongst its clients and employees about environmental good practices, and facilitate eco-friendly practice in business towards green banking.

As a responsible business entity, MTB is concerned about its proficiency and global research to support environmentally sustainable growth, and believes that each small 'Green Banking' step would contribute a little in ensuring a greener world.

We promote and encourage our stakeholders regarding environmental-friendly practices, and reducing carbon footprints from banking activities. This appears in numerous forms - practicing online banking, introducing various Alternate Delivery Channels (ADC) i.e. internet banking, SMS banking, ATM booths, Kiosks, Contact Centre, Mobile Banking with free Android application, Kiosks, POS terminals, ATMs etc. under one umbrella that provides customers hassle-free service and paperless banking. By providing these facilities, customers do not need to come to the branches for their small services which ultimately saves significant amount of fuel and energy.



MTB is one of the leading banks in the country in executing Bangladesh Bank's Green Banking Guidelines in phases. Actions taken by MTB are-

- To enhance Green Banking practices in the bank, MTB has introduced 'MTB Green Banking Policy' as per the instruction of Bangladesh Bank. This policy covers those areas that ensure sustainable environment i.e. in-house environment management, green financing, awareness raising among stakeholders and environmental risk management.
- MTB has formulated the 'MTB Green Office Guide', a tool for educating and building awareness of the employees regarding environmental issues and improving in-house 'green' management.
- MTB has established a separate and independent 'Green Banking Cell' as a part of awareness development to conduct the task of developing policies, designing, evaluating, and administering in relation to Green Banking issues of the bank.
- Alongside the Green Office Guide, the bank has an exclusive and very effective intranet system which is one of the best solutions for internal communication, information sharing, employee education and electronic recording process. It has features like e-notice board, online leave management facility, e-dispatch, and e-attendance for the employees. All Bangladesh Bank (BB) and MTB circulars are instantly circulated through e-notice board. Most of the communications within the bank has become online. To further reduce paper consumption, various information are posted on the intranet with the aim to increase employee awareness on the subject.



- MTB has incorporated 'Environmental Risk Policy' with its 'Credit Policy with Credit Risk Management Guidelines'. The overall purpose of Environmental Risk Management is to understand, and manage risks that arise from environmental concerns. Environmental risk, an inherent part of credit risk is followed and abided by all concerned and reviewed under Environmental Due Diligence (EDD) checklists.

- MTB has created well-functioned and well-equipped modern facilities with a view to establishing fully IT based green marketing system. 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 paper.



- For ensuring a greener and environmental friendly bank in a true sense, MTB Centre, MTB Tower, Corporate Head Offices of the bank have been designed as truly green buildings with motion sensor lighting system. Lights are automatically turned off, if there is no human movement in the room. Solar Power System has 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 Tower has also introduced the facilities of solar panel system, rain water harvesting, and eco-friendly carpet, a carpet made with natural fibers like wool without using any chemical treatments. As a part of green initiatives, MTB has established nine solar powered branches, and nine solar powered ATMs at five different locations which save 90% energy compared to conventional banking outlet.

MTB Tower solar panel system has 135 solar panels with a capacity of 36kw; (capacity depends on the solar power per day).

MTB Tower has a state of the art rain water harvesting plant. It has a capacity of storing 10,000 liters of water. There are five water tanks in MTB tower for temporary storing of rain water which are then preserved in a single tank after completing following purifying process for general use purpose.

- Micro-organisms are killed through sodium hypochlorite [Na (OCl)Cl].
- Acid balance of rain water is maintained by using sodium hydro-oxide (NaOH).
- Dust particles are removed by using 5 (five) micron cartridge filter.

- MTB is always enthusiastic to participate in and arrange various programs on environmental issues. The bank arranged two training programs for its employees during 2014 on environment related matters.



MTB has its own Environmental Management System that enables the bank to reduce its environmental impacts and increase its operating efficiency. MTB is continuously developing its Green Banking products, and services in the country. It has taken the initiative of designing and approving renewable loan products in the country. MTB has a wide range of Green Loan Products. MTB's green products and financing of those products in 2014 are given below:

**MTB's finance in Green Products year by year:**

(BDT million)

Product Name	2012	2013	2014
MTB Krishi	719.82	1071.43	1318.43
MTB Krishijat	48.60	417.00	337.50
MTB Green Energy	130.50	83.20	390.30

- As per Bangladesh Bank circular, banks scheduled before 2013, will have to disburse 5% of its total funded loan. Accordingly, MTB is looking forward to disburse BDT 1,250 millions in direct green financing in 2015.

MTB is determined to make its operations as efficient and sustainable as possible, and to improve the environment by reducing environmental degradation, biodiversity depletion, and minimization of environmental risk through green banking with an ultimate goal to ensure a greener world.



## MTB Corporate Social Responsibility (CSR)

### MTB CSR POLICY

Mutual Trust Bank Ltd. (MTB) created a separate Foundation in 2005, solely devoted to the cause of social welfare towards the promotion of CSR objectives under the following categories:

1. Education (30%) – MTB aims to nurture the primary education sector mainly in the rural hard-to-reach areas. The Bank's priority for spending the allotted CSR fund in the year 2015 will be the education sector
2. Health and Nutrition (20%) – The second area of participation for community development by the Bank will be Health and Nutrition
3. Others (50%) – The other areas of interest could be disaster relief, sports, art and culture and environment depending on the need at a particular time

### WINTER CLOTHES DISTRIBUTION DRIVE 2014

The areas of Winter Clothes Distribution Drive during 2014 were Naogaon, Dinajpur, Thakurgaon, Rajshahi, Kushtia, Tangail, Sirajganj, Gobindaganj, Jamalpur, Dhaka and Chittagong.

2000 pcs of Winter Blankets were distributed through the MTB Branches countrywide, 500 pcs were handed over to Bangladesh Bank, 1000 pcs to Dhaka University Alumni Association (DUAA), 500 pcs to Association of Bankers Bangladesh (ABB), 400 pcs to Cadet College Club, 1000 pcs to Jamalpur Municipality and 500 pcs to Muslim Shishu Palli.

### MTB CSR PROJECTS EXECUTED DURING 2014

- Health Care Clinic at Char Patila, Char Kookrimukri
- Artists in Residency Program hosted by Art Beyond Borders
- World Environment Day Tree Plantation and Distribution Program
- MTB Bravery Awards acknowledging courageous initiatives by individuals
- Education for blind and partially-sighted people
- Promoting knowledge through distribution of free newspapers amongst Dhaka University resident students

### MTB CSR PROJECTS IN 2015

- Chobimela 2015
- Notre Dame College 1st International Nature Summit
- North South University Masters of Ideation 2015
- Ahsanullah University of Science & Technology (AUST) CSE Fest Fall 2015
- Building of Primary School at Char Montaz, Patuakhali



01

- 01 MTB hands over Scholarships amongst the meritorious students of Amirjan High School
- 02 MTB hands over winter blankets to Bangladesh Bank for distribution to the underprivileged
- 03 MTB Sirajganj Branch distributes relief materials amongst the flood-affected people of Sirajganj



02



03

04



05



04 Blood donation program of MTB on the occasion of MTB's 15th Anniversary

05 The launch of MTB Bravery Award at the Corporate Head Office in Gulshan by handing over a cheque to Liaqat Ali's family members

06 MTB Vice Chairman, M. A. Rouf, JP, and MTB Director Q. A. F. M. Serajul Islam hand over BDT 1 Crore to the Prime Minister's Relief Fund for the flood-affected people

06







07

- 07 MTB observes World Environment Day 2014
- 08 MTB observes World Environment Day 2014
- 09 Iftar items distribution among Office Assistants by MTB Naogaon Branch



08



09

10



11



07 MTB Tangail Branch distributes relief items amongst the flood-affected people of Tangail

08 MTB hands over winter blankets to Dhaka University Alumni Association (DUAA) for distribution amongst the destitute

09 Winter blankets distribution by MTB Sirajganj Branch

12



13 Distribution of iftar items among Office Assistants by MTB Corporate Head Office



13



## International Trade

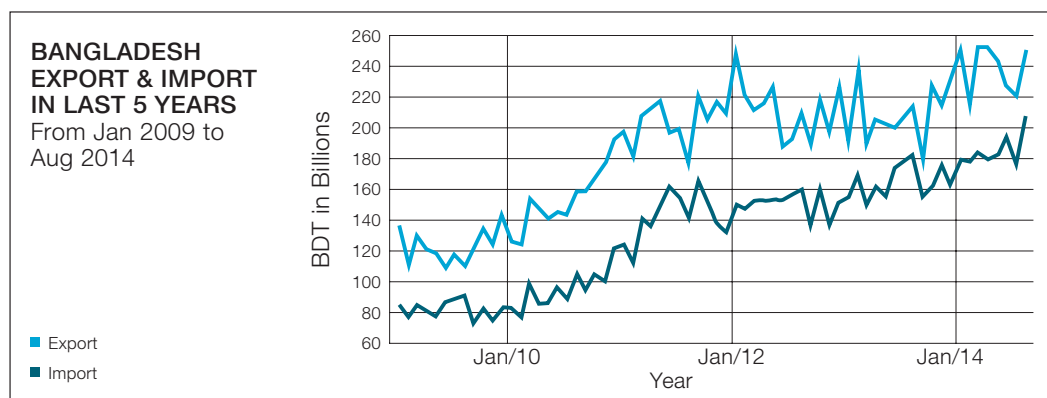
### Global Perspective

According to ICC Global Trade and Finance Survey 2014, global trade growth recently fell back to 4.1% from 13.9% in early 2010, which caused an aggregate deceleration since the financial crisis in 2008-9. This has subdued trade growth over the last several years, fueled by weak overall demand in high-income countries. Developing countries have mitigated the decreased demand from the North by trading more with each other. South-South trade has accounted for over half of developing country exports since 2010.

In 2013, as per the survey, high-income countries began to emerge from years of sluggishness and recession to report stable growth, coupled with an uptick in import demand. These recovering trends present a marked shift from the previous several years, during which developing countries pulled the weight of the global economy largely on their own. As the US remains the world's largest importer, and, Europe persists as the most important trading partner for many developing countries, their recovery bodes well for the state of global trade moving forward. As per the ICC report, global trade is expected to gradually strengthen through 2016, with when the projected annual growth rate of will be 5.1% from 3.1% in 2013, when the survey was done.

### Bangladesh Perspective

The national import has been significantly more than its export over the last 5 years. As a result, there has been a trade deficit throughout. The chart below illustrates the trend.

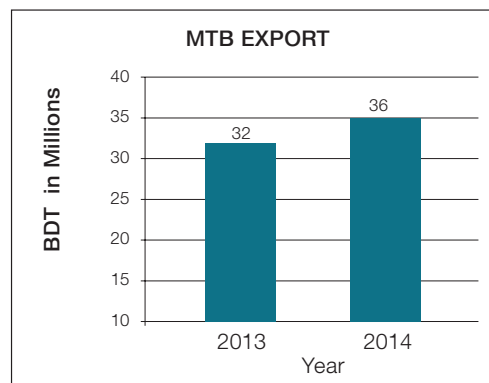


Bangladesh mainly exports ready-made garments. Others include: jute goods, home textile, footwear, agricultural products, and frozen food. Imports mostly consist of intermediate goods that comprises of petroleum and oil, textile, chemicals, plastics & rubbers etc. Capital goods such as capital machineries and consumer goods like edible oil, sugar, food grains and others make up the rest of the import volume.



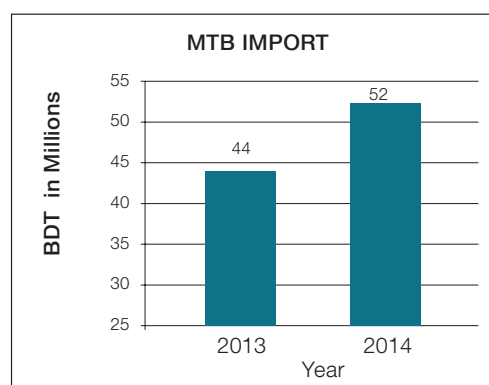
### MTB Perspective – Export

MTB gave emphasis on export of traditional items like ready-made garments, jute, jute products, raw jute, and leather etc. In 2014, export business of MTB was BDT 36 billion as opposed to BDT 32 billion in 2013, which reflected a growth rate of 12.50%. On the other hand, according to [tradingeconomics.com](http://tradingeconomics.com), national export volume grew at the rate of 11.65% from BDT 1983 billion in 2013 to BDT 2214 billion (estimated as on 31st December based on actual figure of BDT 1844 billion as on October 31st) in 2014. Thus the market share of MTB in export business was about 1.61% in 2013, which with a slight increase, rose to 1.63% in 2014.



### MTB Perspective – Import

The major import areas were raw materials, textiles, chemicals, consumer products, capital machineries, medical equipments, and food grains (vegetable oil, rice, sugar, etc.). Import business of MTB grew at the rate of 18.18% from BDT 44 billion in 2013 to BDT 52 billion in 2014. As per [tradingeconomics.com](http://tradingeconomics.com), national import stood at BDT 2758 billion during the year 2013 and BDT 3114 billion (estimated as on 31st December based on actual figure of BDT 2678 billion as on October 31st) in 2014, reflecting a growth rate of 16.53%. Consequently, the market share of MTB in import business was about 1.60% in 2013, which somewhat grew minimally to about 1.62% in the year 2014.



