



A person is skydiving over a vast desert landscape at sunset. The skydiver is positioned on the left side of the frame, with their parachute open and a bright light source (the sun) directly behind them, creating a strong silhouette and lens flare. In the foreground, the silhouettes of three other people are visible, looking towards the skydiver. The background shows rolling sand dunes under a warm, orange-hued sky.

INTEGRATED REPORTING

Integrated reporting involves presenting the bank's performance in terms of both financial and non-financial information. It aims to present in a holistic way, the value created by the bank by considering non-financial resources such as human, social and intellectual capital as well as financial capital.

SCOPE OF INTEGRATED REPORTING

Integrated reporting means the integrated representation of a company's performance in terms of both financial and other value relevant information. It provides greater context for performance data, clarifies how value relevant information fits into operations or a business, and may help make company decision making more long-term. Establishing a correlation between a bank's business activities and the impact on society in terms value addition is, by its nature, very challenging. 2017 Annual Report of MTB for the first time has been presented as an 'Integrated Report' with the aim of articulating how Mutual Trust Bank Limited, as an organization, has excellently managed its business to deliver consistent value to its stakeholders.

As a forward-looking enterprise, in presenting the Integrated Report, we have referred to the guidelines issued by the Institute of Chartered Accountants of Bangladesh (ICAB) in the form of 'Integrated Reporting Checklist', which is in congruence with the integrated reporting framework prototype issued by the International Integrated Reporting Council (IIRC).

In explaining the Company's operations and financial performance, financial information so disclosed has been extracted from the Audited Financial Statements for the financial year ended 2017 with relevant comparative information. The financial statements consistently comply with the requirements of

- Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRS);
- The Companies Act, 1994;
- The Bank Companies Act, 1993 (amended 2013);
- The Securities and Exchange Rules 1987;
- Relevant rules and regulations of Bangladesh Bank (The Central Bank); and
- Other applicable laws and regulations of the land.

The disclosure of non-financial information has been extracted from internally-maintained records reported for the statement of financial position, unless otherwise stated that it has been extracted from a reliable source.

The sustainability requirements, as elaborated separately in our Sustainability Report, adhere to the guidelines issued by the Global Reporting Initiative (GRI)-G4 Framework.

To report our corporate governance practices, we have drawn reference from the revised Corporate Governance Guidelines (CGG) issued by Bangladesh Securities and Exchange Commission (BSEC).

The company has the following external assurance for obtaining reports in period under consideration;

1. A. Qasem & Co. Chartered Accountants, an independent member of Ernst & Young (EY)
 - Financial Statements Audit Report for 2017
2. MABS & Partners Chartered Accountants
 - Corporate Governance Certification
3. Khan Wahab Shafique Rahman & Co., a member of mgiworldwide
 - Provident Fund Financial Audit
 - Gratuity Fund Valuation
 - Eligibility Compliance of MTB for participating in the Investment Promotion and Financing Facilities (IPFF) project
 - Gratuity Fund Financial Audit
 - Medical Assistance Fund & Welfare Fund Financial Audit
 - MTB Foundation
4. Credit Rating Information and Services Limited (CRISL)
 - Entity Credit Rating

All the information presented in this report is on the same basis as previous in terms of the entities covered, the measurement methods applied and time frames used. Ratios used are comparable across the industry. The information provided covers all material matters relating to business strategy, risk and areas of critical importance to our stakeholders. The structure of the report has been further developed as part of our continuous focus on improving communication to our stakeholders.

The hard copy of the Annual Report is sent to all the shareholders, prior to holding the Annual General Meeting, giving due period of notice. Separately, for the benefit of all stakeholders, our report has been made available on the website <https://www.mutuatrustbank.com>.

The integrated report, incorporated in this Annual Report has been prepared in accordance with the IIRC's international reporting framework and addresses the material matter pertaining to the long term sustainability of the group and presents fairly the integrated performance of MTB Group and the impacts thereof.



Anis A. Khan
Managing Director & CEO

VALUE CREATION PROCESS

Our value creation process mainly influenced by on our vision, mission and values.

As we draw resources from our various capitals as inputs, they are utilized through our business activities to generate business outputs in the form of products and service offerings.

As a multi-segment financial institution, we rely heavily on our financial capital, depositors making up 80% of our funding basket.

Our overall business model involves extending our presence physically and virtually. It also involves a high dependence on IT; which together means a significant investment in branches and technological infrastructure - our manufactured capital.

Our business model also requires us to invest in and develop our human capital for business growth through professional networks - a key aspect of

our social and relationship capital - as well as our intellectual capital, to continuously innovate our offerings and improve our process efficiencies to add to our ability to be responsive and timely.

Our various activities, in turn generate outcomes, which create value for our stakeholders and adds back to our inputs, be it in the form of profits, employee compensation, reduction in carbon footprint, process efficiency or other material outputs.

In the process, we ensure our business activities are aligned with our core values and guided by our governance framework, and also that our strategies and risk mitigation efforts are in line and responsive to pressures from the external environment and market forces.