Economy was relatively favorable over the year 2014 with much greater political stability compared to previous years. However, challenges were there as banking regulation became more stringent as evidenced from imposition of fines on the major global banks by US regulators and its continuing effect throughout the year 2014. Consequently, major global banks have undergone a very contractionary policy in terms of overall country and bank credit lines. In spite of living in this gloomy international trade environment in 2014, MTB has been praiseworthy as it overcame the challenges and was consistent in terms of growth in its trade business, growing higher than that of national trade in both export and import. This is also reflected in the gradual increase in market share of MTB among total international trade volume in Bangladesh.

### Business Outlook 2015

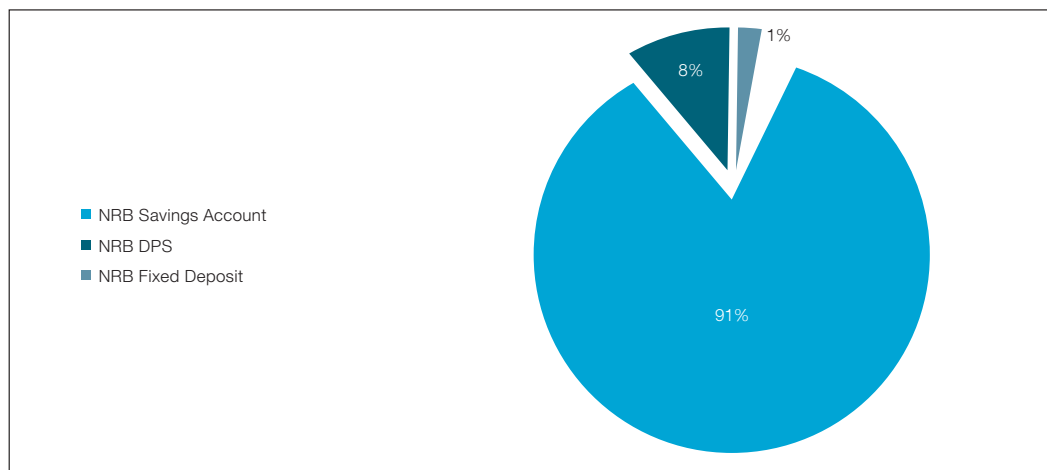
As reflected from global perspective, global trade picked up to an annualized growth rate of 4% during the first quarter of 2014 from around 3% during 2013, and is anticipated to accelerate beyond 5% through 2015-16. Likewise, trade in Bangladesh is expected to make considerable growth, subject to political stability in 2015. Despite the challenges, MTB has taken a diverse strategy to invest in capacity build-up, in order to serve greater markets across the nation, to expand in new horizons, and continue to have consistent growth in years to come. With that being said, market share of MTB in international trade business is expected to rise by 0.5%, both for the import and export in the coming year.

## Non Resident Bangladeshi (NRB)

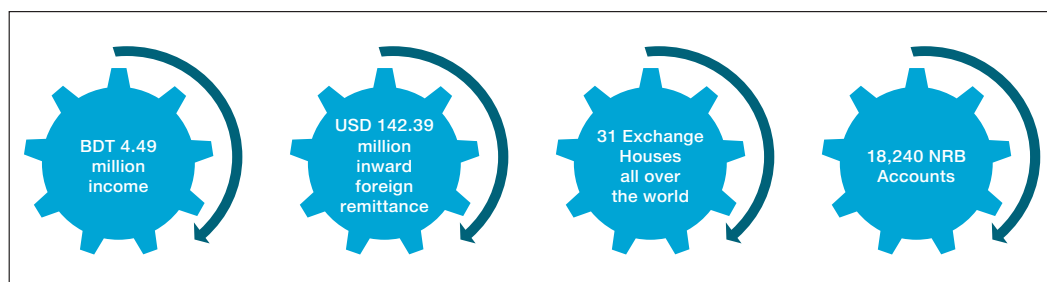
Remittance, serving the role of an integral life saving component of our country's foreign currency reserve, is working as the second largest foreign exchange earning source for Bangladesh and is effectively facilitating the sustainable growth of the country's economy. The hard earned money of the NRBs contributes to the wellbeing of their family members living in the country. Therefore the money they send has to be treated with utmost diligence. MTB, as a highly client focused financial institution, realizes the significance of foreign remittance in the country's economic development and designs its product portfolios to meet diverse financial needs that NRBs possess.

### NRB Products at MTB

MTB established a separate NRB Division in 2009. This division deals with Foreign Remittance, NRB Services and Administrative support to MTB's subsidiary the MTB Exchange (UK) Ltd in UK and the foreign currency exchange booth at the Hazrat Shahjalal International Airport, Dhaka. It has two wings to support the divisional work, Business and Operational Unit. MTB NRB Division offers 3 types of deposit products i.e., NRB Savings Account, NRB DPS and NRB Fixed Deposit.

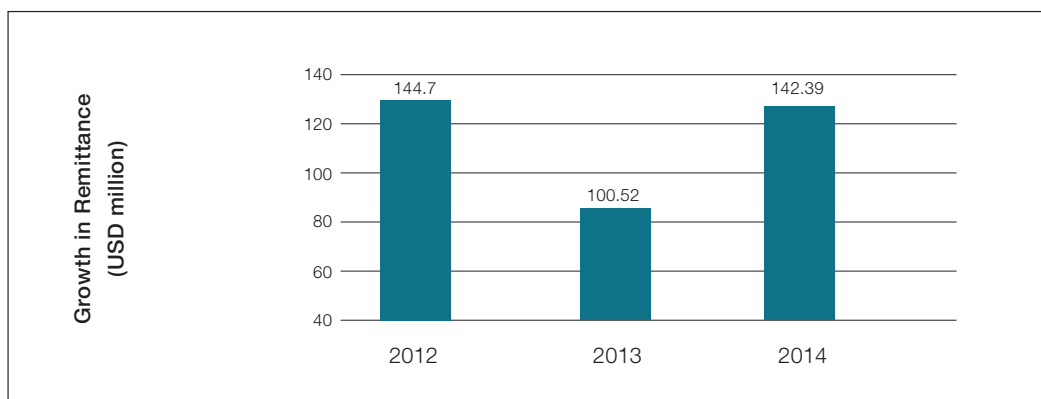


### Major Attainments in 2014 at a Glance:



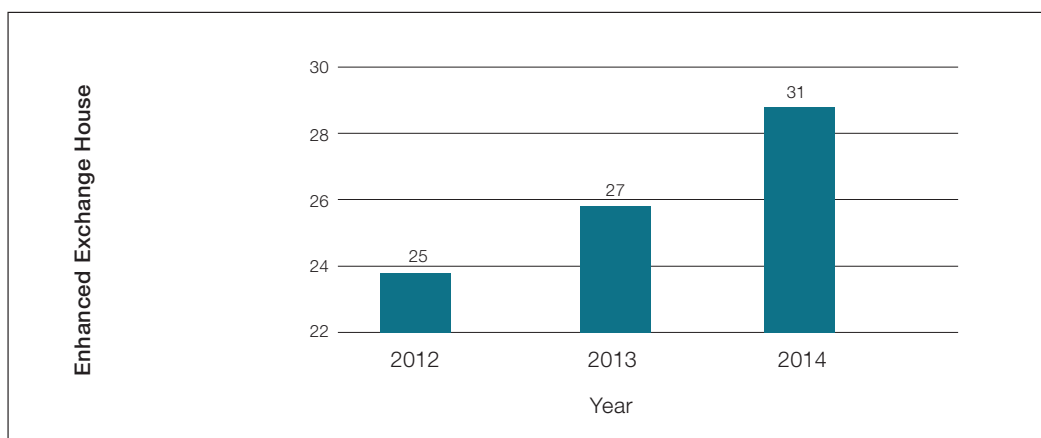
## Operational Achievement

### Growth in Remittance Flow:

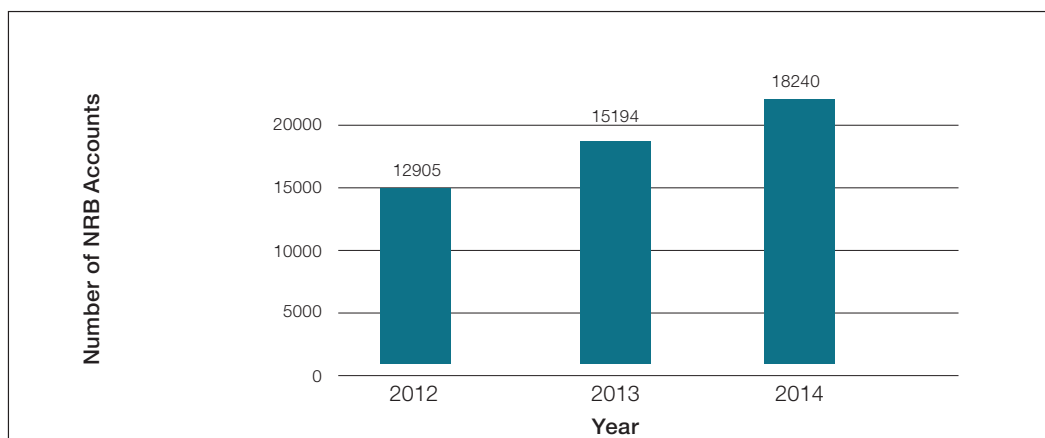


Despite the intense competition in the industry, MTB NRB Division has registered a reasonable growth in 2014. This year, we have procured inward foreign remittance of USD 142.39 million. The growth is healthy compared to the previous year as the volume of remittance increased by almost 42%.

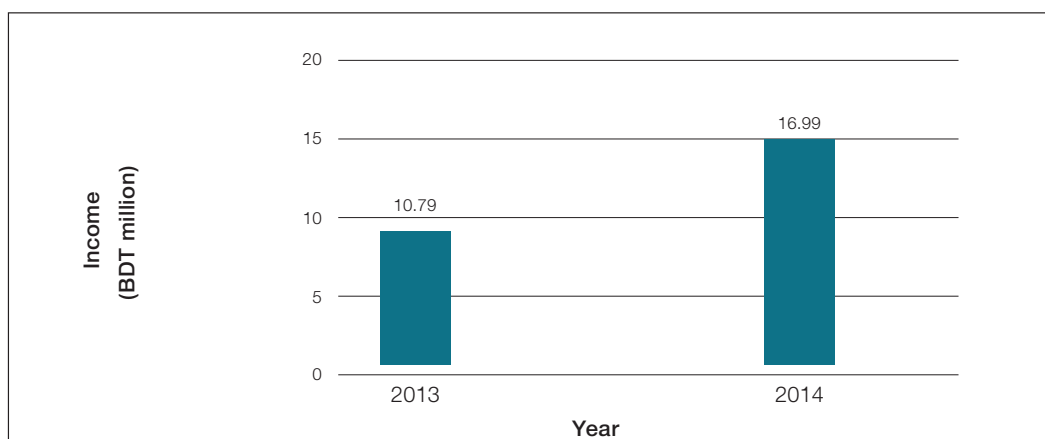
### Number of Exchange House:



In 2013, the number of exchange house was 27 and in 2014 the division has established another 4 foreign correspondents (exchange houses) and the number of exchange houses has reached 31. Some more are in the pipeline. With a very strong presence in Middle East, MTB is running a fully owned subsidiary smoothly in United Kingdom. World's top money transfer companies are already MTB's remittance partners; i.e. Western Union, MoneyGram, UAE Exchange, Wall Street Exchange, Instant Cash Worldwide, Xpress Money, Transfast, Ria Financial to name a few. In 2014, we have expanded our facilities in Malaysia, Australia, Italy and Spain through these exchange houses.

**Number of NRB Accounts:**

The number of NRB account has increased about 15.07% from the year 2012 to the year 2013. In 2014, it increased by 20%. This trend shows a positive reflection of the growth of NRB accounts.

**NRB Income:**

Though in 2013, the NRB income was BDT 10.79 million, it has significantly increased in 2014. The income registered a handsome growth of 57.46% in 2014 compared to that of in 2013.

**Technological Advancement**

MTB utilizes state-of-the-art technological facilities to further facilitate customer satisfaction and as NRB division is highly susceptible to international monetary functions, therefore technologies utilized at the MTB NRB division concentrates solely on faster adaptation of any contingencies. NRB Division and ADC have almost completed the development of a sophisticated software framework that will perform the following functions from January 2015:

- 1) Directly crediting MTB accounts through exchange houses.
- 2) Account transfer to other banks
- 3) Cash over the Counter facility at MTB Branches.

This software will be connected using Host-to-Host connectivity, Application Programming Interface (API) where exchange houses will enjoy online-direct-access to their NRT & NRFC account.

### Remittance Outlook in 2015

- There are approximately 10.5 million Bangladeshi expatriates of whom around 2.5 million Bangladeshis migrated during 2009-2014.
- Workers' remittance accounts for 8.16% of Bangladesh's GDP (FY'14)
- Remittances have grown at an average 16.5% in the last 10 years (FY'03-FY'14)
- In 2013, Bangladesh ranked eighth among the top remittance earning countries (ref. IMF)
- Despite a decline in inward remittances in FY'14, outlook for 2015 is very positive, as remittance inflow has grown by 11.4% in the first five months of FY'15
- This trend is expected to continue as appreciating USD over BDT will incentivize the expatriates to send more remittance.

Top Remittance Earners in 2013	
Country	Remittance (USD billion)
India	70
China	60
Philippines	25
Mexico	22
Nigeria	21
Egypt	17
Pakistan	15
Bangladesh	14
Vietnam	11
Ukraine	10

Last 5 Year Remittance Inflow in Bangladesh					
Year	FY'10	FY'11	FY'12	FY'13	FY'14
Remittance (\$ billion)	10.99	11.65	12.84	14.46	14.11

Source: Migration & Remittances: Recent Outlook, World Bank, 2014 & Bangladesh Bank.

### Unlocking New Horizon

This year MTB aims to implement the disbursement of Remittance through the Bangladesh Electronic Fund Transfer Network (BEFTN) and Real Time Gross Settlement (RTGS) which enables clients to receive remittance more quickly and ensure hassle-free service.

At the same time, integration is in the process by bringing all exchange houses on a single platform which enables anywhere Cash Payout services within MTB Branches for remittance clients. Automation of exchange house accounts will be a key priority to upgrade for providing online statement and auto debit & credit facility against remittance transactions.

## Treasury Operations

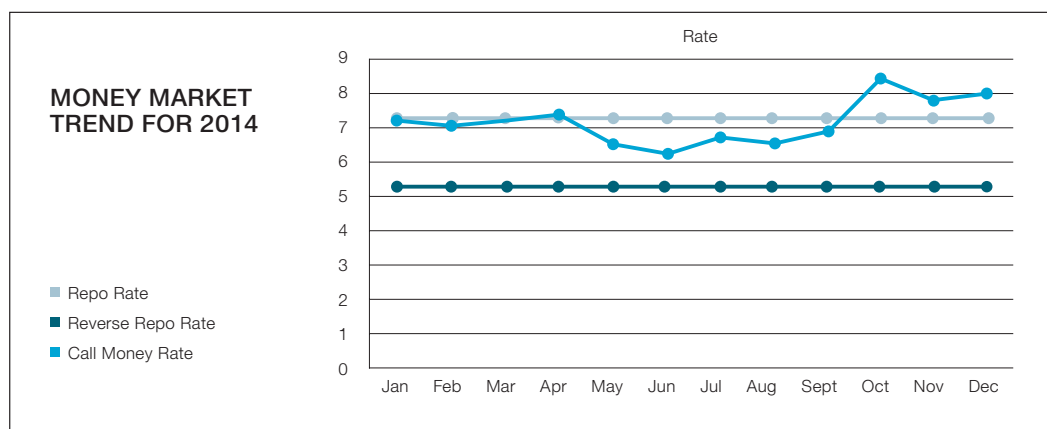
The Treasury Department of a bank is primarily responsible for balancing and managing the daily cash flow and liquidity of funds within the bank and managing other balance sheet risk through a regulatory framework. The department manages the bank's overall fund-related activities through money market operations, foreign exchange operations, investments in government securities, etc.

### MONEY MARKET

Money market is associated with short-term trading/dealing of financial instruments. The market participants borrow and lend among themselves for short term fund requirements. In the money market, the main participants include Bangladesh Bank, NBFIs, and banks.

The money market condition in 2014 was relatively stable like the previous year. The sluggish conditions of the economy continued throughout the year 2014. As the credit demand was low, excess liquidity built up in the banking sector. The result of which was stable and downward rate in the call money market. Call money rates ranged from approximately 5.50% to 8.50% throughout the year. As a part of the monetary policy, Bangladesh Bank increased the CRR (Cash Reserve Ratio) from 6.00% to 6.50% with effect from June 2014.

MTB was able to analyze and utilize the market condition in an efficient manner. There was surplus liquidity in the banking industry and the interest rate was reduced gradually. MTB also responded to the market scenario by revising the interest rate accordingly. To minimize the liquidity and interest rate risk, MTB Treasury continuously monitored the maturity profile of assets and liabilities and competently took decisions by observing the liquidity profile for increased profitability. Apart from risk minimization and capitalizing market opportunities, compliance on all regulatory instructions is mandatory. Treasury has maintained the required CRR and SLR and other regulatory compliances throughout the year, fulfilling all regulatory instructions meticulously.



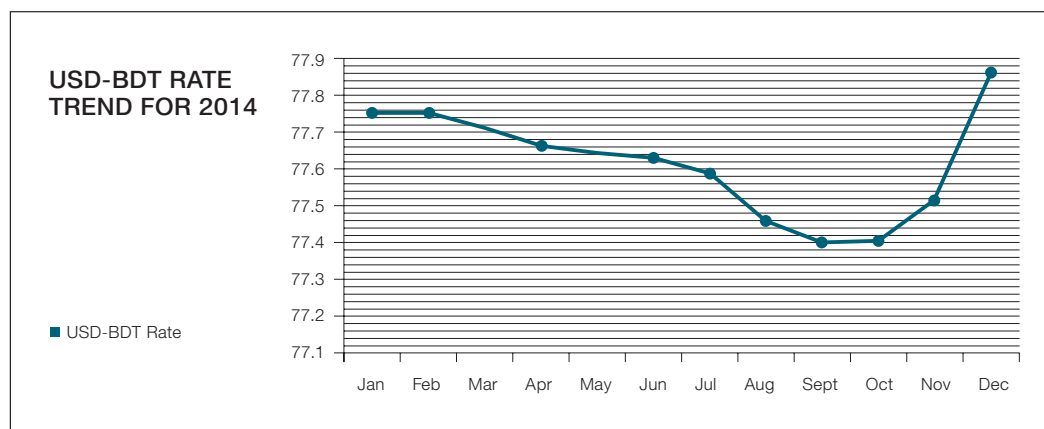
Source: Bangladesh Bank Website

### Foreign Exchange Market

A bank's foreign exchange risk simply arises when it holds foreign currencies, and these are highly susceptible to exchange rate movement. Any sort of adverse movement of the exchange rate, either upward or downward, poses a threat to the earnings and capital of bank.

The year 2014 was a remarkable year for the foreign exchange market in Bangladesh. The forex reserve of Bangladesh hit a record level of 22 billion. Increased wage earners remittance and lower import payment were the major catalyst behind this reserve. As a result, for most of the year the BDT appreciated against the US dollar.

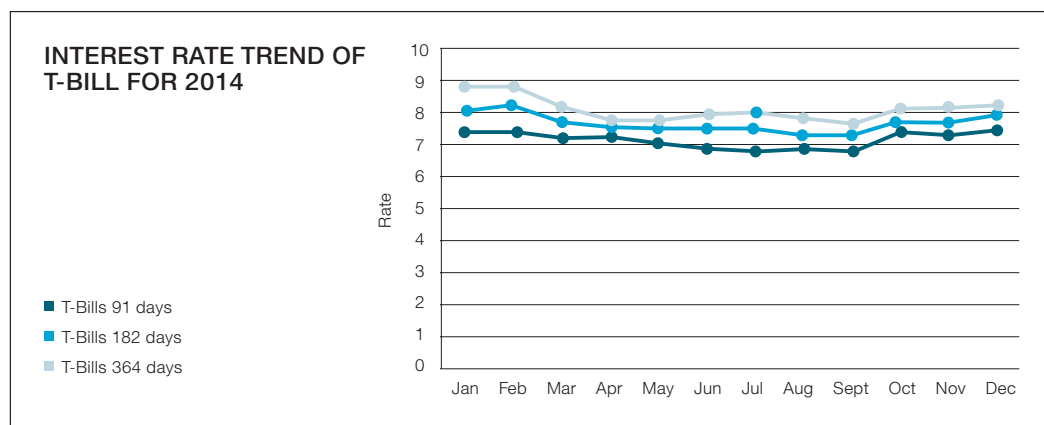
Moreover, most of the time during the year, ease of access to foreign currency loans by the big corporates only made the market more liquid. Bangladesh Bank purchased USD from the market throughout the year to stabilize the USD/BDT exchange rate at a reasonable level. The MTB treasury team acted in an efficient and timely manner to minimize the foreign exchange risk and maximize the return. Prudent maintenance of the NOP (Net Open Position) limit was key to this performance. Keeping the NOP within given limits is a regulatory requirement. Treasury complied strictly with all the regulatory requirement year round.



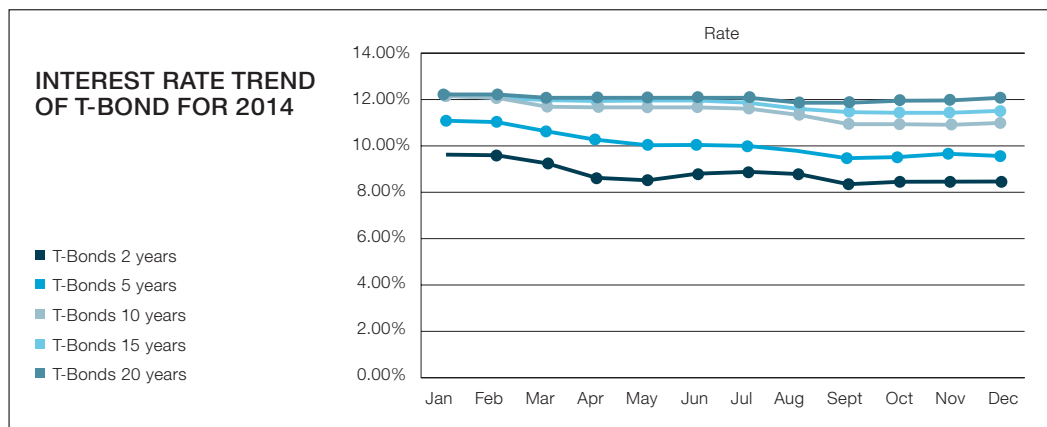
#### Primary Dealer Activities and Government Security Market

MTB is one of the major participants of the Primary Dealers Market nominated by Bangladesh Bank to underwrite government securities whenever they are issued through auction processes throughout the year. MTB was highly active in both the primary and secondary markets of government securities in the year 2014. Our bank was also involved in developing a secondary market for government securities. Apart from that, our Treasury always provides its professional services to its customers, including corporate bodies and individuals.

Due to market conditions and surplus liquidity in the banking system, impact on the bond market was inevitable. The Treasury Bill and Treasury Bond rate has seen a downward trend throughout the year. Excess demand for government securities pulled the rate downwards. Fluctuation in rates affects the value of MTB's bond portfolio. The treasury department managed the government securities portfolio in a very professional and efficient manner to get a significant advantage from the market.







Source: Bangladesh Bank Website

**Asset Liability Management:**

Asset Liability Management (ALM) can be defined as a mechanism to address different balance sheet risks associated with the bank due to a mismatch between assets and liabilities; either due to liquidity or changes in interest rates. Liquidity is the institution's ability to meet its liabilities either by borrowing or converting assets. Apart from liquidity, a bank may also face risk due to changes in interest rates.

At MTB, we have a comprehensive ALM policy. The policy framework focuses on bank profitability and long-term viability by targeting the Net Interest Margin (NIM) ratio and Net Economic Value (NEV), subject to balance sheet constraints. Managing these balance sheet constraints in a systematic and efficient manner is the key responsibility of Treasury. To fulfill this responsibility, the treasury department has a dedicated ALM desk, which continuously monitors the balance sheet position with the movement in the market. Reports related to this are communicated to the Senior Management and an ALCO meeting is held at least once every month as per Bangladesh Bank requirement and a special ALCO is held as and when required. The MIS, generated by ALM desk, is vital for deposit and loan pricing decisions. The ALM manual is reviewed and all the policies are upgraded.

Like 2014, we expect the year 2015 will also be a challenging one. MTB Treasury will continue its functions in an efficient manner considering the changing market scenario.

## MTB Information Technology Services (ITS)

Like previous years, MTB in 2014 continued to improve its efficiency, effectiveness, and security of information technology (IT) services and operations. The Bank has exploited the innovations and advancements in technology for achieving the business objectives and offered a wide variety of tech savvy products in tune with the customer needs. Systems were supported and upgraded in various areas including those of operational business intelligence; bank-wide system; networks; infrastructure; and security. The Bank strengthened its practices and procedures in compliance with Central Bank standards for IT Governance.

### Expansion and Relocation of ATM & POS

Since the inauguration of first MTB ATM in the year 2011, the bank now has 176 ATMs across the country in 128 strategic locations, making MTB as 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 reachability. MTB ATM Installation Committee (MAM) is also taking regular statistics on the transaction of every ATM and analyzing the transaction behavior to decide whether MTB needs further ATMs in a particular area or relocate the underutilized ATMs to elsewhere. With increase in ATMs in strategic areas, the bank became successful to drift the MTB card users to use MTB ATM. This shift was possible only due to the card holder's confidence in MTB's ATM services.

At present, approximately 94% of cash withdrawals by the MTB card holders take place through MTB's own ATM network while 6% through the National Payment System Bangladesh (NPSB) & VISA network. In 2014, in spite of adding new ATMs on the network, effort was on to relocate redundant ATMs from booths that registered lesser withdrawal attempts from the customers to new booths. A study show that MTB customers performed nearly one hundred twenty thousand cash withdrawals and forty one thousand balance inquiry or mini statement per month through MTB ATM network. Last year, more than BDT 10.5 billion was withdrawn through MTB ATM network and the number of withdrawals was nearly 1.4 million.

MTB POS network is also expanding at a greater pace. Presently, there are about 1950 (up to 31st Dec, 2014) 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 POSs to the network and the volume is increasing

### Another new Data Centre at MTB Tower

Technology is an important driver of Mutual Trust Bank's business. MTB successfully transformed its IT infrastructure in 2014, 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 has been established 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 landmark success for MTB ITS in 2014.

### Card Systems shifted to new DC

With MTB Tower new Data Centre coming in to existence, the existing data centre for ATM, POS and Card Management has been successfully shifted to the new data centre at MTB Tower meeting all requirements of a standard data centre for card operations.

### Introduction of IP Telephony

To ensure better and cost effective internal communication, the IP Telephony System was installed in its new Corporate Head Office at MTB Tower. Using the power of internal network channels, the employees of MTB Tower are facilitated to communicate with their colleagues at ease.

### PCI-DSS Compliance

The Payment Card Industry Data Security Standard (PCI DSS) is a widely accepted set of policies and procedures intended to optimize the security of credit, debit and cash card transactions and protect cardholders against misuse of their personal information. MTB, offering the VISA Debit and Credit cards are under mandatory requirement to ensure compliance of PCI-DSS. To achieve these standards, the bank has already appointed a firm to help MTB complete the PCI DSS prerequisites. A project to meet the compliance needs is in full swing.

### Enhancements in Core Banking System

In response to the ever increasing demand from the business segments, the core banking system has gone through a number of changes and enhancements twice this year. Changes like adopting features for holding of transactions for exceeding TP (Transaction Profile) declarations and daily report on TP, Positive Pay Report and setting up of sanctioned interest rate at customer level limit setup are the salient changes among many others that took effect.

### Inclusion of Installment buy, Reward and Collector features

Considering the business trend of cards, the card management software has been upgraded with the features like Installment buy, Reward and Collector. These features have infused momentum in card business as well as aiding in the deployment of more POS to bigger merchants.

### Core Banking Solution (CBS) project

The bank is strongly mulling over enhancing/replacing its existing core banking system by a robust core banking system. A committee has already been formed to work out the road map for introducing an effective core banking solution that can have a long lasting impact in the bank's ever expanding business appetite.

### Internet Banking Enhancements:

#### Apps for iPhone

Apart from the application for the Android devices, the bank had introduced the App for the ios devices like iPhone and iPad.

#### E-commerce

MTB started offering an E-commerce service to its internet banking account holder enabling them to shop online, wherever they are, office or home, regardless of time and distance.

### DESCO Bill Collection System

MTB completed the development of bill collection system for DESCO to enable its customers and others to pay their bill through MTB internet banking and over the counter.

### MTBSL's new trading system

MTB Securities Ltd, the subsidiary wing of MTB successfully moved to the new trading system with the DSE. MTB was one of the banks who started the trading in the new system very smoothly from the first trading day under the new system of DSE

### Participation in National Payment Switch Bangladesh (NPSB):

In 2014, MTB participated in transactions through the National Payment Switch Bangladesh (NPSB) in order to facilitate interbank electronic payments originating from different channels like Automated Teller Machines (ATM), Point of Sales (POS), Internet, Mobile Devices etc. The main objective of NPSB is to create a common electronic platform for the switches in Bangladesh. NPSB will facilitate the expansion of the card based payment networks substantially and promote e-commerce throughout the country. Online payment of Government dues, using cards and account number information through Internet will be greatly enhanced using NPSB. Payment Systems Department (PSD) of Bangladesh Bank is concerned to operate and settle the transactions regularly. At present, transactions among 32 banks are being routed through NPSB.

**AML Screening:**

In order to comply with the AML & CFT Guidelines, the bank has partnered with Accuity, an internationally recognized compliance solution provider that is powered by WorldCompliance, a LexisNexis Company for Anti Money Laundering solutions. The bank is using Accuity's Online Compliance look-up tools and screening software enabling the bank to have quick access to the most comprehensive Sanctions and Politically Exposed Persons (PEPs) data to help minimize risk.

**Centralized Monitoring of CCTVs & Seismic Alert**

Under the Bangladesh Bank Guidelines, the bank has taken initiative to install CCTV cameras and seismic alert systems in 05 (five) of its branch vaults with central monitoring with a view to thwart any attempt of heist. The bank in phases will bring in all branch vaults under this central monitoring system.

**IT Appreciation Trainings**

In 2014, ITS & ADC people had been sent overseas to either participate in training programs or to conferences to get acquainted with the latest advancements in the field of technology and product innovations. Apart from grooming up its own experts, computer related trainings were also imparted to the general users on an ongoing basis to empower them to handle the technology platform. Trainings like "Cyber Security/ Cyber threats" and "Real Time Gross Settlement (RTGS)" are a few examples of such trainings that helped the bank users become aware of the risks of using digital technology and the new technology initiatives in the offing.

**Use of Intranet**

The Bank continued its initiatives in enhancing the use of knowledge management tools, communication across its various constituents for better sharing of information, user empowerment and system intelligence capabilities through its internal web portal known as Corporate Intranet. Integrated Lien Management for Credit Administration, Centralized Payment for Auxiliary Staff, E-catalogue for MTB Library, Branch Customer Call-Log, Integrated Training Management System for HR with Training Calendar and Development of IT Risk Rating Calculator are a few services that were added to the Intranet in 2014.

## Group Human Resources

### Procession Towards Excellence: “Unlocking New Horizons”

Group MTB, together with its workforce, is marching on to touch the zenith of excellence by serving all its customers and clients through positive attitude and proactiveness. MTB relentlessly strives to develop and pertain the existing workforce including the new entrants in order to ensure their best possible contribution towards the achievement of MTB3V. The skilled HR Team has already brought a revolutionary change in all HR functions to ensure constant support to its employees, customers and clients. MTB Group HR, in order to make the organization one of the best and competitive amongst peer banks, emphasizes on people for being more congenial, acquisitive, professional and skilled in every aspect of the business. Now, the bank already has become one of the best performing banks of the country in certain categories using its innovative technology by the shining MTBians.

### The Excellent Way of Motivating People

HR supports and upholds MTB's goals by fostering a positive and engaging work environment while identifying and responding to the changing needs of our diverse banking industry. MTB maintains all options to motivate its people by offering competitive emolument, compensation and benefits. MTB maintains a performance-driven culture wherein employees are promoted based on their performance, which encourages others.

### Congenial Work Environment:

MTB Group Human Resources (GHR) provides services and support to its staff in ways that embrace the organization's mission of innovation and tradition of excellence. Committed to cultivating a superior service-oriented culture, the MTB Management seeks to provide benefits to employees that improve health and a sound work/life balance. Through employee orientation and professional development, MTB fosters the values of inclusiveness, camaraderie, long-term employee engagement, and life-long learning. In all areas of work, the MTB GHR firmly upholds the tenets of confidentiality, accountability and trust.

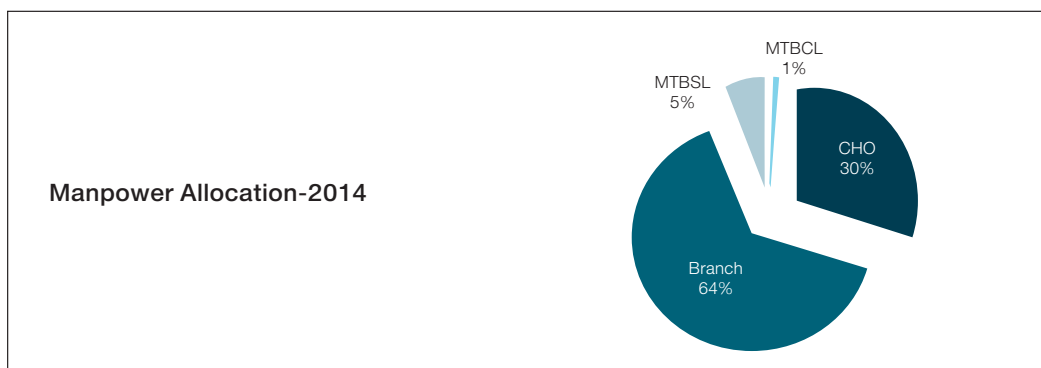
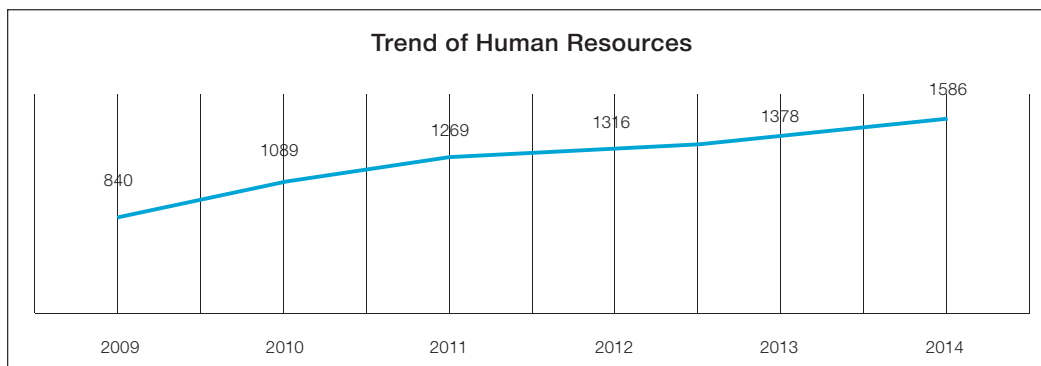
MTB reigns such a work atmosphere which is beyond the boundaries of race, religion, lineage, gender or any other grouping. Zero tolerance is shown in discrimination as per HR policy and practice. Existing policies and procedures on staff misconduct are examined with the aim of streamlining the review of disciplinary cases by establishing the appropriate committees at top levels. MTB has anti-harassment and abuse policy and grievance handling systems.

### A Flawless Employee Communication

MTB facilitates internal communication amongst the MTBians through providing its own internal networking system named “MTB Corporate Intranet”. This helps MTBians exchange mails or any other important documents with each other within a very short time. Besides, employee information, training, circulars, upcoming events, recognition programs are cascaded through it.

### Recruitment, Selection and Retention: A Way to Select and Retain the Most Potential and Talented People for MTB

MTB believes, it is the human resources that make the difference. As a sequel, MTB enriches its human resources with talented, proactive, dynamic and committed people, who wish to take up banking as a long-term challenging career and be a proud member of MTB.



#### MTB - the Most Eligible Place for Career Progression

MTB has established its existence as the most aspiring place of work in terms of the following:

- Diversified workforce
- Conducive work environment
- Complied with rules and regulations
- Employee-oriented bank

#### Training & Development: Every MTBian is a spark at His/Her Angle

MTB Group Human Resources provides all types of training and workshop to all the employees and develops their knowledge and skills as required. MTB has its own training institute – MTB Training Institute (MTBTI), where all internal training programs are organized. GHR continuously sends people to in-house, local, external and foreign trainings, workshops, seminars and symposiums to keep pace with the ever-changing banking environment. In order to foster the knowledge in the field of International Trade and Finance, MTB nominated twenty-three (23) MTBians for **Certificate in International Trade and Finance (CITF®) certified by Ifs School of Finance, UK** conducted by ICC Bangladesh. The motive was to develop leadership and motivational qualities, customer handling, grooming, team building, enhancing presentation skills, acquiring second and third languages etc. MTB designs Orientation and Induction Programs for all its newly-joined employees, which helps them to be acquainted with MTB's culture and work process and to feel easy in the new environment and its people. This short course is mandatory for all new entrants.

Training & Learning	2010	2011	2012	2013	2014
MTBTI Training	35	40	52	70	74
Local Out sourced Training	145	160	33	66	70
Foreign Training	14	6	5	3	13
No. of Participants	813	858	1187	1130	1467

### **Management Development Program: A Process to Excell One's Management Skill**

The development of all employees within MTB is a key strand of the training and development strategy. The identification of leadership/management potential will happen via the "Growing Leaders" program. The leadership development programme is designed to equip all senior and middle range managers with the necessary skills and behaviours to lead MTB to meet business challenges. All managers are to participate in the program and actively pursue their own development plans with the support of their Line Manager and the training and development Manager.

### **Conducting Research Study: Relating to the Human Behavior**

MTB Group HR facilitates the study on human behaviors/attitude/cultures/motivations/satisfactions Academicians/Researchers. Based on the recommendations, suggestions and feedback of the study, MTB takes into consideration the recommendations and/or feedback and implements them for the betterment of the organization.

### **Sense of Responsibilities: Surpassing the Corporate Laws & Norms**

Group Human Resources has its own policies regarding all types of employees' benefits. These are MTB Employees Health Protection Plan, Death Benefit Plan etc. MTB always extends its helping hands to the family members of MTBians in order to lessen their financial constraints. Group HR already handed over financial support to the members of our two (2) officers who passed away in accidents in 2014.

### **Compensation and Benefits: The sources to depend on**

MTB GHR has its own Compensation & Benefit policies for its employees. MTB designed the following for the convenience of all MTBians:

- Employee House Building Loan
- Employee Car Loan
- Medical Assistance Fund
- Employee Provident Fund
- Gratuity Scheme
- Reward to Employees' meritorious Children
- Day-Care facilities for Employees' Children

### **The Future of MTB Group HR: How the functions are executing and will be**

Remarkable progress has been achieved in MTB Human Resources management during the last few years. The most significant achievements of the year were a revised approach to HR in emergencies, workforce planning, metrics, and Performance Management System. These efforts will continue to include human resources function as a strategic tool for driving organizational change and creating the necessary institutional results-based culture. The strategies, priorities, initiatives, policies and related programmes concerned in this work are all based on the fundamental principles of responsibility and accountability, transparency, equity and fairness, and efficiency and effectiveness. MTB Human Resources serves as a steward for excellence and intends to build leadership through:

- Organizational Effectiveness
- Innovative HR Solutions
- Recruitment, Retention, and Enrichment
- Exceptional Quality of Services
- Building Collaborative Partnerships.

Moving forward, HR has targeted its operational initiatives to align with the MTB Strategic Plan by initially identifying ways to leverage and develop technology as a means to cut costs and improve internal efficiencies.

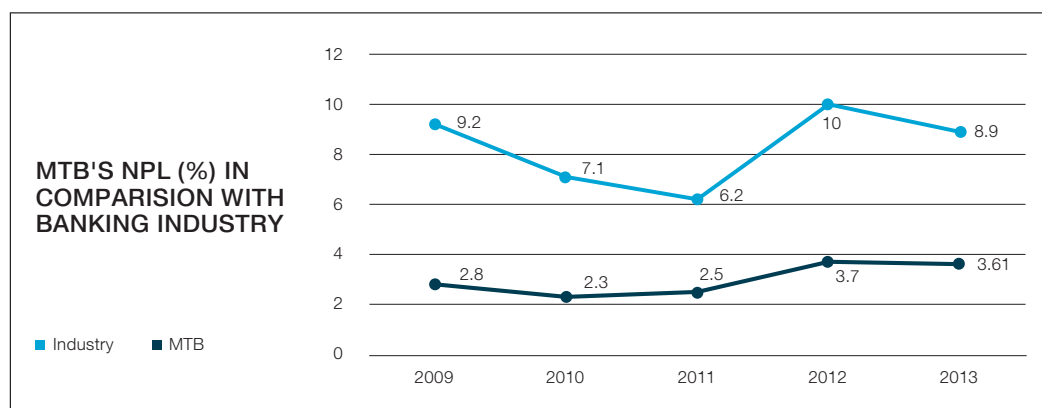


## Robust Risk Management System

The prime objective of risk management is to appropriately balance the trade-off between risk and return. MTB faces a varied and wide range of risks in its day-to-day business operation, and side by side it handles risks judiciously to ensure optimum return on asset and equity. Managing risk prudently and efficiently to ensure profitability, capital adequacy and liquidity in a balanced manner is the main concern of the bank. Risk management strategy proactively identifies, measures, mitigates and monitors risk that arises at the transaction level as well as at the portfolio level to ensure optimum utilization of capital. Functionally, the risk management process is accomplished at the strategic level, the managerial level and the operational level.

At the strategic level, the Board of Directors (BOD), through the Board Risk Management Committee (BRMC) & Senior Management, set up risk governance structures & risk philosophy, endorse risk strategies, and reviews and approve risk policies, as well as the threshold limits of risks to be taken in line with the bank's risk appetite. These limits are continuously monitored by an experienced risk management team and overseen by BRMC. At the managerial level, policies and strategies formulated by the BOD are implemented by middle management or units devoted to risk reviews. The operational level encompasses on-the-line risk management where risks are actually created, such as at the front office or at the credit desk of the bank.

Over the years, MTB has maintaining a lower NPL than that of the industry (Financial Stability Report of Bangladesh Bank, 2013) which reflects the effectiveness of MTB's risk management system.



### Risk Governance

Risk governance structure of MTB:

Board and Senior Management Oversight
Policies, Procedures and Limit Structure
Risk Measurement, Monitoring and Management Reporting
Internal Controls and Comprehensive Audits
Defining Risk Appetite
Risk Management Structure
Risk Management Reporting

### Risk Management policies:

The bank has put in place various Board-approved Risk Management Policies viz. (i) Credit Policy with Credit Risk Management Guidelines (ii) Asset Liability Management Manual (iii) MTB ICC Policy (iv) AML & CFT Policy guideline of MTB (v) Foreign exchange Risk Management Policy & Guideline (vi) Mutual Trust Bank ICT Policy (vii) Wholesale Borrowing and Funding Guidelines (viii) Liquidity Contingency Plan (ix) Management Action Trigger (x) Fraud Detection and Management Process (xi) Valuation Methodology of Collateral (xii) Internal Capital Adequacy Assessment Policy (ICAAP)

**MTB Risk Management practice as per Basel norms:**

As a Basel compliant bank, MTB follows international best practice in risk management as per Basel norms, which makes it more capital risk sensitive and risk resilient. MTB's capital structure is governed by 'Guidelines on Risk Based Capital Adequacy (RBCA) for Banks' issued by Bangladesh Bank (BB). RBCA guidelines encompass the risk management framework of the bank by Pillar-I (Minimum Capital Requirement, MCR), Pillar-II (Supervisory Review Process, SRP) and by Pillar-III (Market Disclosures).

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

Basel II		
Pillar I (MCR)	Pillar II (ICAAP)	Pillar III (Market Disclosure)
Credit Risk	Residual Risk	
Market Risk	Concentration Risk	Qualitative Information
Operational Risk	Liquidity Risk	Quantitative Information
	Reputational Risk	
	Strategic Risk	
	Settlement Risk	
	Evaluation of Core Risk Management	
	Environmental and Climate Change Risk	
	Other Material Risk	

To comply with Basel Pillar-II norms (SRP), MTB has evolved Board-approved policy on the Internal Capital Adequacy Assessment Process (ICAAP), which covers identification and measurement of risks other than Pillar-I risks (i.e. Credit Risk, Market Risk and Operational Risk). SRP is intended not only to ensure that banks have adequate capital to support all the risks viz. residual risk, liquidity risk, credit concentration risk, reputation risk, strategic risk, settlement risk, evaluation of six core risk areas, environmental risk and other material risk in their businesses, but also to assist banks to develop and to use better risk management techniques in monitoring and managing those risks.

Under SRP, MTB computes additional capital which is finally determined by SRP and SREP (Supervisory Review Evaluation Process) dialogue. To meet the Pillar III requirements of Basel II, MTB has adhered to disclosure norms as stipulated in the guidelines of BB. The disclosures for every year are available in the Bank's annual report and website.

MTB adopts Stress Testing technique to measure its vulnerability to the impacts of exceptional but plausible events. Stress tests are carried out by assuming three levels of shocks viz. minor, moderate and major on following areas:

- Interest rate changes
- Forced value of collateral
- Non-performing loans (NPLs)

- Share prices
- Foreign exchange rate
- Changes in credit rating and
- Liquidity.

MTB prepares Risk Management Paper (RMP) monthly and submit it to BB on a quarterly basis, which aims to identify, monitor and manage various risks following the guidelines of BB. RMP focuses on credit, market, liquidity and operational risk that the bank is exposed to.

#### **MTB Risk Management Practice as per Six Core Risk Areas:**

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

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

#### **Credit Risk Management**

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 strict judicious and rational credit policies and principles in conformity with Credit Risk Management guidelines of Bangladesh Bank. Credit initiation and approvals are done in a segregated manner. Each and every sanction is done through a very stringent evaluation process, which, 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 embodying among others, the following is in place:

- 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, among other things, the following:

- Documented credit approvals 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

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

### Non-performing loan (NPL) management

Despite all efforts by the CMD, if any loan becomes classified, Special Asset Management Division (SAMD) comes into effect. SAMD operates independently to prepare and to implement the overall action plan and recovery strategies. The division works in coordination with the branches, concerned CHO divisions, legal department and conducts door-to-door recovery drives for NPL recovery. The tools and strategies for NPL management as applied by SAMD are adequate to keep the NPL much below the alarming level.

### Asset-Liability Risk Management

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

### Foreign Exchange Risk Management

Foreign Exchange Risk is related to the change in earnings due to changes in market prices. As per the Foreign Exchange Risk Management guidelines of Bangladesh Bank, MTB has board approved dealer dealing, counterparty limits, well defined internal approval procedures and Internal Audit Division to report on Foreign Exchange Risk Management policy on a regular basis to the senior management. Moreover, Bangladesh bank has given Net Open Position (NOP) limits based on MTB's total capital and some other qualitative judgments. In order to minimize Foreign Exchange Risk and to fulfill regulatory requirements, MTB maintains NOP limits very meticulously.

### Internal Control and Compliance Risk Management

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

- Audit and Inspection
- Compliance
- Monitoring

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

### Money Laundering Risk Management

MTB, as a financial intermediary, is committed to taking preventive measures against money laundering and terrorist financing in line with the Money Laundering Prevention Act, 2012, the Anti-Terrorism Act, 2009 (Amended), the Guidance Notes on Prevention of Money Laundering of Bangladesh Bank, 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 pursuant to the regulations.

#### MTB's activities regarding money laundering risk management:

- MTB has its policy guidelines developed in line with the Guidance Notes on Prevention of Money Laundering of Bangladesh Bank and instructions of BFIU on Combating the Financing of Terrorism.
- The Managing Director & CEO of the bank sends a yearly message to all employees. Apart from this, the MD & CEO sends awareness building messages on a regular basis.
- The bank identifies and suggests correct and full documentation in terms of Know Your Customer (KYC), which enables prudential Prevention of Money Laundering.
- MTB determines training needs and arranges regular training for employees on Prevention of Money Laundering and Combating the Financing of Terrorism.
- The bank ensures regular monitoring, compliance and accountability both at the Corporate Head Office and at the branch level through the Chief Anti-Money Laundering Compliance Officer (CAMLCO) and the Branch Anti-Money Laundering Compliance Officer (BAMLCO).
- The branches update KYC and Transaction Profiles (TP) of the customers at least once a year.
- MTB Corporate Head Office holds quarterly meeting of Central Compliance Unit (CCU) to ensure compliance with AML instructions.
- Anti-Money Laundering Department reports the activities regarding Money Laundering Prevention and Combating the Financing of Terrorism to the Managing Director and CEO, who oversees the bank's AML campaign.
- The bank ensures the status of Anti Money Laundering compliance at the MTB branches and offices.
- MTB has integrated core banking software (CBS) regarding customer information, which helps the branches maintain the updated KYC and TP and monitor and detect suspicious transactions with the support of the bank's integrated CBS.
- Each branch has at least one official with assigned specific AML compliance responsibilities.
- MTB has Customer Acceptance Policy (CAP) in place.

- The bank has strengthened its Anti Money Laundering Department with requisite manpower.
- MTB screens the customers with the United Nations Security Council Resolution (UNSCR) sanction list.
- The bank arranges a Branch Anti Money Laundering Compliance Officer Conference for awareness building on Anti Money Laundering and Combating the Financing of Terrorism issues. The bank also holds regional training for the employees of the bank.
- MTB submits a CTR to Bangladesh Financial Intelligence Unit through the goAML software provided by them.

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

Against the backdrop of an increased reliance on complex IT systems and operations in the financial sector, there is the heightened risk of cyber-attacks and system disruptions as well. In this regard, MTB has continued to deepen their technology risk management capabilities and is ready to handle IT security incidents and system failures.

An integral part of MTB's risk management endeavor is its strong "IT Security Policy" and its adherence to these principles. 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.

As a part of effective risk management, a state-of-the-art data centre has been established at its own premises at MTB Tower, while the previous one has also been shifted to the aforesaid location. This data centre is equipped with sophisticated data replication technology to protect loss of customer sensitive information and their transactions in case of failure of the primary data centre due to any disaster.

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

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

## Board of Directors

## MTB Securities Limited (MTBSL)

**MR. RASHED AHMED CHOWDHURY**  
Chairman



**MR. ANIS A. KHAN**  
Vice Chairman



**MR. ANWARUL AMIN**  
Independent Director

**MR. HEDAYETULLAH**  
Director



**MR. QUAMRUL ISLAM CHOWDHURY**  
Director



**MR. MD. ZAKIR HUSSAIN**  
Director

**MD. NAZRUL ISLAM MAZUMDER**  
Chief Executive Officer



## 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 banks of the country. With its 17 outlets spread throughout the country in strategic business locations, the company aims to be the country leader in providing brokerage service.

A TREC (Trading Right Entitlement Certificate) holder of Dhaka Stock Exchange (DSE), MTBSL is dedicated to providing the highest 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 institutes of the country.

MTBSL has been consistently among the top 10 most active members of Dhaka Stock Exchange for the last couple of years. The success is underpinned by its strong business network and superior service quality offered to the clients. Furthermore, over the years, the company has earned recognition from local financial institutions, corporate bodies as well as from other brokers for professionalism in its trade execution capability and settlement procedures. The company's ability of fostering a diverse and loyal client base is a result of its commitment toward building long lasting relationship with its clients based on mutual trust and respect.

#### **Services Provided by MTBSL**

##### **Stock Brokerage**

As we continue our journey to remain as one the most admired brokerages in the country, recognized as a dynamic, innovative and client focused company; our team of professionals strives enthusiastically to provide only the best services to our clients. Trading floors attended by cordial and experienced team members with the mentality to serve the clients to their satisfaction, separate trading booths for female investors, VIP trading arrangements and online trading platform are a few of the features that make us the preferred choice of our valued clients.

##### **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 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**

Our recognition as the provider of unparalleled service to foreign and institutional investors lies in our practice of continuously challenging ourselves to exceed standards set only by us. We have in place all the right ingredients for achieving excellence in foreign and institutional trading service that requires a combination of superior customer service, efficient trade execution and robust technology platform. On top of that, our algorithm based strategic trading has given us the edge over our competitors in achieving the confidence of our foreign and institutional clients. As a result, MTBSL, in 20-months since its first foreign trade execution, now deals with more than ten percent of the total foreign trades that take place on DSE.

##### **NRB Trading Facilities**

Non-Resident Bangladeshis (NRB) can invest in our 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.

### Depository Participant Services

As a full service depository participant, MTBSL offers the following depository services:

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

### Technology Platform

Our technology platform is built on 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 the Internal Control and Compliance (ICC) Division of the bank which constantly monitors for possible operational risks and recommends remedies. 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 a customized Management Information System (MIS) to manage margin loan operation. The MIS reports are helpful in identifying 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

#### Retail Investors

MTBSL has quite a large base of retail investors and most of them are very active in trading. This enables us to maintain a steady trade volume on Dhaka Stock Exchange (DSE). Introducing technology based value added services and more efficient margin loan management will help us serve our growing number of individual customer base even better.

#### Institutional and Foreign Trading

MTBSL plans to raise the quality of income by increasing its commission based earnings through increased number of trading accounts of institutional and foreign investors.

### Business Outlook 2015 and Beyond

The tactical focus will be on more efficient management of margin loan through advanced MIS support and securing alternate source of funding for the same. Serving more institutional clientele, if necessary, by enhancing existing capability to serve them better, would remain a priority throughout 2015. To attract more foreign trade and to remain the brokerage of their choice, cross-border strategic alliance with key players in various geographic locations would remain a target for 2015 and beyond.

## Board of Directors

**MTB  
Capital Limited  
(MTBCL)**

**MR. RASHED AHMED CHOWDHURY**  
Chairman



**MR. ANIS A. KHAN**  
Vice Chairman



**DR. ARIF DOWLA**  
Director



**MR. ANWARUL AMIN**  
Independent Director



**MR. SYED RAFIQUL HAQ**  
Director



**MR. QUAMRUL ISLAM CHOWDHURY**  
Director



**MR. KHAIRUL BASHAR ABU TAHER MOHAMMED**  
CEO



## Management Team

**MR. 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, 2010. MTBCL was incorporated to explore new markets and unresolved demand for merchant banking services. The company strongly believes in extending its co-operation and value added services to its respected clients. MTBCL also believes that it can play a vital role in the capital market for its development and future growth.

### Products and Services

MTBCL offers merchant banking services of every kind including:

- **Issue Management**
  - Initial Public Offering (IPO) through Fixed Price and Book Building system
  - Public Issue of bonds and debentures
  - Repeat Public Offering (RPO)
  - Rights and Preference Issue
  - Capital raising for non-listed companies
  - Pre-investment Studies
  - Arranging pre-IPO placement in Equity, Debentures and Bonds
- **Underwriting**
  - Initial Public Offering (IPO)
  - Repeat Public Offering (RPO)
  - Rights Issue
  - Bonds and Debentures
- **Portfolio Management**
  - Non-discretionary
  - Discretionary portfolios for Bangladeshi (resident and no-residents) and foreign investors
  - MTB Green Cap
- **Corporate and finance advisory**
  - Advisory services for mergers and acquisitions
  - Project Counseling
  - Corporate restructuring
  - Structured Finance Advisory
  - RJSC related all secretarial jobs
  - Set-up of good corporate governance
  - Accounts preparation, etc.

## Compliance

### Capital Market Operations and Equity Investment

The capital market is the engine of growth for an economy, and performs a crucial role in acting as an intermediary between savers and companies seeking additional financing for business expansion. The DSEX Index over the current year looks positive compared to the previous year. Automated Trading System, Demutualization of exchanges, Online Surveillance of BSEC, increase foreign and local Investment will lead to a favorable climate in which MTBCL will be able to continue business growth with strong fundamentals.

In 2014, IPO of the Zaheen Spinning Limited has been approved by Bangladesh Securities and Exchange Commission (BSEC). Besides, MTB Capital Limited has been appointed through an agreement as the issue manager and corporate advisor for BDT 250 million capital raising and BDT 120 million IPO of the Oimex Electrode Ltd this year. Capital raising is under process for Excursion & Resorts BD Ltd, Crystal Insurance Ltd, data edge limited and Roseburg Group respectively of BDT 1,393 million, BDT 180 million BDT 20 million and BDT 50 million.

MTB Capital Ltd has made a profit of BDT 45.34 million for the period Jan-Oct 2014 against BDT 15.07 for same period of the previous year. The portfolio of MTB Capital Ltd has steadily increased during the year against the prior year.

MTBCL eagerly follows the rules and regulations of BSEC, DSE, CSE, BB and others. In view of this, we discourage investors to invest in shares by getting a loan.

### Business outlook for the year 2015

The current performance underpins our belief that we can continue to maximize shareholders' value in the upcoming year. We anticipate that the profit will be BDT 52.5 million in 2015 and increase steadily during the upcoming years. We give emphasis to increase our earnings in issue management and corporate advisory service and underwriting. We will also concentrate to increase the number of clients and their portfolio size. Our own portfolio is always the main source of earning till now and it will continue.



## Board of Directors

**MTB  
Exchange (UK)  
Limited (MTB UK)**

**MR. RASHED AHMED CHOWDHURY**  
Chairman



**MR. SYED MANZUR ELAHI**  
Director



**MR. M. A. ROUF, JP**  
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 one of the three fully owned subsidiary companies of Mutual Trust Bank Limited (MTB). It is the third exchange house opened among other Bangladeshi private commercial bank's exchange houses in UK and started its operation from February 15, 2011. Presently, there are 14 exchange houses owned by Bangladeshi commercial banks operating in UK.

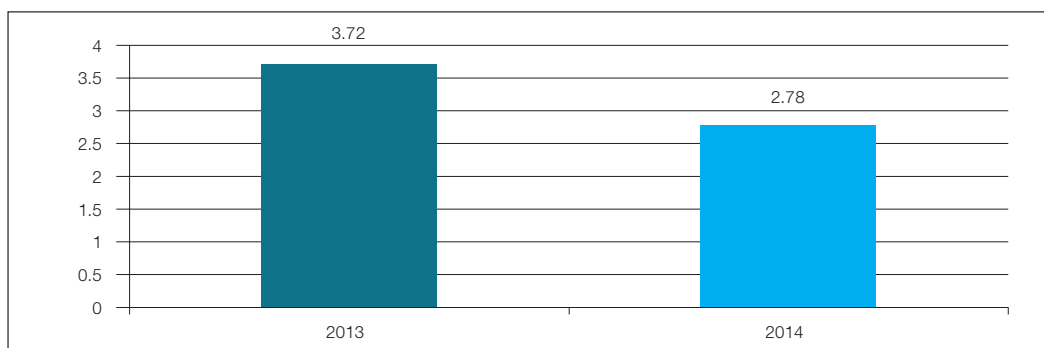
#### Remittance Industry in UK:

Remittance has become a major contributor to Bangladesh economy. According to World Bank, Bangladesh is now one of the largest recipients of remittance with almost \$13.5 billion as of September, 2014. Over the years, the amount of annual remittance to the country has significantly risen as the immigrant workers from Bangladesh gradually increased. The Kingdom of Saudi Arabia has been the largest source of foreign remittance to Bangladesh and UK is also a major source of foreign remittance next to the UAE, the US, Kuwait and Malaysia. About half a million British-Bangladeshis live in the UK today. The competition in 2014 was vicious 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 in London due to Government policy on migration and a smaller number of students going to UK as they are not getting work permit from their colleges. As a result, earnings from remittance have not increased significantly in the UK this year. Remittance from the UK to Bangladesh in the fiscal year 2013-2014 was to the tune of USD 901.23 million (source: Bangladesh Bank).

#### Review of MTB UK Exchange Performance 2014:

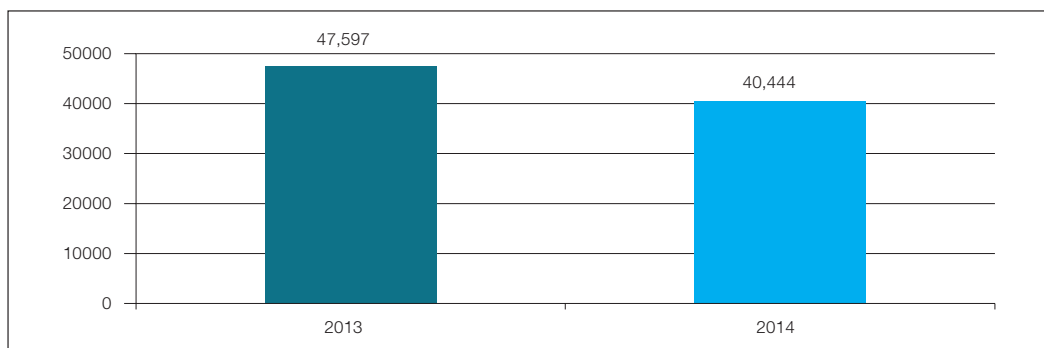
##### Remittance:

MTB's total remittance from UK for the year of 2014 was GBP 2.78 million. The remittance figure decreased throughout the year by 9%.



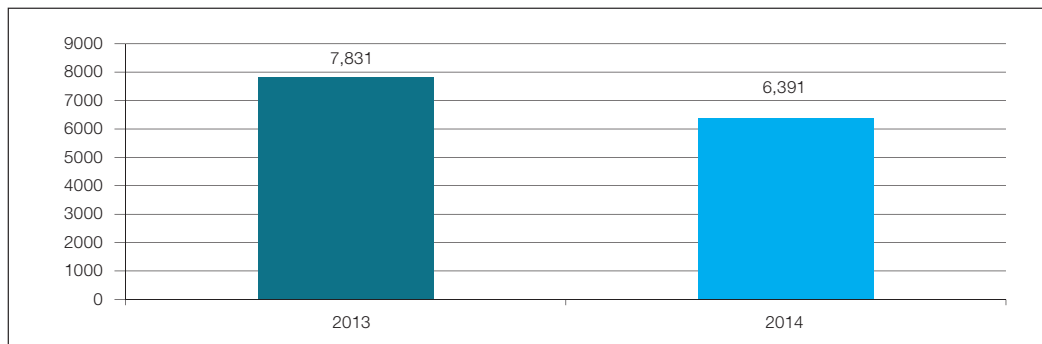
##### Commission Earnings:

The trend of remittance inflow in 2014 was low compared to the previous year, consequently the commission earnings as well. The commission earnings from remittance transactions was GBP 40,444/-, which is 17.72 % less than the previous year.

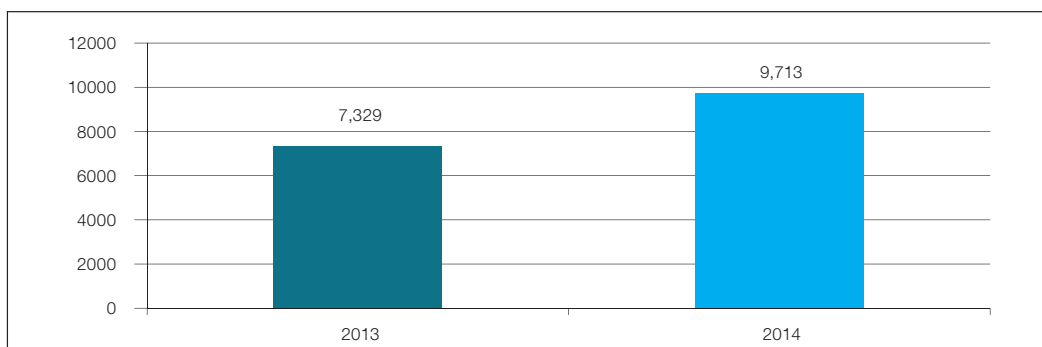


**Number of Remittance Transactions:**

This year the number of transactions made through MTB UK was 6391.

**Bureau De Change earnings:**

The Exchange gain on Bureau de Change has increased in 2014 as GBP 9,713/- was the earnings from foreign currency exchange, whereas in 2013, it was GBP 7,329/-

**Performance Highlights at a Glance:**

Item	2014	2013
Remittance	GBP 2.78 Million	GBP 3.72
Commission	GBP 40,444/-	GBP 47,597/-
Number of Transactions	6,391	7,831
Bureau De Change Gain	GBP 9,713/-	GBP 7,329/-

**Business Outlook:**

14 Bangladeshi Bank's Exchange Houses and around 20 private money exchange companies with hundreds of their agents are operating in this market, the remittance business in Bangladesh has become enormously competitive. Our branch is located in East London and the competition in this area has become very vicious. To grow the business further, there is no choice but to attract the market outside London. Our target markets are Birmingham, Scotland, Manchester, Bradford, Oldham, Luton etc.

We are looking forward to establish business relationship with leading money transfer companies. To smoothen the process, we are planning to provide online money transfer service. We are also planning to build robust software which will accelerate our transaction processing time.

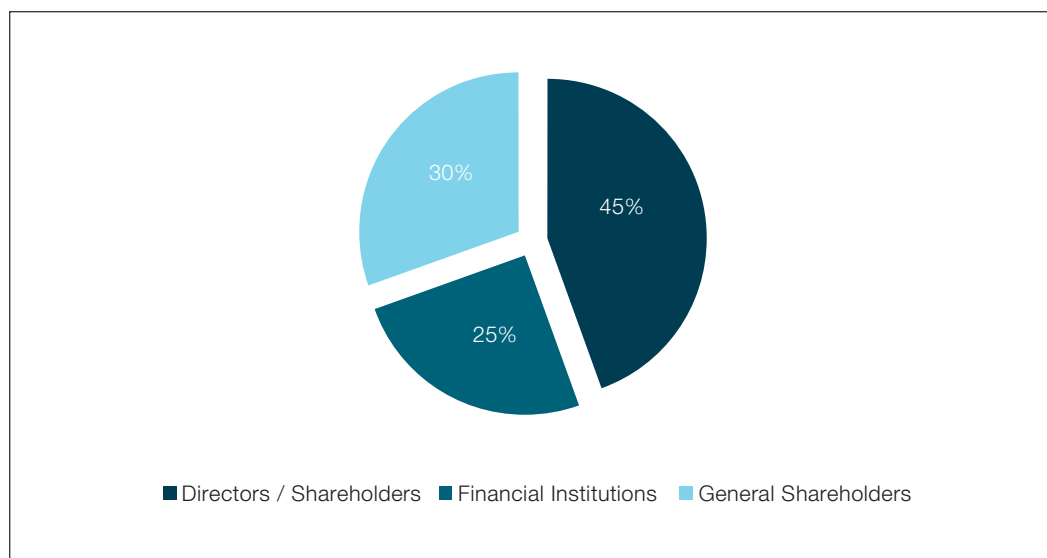


## MTB Shareholdings Structure

Category wise ownership of company's securities

As on December 31, 2014

SL No.	Type of Owners	No. of Shares	Values of Shares in Taka	(%) of holding
1	Directors / Shareholders	136,905,138	1,369,051,380	44.48%
2	Financial Institutions	77,076,008	770,760,080	25.04%
3	General Shareholders	93,782,160	937,821,600	30.47%
Grand Total		307,763,306	3,077,633,060	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 August 07, 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 thereof, has been adequately disclosed;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts upon the bank's ability to continue as a going concern;
- Significant deviations from the last year's operating results;
- Key operating and financial data of at least preceding 5 (five) years;
- If no dividend (cash or stock) has been declared for the year, the reasons thereof shall be given;
- The number of Board meetings held during the year and attendance by each director;
- The pattern of shareholding structure; and
- In case of the appointment/re-appointment of a director, the following information to be disclosed to the shareholders:-
  - a) A brief resume of the director;
  - b) Nature of his/her expertise in specific functional areas;
  - c) Names of companies in which the person also holds the directorship and the membership of committees of the board.

The Directors confirm that the Annual Report together with the Directors' Report and Consolidated Financial Statements have been prepared in compliance with the laws, rules and regulatory guidelines and BSEC Notification No.SEC/CMRRCD/2006- 158/129/Admin/43 dated August 07, 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, 14 (fourteen) board meetings were held to formulate policy, set goals and evaluate overall performance.

### **1.3. Board's Responsibilities**

The main responsibilities of the Board are:

- Developing and implementing corporate strategies;
- Monitoring and reviewing the corporate governance framework;
- Monitoring and reviewing the risk management process;
- Reviewing business results and monitoring budgetary control;
- Maintaining a direct, ongoing and healthy communication with regulatory bodies;
- Setting standards and monitoring compliance with our social responsibility policies and practices; and
- 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, 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 comprises 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 & 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 & CEO 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 Appointment

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. 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 & 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 & CEO

### 4.1 Appraisal of the Managing Director & CEO

The performance of the Managing Director & 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 & CEO

The Board is not authorized to remove the Managing Director & 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 the 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 194 of this report. The directors' fees during 2014 were as follows:

Sl. No.	Name of the Directors	Position	Remuneration (BDT)
1	Mr. Rashed Ahmed Chowdhury	Chairman (from February 26, 2014)	110,000.00
2	Mr. M. A. Rouf, JP	Vice Chairman (from February 26, 2014)	140,000.00
3	Mr. Syed Manzur Elahi	Founding Chairman & Director	120,000.00
4	Dr. Arif Dowla	Director (Former Chairman)	75,000.00
5	Mr. Hedayetullah	Director	115,000.00
6	Mr. Md. Abdul Malek	Director	125,000.00
7	Mr. Md. Wakiluddin	Director	115,000.00
8	Mrs. Khwaja Nargis Hossain	Director	80,000.00
9	Mr. Anjan Chowdhury	Director	25,000.00
10	Mr. Q.A.F.M. Serajul Islam	Director	135,000.00
11	Mr. Anwarul Amin	Independent Director	90,000.00
12	Dr. Sultan Hafeez Rahman	Independent Director	85,000.00
<b>TOTAL</b>			<b>1,215,000.00</b>

## 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, Bank Companies (Amendment) Act 2013, Bangladesh Bank, Dhaka Stock Exchange and Chittagong Stock Exchange.

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

The report is given on pages 159 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 143 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:

- Ensure proper disclosure of the financial statements
- Recommend appointment/removal of external auditors and fixing their remunerations
- Review the financial statements before submission to the Board
- Review the adequacy of the internal control systems
- Review the findings of internal investigations
- Discuss the scope of audit with external auditors
- 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
Dr. Arif Dowla, Director	Member
Mrs. Khwaja Nargis Hossain, Director	Member
Dr. Sultan Hafeez Rahman, Independent Director	Member

### 8.1 External Audit

M.J. Abedin & 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 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 has been awarded as Best SME Bank of the year, and Best Women Entrepreneurs' Friendly Bank of the year at SME Banking Award 2014 jointly organized by Bangladesh Bank and SME Foundation. MTB received the Merit Certificate for consecutive 4 years under the Institute of Chartered Accountants of Bangladesh (ICAB) National Award 2011, 2012, 2013 & 2014 for its published accounts for the year 2010, 2011, 2012 and 2013 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 2014. The details are:

BDT Million

Item	2014	2013
Income Tax from Bank's Earning	743	642
Income Tax, VAT and Excise Duty deducted at source	1,307	1,284
Income Tax from Employee's earning	52	32
<b>Total</b>	<b>2,102</b>	<b>1,958</b>



## 12 Disciplinary Committee

At MTB, we have four (4) written guidelines which are: a) Mutual Trust Bank Ltd. Employees Service Rule , b) MTB Code of Conduct, c) MTB Winning and d) 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 comprises of the following Directors:

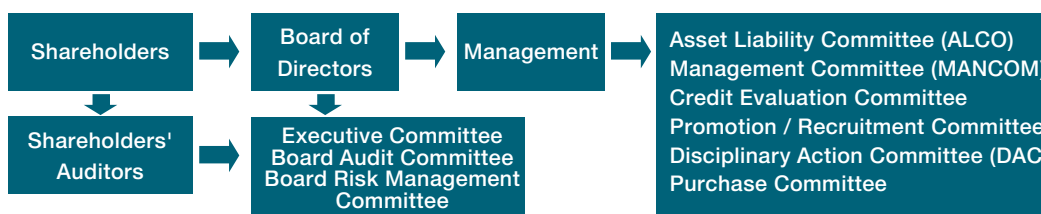
Mr. Syed Manzur Elahi, Director, (Founding Chairman)	Chairman
Mr. M. A. Rouf, JP, Vice Chairman	Member
Dr. Arif Dowla, Director	Member
Mr. Anjan Chowdhury, Director	Member
Dr. Sultan Hafeez Rahman, Independent Director	Director

## 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 2014.

## 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) required 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 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 Haque Shahalam Mansur & Co., Chartered Accountants 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

14 (fourteen) meetings of the MTB Board of Directors were held from January 01, 2014 to December 31, 2014. Attendance of the Directors is given below:

Sl No	Name	Position	Meeting held	Attended	Remarks
1	Mr. Rashed Ahmed Chowdhury (Representing Associated Builders Corporation Ltd.)	Chairman	14	14	
2	Mr. M. A. Rouf, JP	Vice Chairman	14	12	Leave of absence was granted by the Board
3	Mr. Syed Manzur Elahi	Director	14	12	Leave of absence was granted by the Board
4	Dr. Arif Dowla (Representing Advanced Chemical Industries Ltd.)		14	11	Leave of absence was granted by the Board
5	Mr. Hedayetullah	Director	14	11	Leave of absence was granted by the Board
6	Mr. Md. Abdul Malek	Director	14	14	
7	Mr. Md. Wakiluddin	Director	14	14	
8	Mrs. Khwaja Nargis Hossain	Director	14	14	
9	Mr. Anjan Chowdhury (Representing ASTRAS Ltd.)	Director	14	5	Leave of absence was granted by the Board
10	Mr. Q. A. F. M Serajul Islam (Representing Pioneer Insurance Company Ltd.)	Director	14	14	
11	Mr. Anwarul Amin	Independent Director	14	14	
12	Dr. Sultan Hafeez Rahman	Independent Director	14	9	Leave of absence was granted by the Board
13	Mr. Anis A. Khan	Managing Director & CEO	14	14	Ex-Officio Director

**Annexure-II**

The pattern of shareholding of Mutual Trust Bank Limited as on 31.12.2014 as per BSEC's Notification No. SEC/CMRRCD/2006-158/134/Admin/44, 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 Share	% of Share as on 31.12.2014
1	Mr. Rashed Ahmed Chowdhury (Representing Associated Builders Corporation Ltd.)	Chairman	15,388,150	5.00
2	Mr. M. A. Rouf, JP	Vice Chairman	6,166,766	2.00
3	Mr. Syed Manzur Elahi	Director	10,515,238	3.42
4	Dr. Arif Dowla (Representing Advanced Chemical Industries Ltd.)	Director	10,258,755	3.33
5	Mr. Hedayetullah	Director	6,158,803	2.00
6	Mr. Md. Abdul Malek	Director	6,204,433	2.02
7	Mr. Md. Wakiluddin	Director	6,160,884	2.00
8	Mrs. Khwaja Nargis Hossain	Director	6,155,451	2.00
9	Mr. Anjan Chowdhury (Representing ASTRAS Ltd.)	Director	7,694,051	2.50
10	Mr. Q. A. F. M Serajul Islam (Representing Pioneer Insurance Company Ltd.)	Director	21,649,259	7.03
11	Mr. Anwarul Amin	Independent Director	Nil	
12	Dr. Sultan Hafeez Rahman	Independent Director	Nil	
	TOTAL			

i)	Managing Director & CEO	:	3,218 shares
iii)	Company Secretary & DMD	:	18,376 shares
iv)	Chief Financial Officer	:	Nil
v)	Head of Internal Control & Compliance	:	Nil
vi)	Spouses of above Executives	:	Nil

**c) Shareholding by other Executives (Top 5) :**

i)	Md. Hashem Chowdhury , AMD	:	17,737 shares
ii)	Md. Zakir Hussain , DMD	:	Nil
iii)	Syed Rafiqul Haq , DMD	:	Nil
iv)	Md. Nurul Islam , SEVP	:	Nil
v)	Syed Rafiqul Hossain	:	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/2006-158/134/Admin/44 dated 07 August 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

**(Report under Condition No. 7.00)**

Condition No.	Title	Compliance status		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 sponsors or directors or shareholders who hold 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) will not remain vacant for more than 90 (ninety) days.			N/A

Condition No.	Title	Compliance status		Explanation for non-compliance with the condition
		Complied	Not Complied	
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 & Management Accountants or Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management/ professional experience.	√		
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:-			
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 extraordinary 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

Condition No.	Title	Compliance status		Explanation for non-compliance with the condition
		Complied	Not Complied	
1.5(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	√		
1.5(x)	Remuneration to directors including independent directors.	√		
1.5(xi)	Fair presentation of Financial Statements.	√		
1.5(xii)	Maintenance of proper books of accounts.	√		
1.5(xiii)	Consistent application of appropriate accounting policies and estimates.	√		
1.5(xiv)	Compliance with International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh.	√		
1.5(xv)	Soundness of Internal Control System.	√		
1.5(xvi)	Ability to continue as a going concern.	√		
1.5(xvii)	Significant deviations in Operating results from last year.			N/A
1.5(xviii)	Presentation of at least preceding 05 (five) years' key operating and financial data.	√		
1.5(xix)	Reason for non-declaration of dividend.			N/A
1.5(xx)	Number of Board meeting and attendance of directors.	√		
1.5(xxi)	Shareholding pattern:-			
1.5(xxii) a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details).	√		
1.5(xxii) 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(xxii) c)	Executives;	√		
1.5(xxii) d)	Shareholders holding ten percent (10%) or more votes' interest in the company (name wise details).	√		
1.5(xxiii)	In case of the appointment/re-appointment of a directors,			
1.5(xxiii) a)	A brief resume of the director;	√		
1.5(xxiii) b)	Nature of his/her expertise in specific functional areas;	√		
1.5(xxiii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		

Condition No.	Title	Compliance status		Explanation for non-compliance with the condition
		Complied	Not Complied	
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.	√		
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 a 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)	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.	√		



Condition No.	Title	Compliance status		Explanation for non-compliance with the condition
		Complied	Not Complied	
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 funds 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
3.4.1(ii) c)	Suspected infringement of laws, including securities related laws, rules and regulations;			N/A
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:-			
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.	√		

Condition No.	Title	Compliance status		Explanation for non-compliance with the condition
		Complied	Not Complied	
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)	Reviewed 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 with conditions of Corporate Governance Guidelines.	√		
7 (ii)	Director's statement on compliance with these conditions.	√		

## Certificate on Compliance of Corporate Governance Guidelines

### HAQUE SHAHALAM MANSUR & Co.

CHARTERED ACCOUNTANTS

27, Bijoy Nagar, Shaj Bhaban (6<sup>th</sup> floor), B-11,

Dhaka-1000

Phone: 9358787, 8311197

#### Certificate on Compliance of Corporate Governance Guidelines to the shareholders' of Mutual Trust Bank Limited

(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)

We are engaged by Mutual Trust bank Limited to provide certification whether the company has complied with the conditions of corporate governance guidelines issued by the Bangladesh Securities and Exchange Commission in its notification number SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 and SEC/CMRRCD/2006-158/134/Admin/48 dated 21 July 2013 ("the conditions of corporate governance guidelines")

#### The Company's Responsibilities:

Those charged with governance and management of the company is responsible for complying with the conditions of corporate governance guidelines. Those charged with the governance of the company is also responsible for stating the directors' report whether the Company has complied with the conditions of the corporate governance guidelines.

#### Our Responsibilities:

Our responsibility is to examine the Company's status of compliance with the condition of corporate governance guidelines and to clarify thereon in the term of an independent assurance conclusion based on the evidence obtained. For the purpose of the engagement, we comply with ethical requirements, including independence requirements and plan and perform our procedures to obtain assurance whether the company has complied with the conditions of corporate governance guidelines.

Our conclusion has been formed on the basis of and is subject to the matter outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

#### Conclusion:

In our opinion, the company has complied with the conditions of corporate governance guidelines for the year ended 31 December 2014.

Dated, 25 February 2015



HAQUE SHAHALAM MANSUR & CO.  
Chartered Accountants.

## Report of Board Audit Committee

The bank formed an Audit Committee on January 18, 2003 comprising 03 (three) members of the Board as per BRPD Circular no. 12 dated December 23, 2002 of Bangladesh Bank and the Notification (SEC/CMRRCD/2006-158/Admin/02-08 dated February 20, 2006) of the Securities and Exchange Commission. However, the Audit Committee was last reconstituted on March 16, 2014 comprising 05 (five) members of the Board as per BRPD Circular No. 11 dated October 27, 2013 and in line with the SEC's Notification No. SEC/CMRRC/2006-158/129/Admin/43 dated July 03, 2012.

### Role of the Committee

The Audit Committee of the Board of a bank plays an effective role in building a bridge between the board and management, shareholders, depositors and other stakeholders and helps 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 MTB Board Audit Committee:

#### a) Internal Control:

- i) Evaluates whether the management has set the appropriate compliance culture by communicating the importance of internal control and clearly defining the duties & responsibilities of the bank officials, and whether the management has full control on their activities.
- ii) Reviews the arrangements made by the management for building a suitable Management Information System (MIS) including computerized system and its applications.
- iii) Considers whether the internal control strategies/structures recommended by internal and external auditors from time-to-time have been implemented by the management.
- iv) Reviews the corrective measures taken by the management as regards the incidents relating to 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) Reviews the annual financial statements and verifies whether full and fair disclosure of information have been made therein, and whether statements have been prepared in accordance with the existing rules & regulations in the country and accounting standards, including the standards set by Bangladesh Bank.
- ii) Meets the management and the external auditors to exchange views before the finalization of the financial statements.

#### c) Internal Audit:

- i) Ensures the internal audit functions are dealt with independently from the ambit of management and its report is submitted to the Audit Committee of the bank.
- ii) Reviews the internal audit functions and organizational structure in order to ensure that unjustified restrictions or limitations do not create a hindrance to audit functions.
- iii) Reviews the efficiency and effectiveness of internal audit functions.
- iv) Checks that the findings and recommendations made by the internal auditors for removing the irregularities are duly acted upon by the management in running the affairs of the bank.

**d) External Audit:**

- i) Reviews the audit performance of the external auditors and audit report.
- ii) Checks that the findings and recommendations made by the external auditors for removing the irregularities are duly acted upon by the management in running the affairs of the bank.
- iii) Makes recommendations to the board regarding the appointment of the external auditors for the conducting of the audit work of the bank.

**e) Compliance with Existing Laws, Rules & Regulations:**

Reviews 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) Places compliance report before the board regarding regularization of the errors, omissions, frauds, forgeries and other irregularities as detected by the internal and external auditors and inspection teams of Bangladesh Bank.
- ii) If asked by the Audit Committee, the internal and external auditors will submit evaluation reports to the committee on a particular issue.
- iii) Performs other oversight functions as requested by the board and evaluates 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<br>(Founding Chairman) | : | Member   |
| 3) Dr. Arif Dowla, Director                               | : | Member   |
| 4) Mrs. Khwaja Nargis Hossain, Director                   | : | Member   |
| 5) Dr. Sultan Hafeez Rahman, Independent Director         | : | Member   |

The Company Secretary of the Bank functions as the Secretary to the Committee as per regulatory guidelines. The Managing Director & CEO, other members of Corporate Management, representatives of the External Auditors, Head of Credit Risk Management, Head of Internal Control & 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 regularly meets 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 the Bank's Financial Reporting, Audit Review, Internal Control & Compliance Position, recovery of Special Assets and other relevant matters.

During the year 2014, four meetings of the MTB Board Audit Committee were held.

**Activities:**

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

- Reviewed the internal audit plan for the year 2014 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 2014 prepared by the Management and audited by the External Auditors M J Abedin & Co. and recommended to place the same before the Board for consideration.

The Board approved the same in its 176th meeting held on 24 February, 2015.

#### **Acknowledgement:**

The MTB 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 MTB 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 a pivotal 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 the Core Risk Management Guidelines of Bangladesh Bank. The Division comprises of three departments; Audit and Inspection Department, Compliance Department, and Monitoring Department. The Bank has an Internal Control and Compliance Policy and a 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.

The Bank Company Act, 1991 as amended in 2013 requires some changes in the reporting line and Organogram of the ICC Division. Meanwhile, the reporting line has been changed and the Organogram revamped to ensure that internal audit functions are dealt with independently from the ambit of management and its report is submitted to the Audit Committee of the Bank.

As a tool of Internal Control, the Audit and Inspection Department undertakes periodic and special audits and inspections on the branches and departments/divisions of the Head Office in order to sort out the weaknesses and defects in the control processes and it reports to the Senior Management & the Audit Committee for corrective measures to protect the interest of the bank.

The Compliance and Monitoring Departments of the ICC division ensure the timely and proper compliance with relevant laws, regulatory instructions, and internal policies and procedures in the day-to-day operations of the Bank by way of using various control tools. The concerned Departments assess the operational risks and takes appropriate measures to mitigate the same for smooth operation of the Bank.

The 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 appropriate remedial measures.

There is the ICC Evaluation Committee, which assists the Management Committee (MANCOM) of the Bank to provide a 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 2014.



## Disclosures on Risk Based Capital (Basel II)

### 1. Introduction

In accordance with Pillar III of the revised Framework for International Convergence of Capital Measurement and Capital Standards ('BASEL II') adopted 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 comprises 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**

BDT in Million

Particulars	Solo	Consolidated
<b>Total Eligible Capital</b>		
<b>Tier-I Capital:</b>		
Paid up capital	3,077.63	3,077.63
Statutory reserve	2,276.08	2,276.08
General reserve	276.78	276.78
Retained earnings	653.37	617.30
Minority Interest in Subsidiaries		0.12
<b>Total Tier-I Capital</b>	6,283.86	6,247.92
<b>Tier-II Capital:</b>		
General Provision	1,204.35	1,204.35
Revaluation Reserves for Securities up to 50%	260.14	260.14
Subordinated debt	1,000.00	1,000.00
<b>Total Tier- II Capital</b>	2,464.49	2,464.49
<b>Tier - III Capital</b>		
<b>Total eligible capital</b>	8,748.35	8,712.40

**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**

In Percentage

Capital Adequacy Ratio (CAR)	Solo	Consolidated
<b>Total</b>		
MTB	10.83%	10.72%
Requirement as per BB The surplus will act as buffer against risks to support future activities.	10.00%	10.00%
<b>Tier- I</b>		
MTB	7.78%	7.69%
Requirement as per BB	5.00%	5.00%

BDT in Million

Risk Weighted Assets	2014	2013
<b>Risk Weighted Assets</b>	81,259.26	70,345.81
<b>Capital:</b>		
MTB	8,712.40	8,136.56
Requirement as per BB	8,125.93	7,034.68
Surplus	586.48	1,101.88

- I. Our policy is to maintain a strong capital ratio with high rating.
- II. We try to maintain capital at reasonable level 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 encompasses :- Issuance of subordinated debt to raise Tier-2 capital, and minimizing gap between Tier-1 and Tier-2 capital.

- Consistently encouraging borrowers to complete external credit rating to assess counterparty Credit Risk status, and to reduce capital requirements.
- Improving and enhancing collateral coverage through efforts to obtain eligible collateral.
- 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 periodical assessment of asset coverage and ascertaining asset quality,
- Revaluation of securities to strengthen Tier-II Capital.

BDT in Million

Capital Adequacy	Solo	Consolidated
Capital requirement for Credit Risk	7,203.39	7,141.10
Capital requirement for Market Risk	343.06	415.64
Capital requirement for Operational Risk	533.10	569.18
Total and Tier-1 capital ratio:		
- Core capital to total capital (%)	71.83%	71.71%
- For standalone Tier 1 capital out of maintained CAR (%)	7.78%	7.69%

### 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 clearly specifies all conceivable aspects including eligibility of the borrower, requirement of paper/information/documents, borrower's stake and all other related issues related to borrowing. The credit policy

encompasses all operational issues of credit right from selection of borrower to the ultimate recovery including transfer process of delinquent account and treatment of slow overdue accounts, Slow Moving 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 Bangladesh Bank prescribed Credit Risk Grading (CRG) model, and has developed a credit appraisal/approval process. The CRG model captures quantitative and qualitative issues related to management risk, business risk/industry risk, financial risk, security risk and relationship risk while assessing the overall grading of borrowers. External credit ratings of our clients are also being done. Till date MTB's total number of rated clients is 656, which was 282 in 2013. For ensuring smooth and quality credit operations; good governance, quick approvals, better control, and making safe and secured lending has been emphasized.

### 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 for more than 10 lacs are classified as:

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

#### Short-term Agricultural and Micro Credit are classified as:

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

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

BDT in Million

Credit Risk	Amount
a) Total gross credit risk exposures broken down by major types of credit exposure	
Term Loan	18,704.41
Time Loan	328.82
SME Financing	7,027.54
Consumer Financing	502.38
Retail Financing	1,951.35
General Loans	2,436.05
Demand Loan	643.12
Payment Against Documents (PAD)	290.41
Trust Receipts	7,208.58
Lease Finance	380.54
House Building Loan	2,409.25
Staff/Employee Loan	577.26
Loans and Advances - Off-shore Banking Unit	598.01

Credit Risk	Amount
Loan to subsidiaries	2,338.88
Cash Credit	15,942.71
Secured Overdraft	11,838.66
Bills purchased and discounted	
Payable in Bangladesh	2,123.32
Payable outside Bangladesh	76.73
b) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.	
Urban	
Dhaka Division	51,149.08
Chittagong Division	16,795.32
Rajshahi Division	2,206.32
Sylhet Division	729.34
Khulna Division	1,131.32
Rangpur Division	1,302.31
Barisal Division	49.90

BDT in Million

Credit Risk	Amount
Rural	
Dhaka Division	2,224.34
Chittagong Division	961.69
Rajshahi Division	555.52
Sylhet Division	35.78
Khulna Division	0.00
Rangpur Division	0.00
Barisal Division	0.00
c) Industry or counter-party type distribution of exposures, broken down by major types of credit exposure.	
Agriculture	1,150.83
RMG	4,098.52
Textile	6,033.22
Ship-Building	754.04
Ship-Breaking	1,178.46
Other Manufacturing Industry	14,297.26
SME loans	4,918.47
Construction	1,031.42
Power, Gas	7,76.09
Transport, Storage and Communication	711.85
Trade Service	12,215.66
Commercial real-estate financing	4,150.19
Residential real-estate financing	1,025.04
Consumer credit	1,590.21
Capital Market	4,248.62
NBFIs	7,728.91
Others	11,232.12
d) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure	
On Demand	5,736.35
Not more than three months	27,839.92
More than three months but less than one year	18,788.33
More than one year but less than five years	18,273.26
More than five years	6,503.04

#### 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
<b>General Provision</b>	
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 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 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%
<b>Specific Provision</b>	
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 2014, we reviewed loans and advances to assess whether objective evidence of impairment had arisen.

#### Movement of Non Performing Assets (NPA) and specific provision for NPA

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

BDT in Million/Percentage

Gross Non Performing Assets (NPAs)	Amount
Non Performing Assets (NPAs) to Outstanding Loans & advances (%)	2.67%
<b>Movement of Non Performing Assets (NPAs)</b>	
Opening balance	2,155.77
Additions	
Reductions	95.49
Closing Balance	2,060.28
<b>Movement of specific provisions for NPAs</b>	
Opening balance	989.51
Provisions made during the period	406.61
Less: Write-off	(440.84)
Write-back of excess provisions	
<b>Closing Balance</b>	955.28



**Amount of Impaired Loans**

BDT in Million

Particulars	Amount
Continuous Loans	651.39
Demand Loans	166.98
Term Loans	1,237.35
Short-Term Agro-Credit and Micro-Credit	4.56
<b>Total</b>	<b>2,060.28</b>

**Specific and General Provisions**

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

BDT in Million

Particulars	Amount
Provision on classified loans and advances/ investments including Off-shore banking unit	955.28
Provision on unclassified loans and advances/ investments	896.33
Provision on Off-balance sheet exposure	308.02
<b>Total</b>	<b>2,159.63</b>

**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 mark-to-market (revalued) once a week, and HTM equity securities are amortized annually. HTM securities are revalued if reclassified to HFT (with approval of the Board of Directors). The quoted shares of the bank are valued at cost or market price, whichever is lower.

BDT in Million

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	1,085.88
Market price	860.37
*Difference	(225.50)
b) Cumulative realized gains (losses) arising from sales and liquidations in the reporting period	
c) Total unrealized gains (losses)	(225.50)
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	152.43
General Market Risk	152.43

#### 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.

BDT in Million/Percentage

Interest Rate Risk in the banking book	Amount
Total Risk Sensitive Assets	56,447.40
Total Risk Sensitive Liabilities	52,247.00
Cumulative Gap	
< 3months	2,727.20
3-6 months	5,867.80
6-12 months	(4,394.60)
CAR before Shock (%)	10.72%
Assumed Change in Interest Rate (%)      1%      2%	3%
<b>Net Interest Income and Repricing impact (%)</b>	
CAR after Shock (%)      9.46%      8.19%	6.93%

## 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.

BDT in Million

Quantitative Disclosure of Market Risk	Amount
Capital Requirement for:	
Interest Rate related instruments	73.57
Equities	304.86
Foreign Exchange Position	37.21
Commodity Risk	-
<b>Total</b>	<b>415.64</b>

## viii. Operational Risk

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

#### a. Performance Gap of Executives and Staff

MTB 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. 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.

BDT in Million

Quantitative Disclosure of Operational Risk	Amount
The Capital requirement for:	
Operational Risk	569.18

## Letter of Gratitude

The Members of the Board of Directors of MTB would like to express their gratitude to all 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, the Securities and Exchange Commission, Office of the Registrar of Joint Stock Companies and Firms, the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) for their immense support and cooperation.

On behalf of the Board of Directors,



**Rashed Ahmed Chowdhury**  
Chairman