The component elements that shape our business are portrayed in our Business Model

INPUTS	OUTCOMES
Financial Capital <ul style="list-style-type: none"> Capital Liabilities Capital Adequacy Policy incentives 	Financial Capital <ul style="list-style-type: none"> 18% 5-years CAGR in Total Capital 19% 5-years CAGR in Risk Assets 12% 5-years CAGR in Customer Liabilities Growth Quality of Portfolio Maintained Improving Cost-to-income Ratio 15% 5-years CAGR in Net Profits 18.35% Return on Equity 13.76% Capital Adequacy Maintained
Manufactured Capital <ul style="list-style-type: none"> Branch Network Physical Infrastructures Office Equipment and Supplies New Business Development Innovations and Value Additions Customer Satisfaction 	Manufactured Capital <ul style="list-style-type: none"> Network & Capacity Enhanced ability to provide value added services to the customers Through Service quality department of the bank Smoother operations Tied-up with ABD & DEG for business opportunities
Intellectual Capital <ul style="list-style-type: none"> Product and Services Core Banking Solution In House Modules Processes & Guidelines Risk Management Knowledge 	Intellectual Capital <ul style="list-style-type: none"> Launched & re-engineered new products of SME and retail like SME Neer & Student Banking Scheme Speed of approval process and operations improved over the year In a process of implementing new CBS for the bank Strengthening IT security platforms Launched new prepaid cards & partnership with different entities

INPUTS		OUTCOMES	
Human Capital		Human Capital	
■ Experienced and skilled Human resources		■ Rise in per employee productivity	
■ Technical and managerial skills		■ 90% of the total human resources received local & foreign training	
■ Work life balance		■ Work-life balance through MTB club's different amusement activity for the employees	
■ Diversity & equality		■ BDT 2,421 million paid in employee benefits	
■ Training & development			
Social & Relationship Capital		Social & Relationship Capital	
■ Key Partnerships		■ Dividends paid to shareholders Contributed to the underprivileged people of the society through CSR activities	
■ Investment in uniform customer Service assurance		■ Contributed in the development for education of the community	
■ Investment in brand awareness		■ Expanded the outreach & capacity as a part of financial inclusion for the mass people through Agent Banking	
■ CSR activities			
Natural Capital		Natural Capital	
■ Biodiversity & green financing		■ Carbon footprint reduction	
■ Renewable energy usage		■ Growth in green financing	
■ Policy inputs and initiatives from the company		■ 15.19% since last year Invested in solar power	

Useful references:

Our Business Model -The intricacies of our business

Our Corporate Governance Structure - The governance structure that enables our Business Model

Our Extensive Range of Products and services -Outputs/our offerings

Our Organizational Chart -Hierarchy and chain of command

In the process, we ensure our business activities are aligned with our core values and guided by our governance framework, and also that our strategies and risk mitigation efforts are in line and responsive to pressures from the external environment and market forces.

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OUR BUSINESS MODEL

How we create value

We help individuals prosper, enable businesses to grow and play a role in the development of country's financial markets.



OUR RESOURCES

FINANCIAL STRENGTH

Funds available to the group obtained from diverse sources.

SKILLS AND KNOWLEDGE

The skills, knowledge and abilities of our people.

BRAND STRENGTH

Our brand is a key intangible asset that gives the group a competitive advantage.

BANKING NETWORK

The licenses we have that allow us to build a strong banking network.

TECHNOLOGY PLATFORM

Our resilient technology platform supports our operations across the region.



HOW WE USE OUR RESOURCES

OUR STRATEGY

- We are a local bank, seeking to make banking joyful for our customers.
- We intermediate trade and investment flows across the country.
- In Bangladesh, we are a commercial bank serving all customer segments. In other markets, we have traditionally focused on individuals, large corporates, small and medium enterprises (SMEs) and institutional investors. Going forward, we will leverage digital technologies to extend our reach to individuals.

WHAT WE OFFER

Consumer banking

- We serve individuals, from mass market to affluent, at every stage of their lives: from saving at a young age to buying a home as they start their own families to investing for retirement with our diverged product range.
- We offer a diverse range of banking products and services, including deposits, loans, credit cards, online payments, internet banking, primary dealer of govt. securities, investments and brokerage services.

For more information, see product page

Institutional banking

- We serve large corporates, SMEs and institutional investors: from helping them to finance their business activities to managing their financial risks.
- We offer a full range of credit facilities from short-term working capital financing to specialized lending.
- We also provide transaction services such as cash management, trade finance and securities and treasury and markets products; capital markets and advisory solutions.



HOW WE DIFFERENTIATE OURSELVES

We adopt the professionalism of a world-class bank with the cultural touches that are important for the institution and philosophical base – what we call MTB3V!

CUSTOMER RELATIONSHIPS

We strive to embody the elements of what relationships are about in Bangladesh. We recognise that relationships have swings and roundabouts, and that every transaction does not have to be profitable in its own right.

INDUSTRY INSIGHTS

We know the industry of the country well: we provide unique industry insights and create bespoke products for our customers.

CUSTOMER SERVICE




We are deferential, easy to deal with and trustworthy, with the humbleness to serve and the confidence to lead to our customers.

PRODUCT INNOVATION

We relentlessly innovate new ways of banking that are appropriate to our markets as we strive to make banking more spontaneous and interactive for our customers.

CAPACITY & NETWORK

We work in a collaborative manner across geographies, supporting our customers as they expand and doing business across the country and abroad.

 HOW WE MANAGE OURSELVES	 HOW WE MEASURE	 OUR OUTPUTS
<p>► CORPORATE GOVERNANCE</p> <p>We are devoted to the highest standards of truthfulness, ethics and professionalism.</p> <p>To safeguard stakeholders' interests, the Board of Directors is actively engaged in providing sound leadership on the bank's direction.</p> <p>We believe that sound and effective corporate governance is fundamental to the Group's long-term success and sustainability.</p> <p>► RISK MANAGEMENT</p> <p>Effective risk management is fundamental to all parts of our organisation.</p> <p>The Board of Directors has overall accountability for ensuring that risk is effectively managed across the group.</p> <p>► CAPITAL MANAGEMENT</p> <p>As one of the compliant banks of the country, we maintain a strong capital position well above regulatory requirements and continuously maintaining our focus in this area.</p> <p>► OUR VALUES</p> <p>Our organizational values shape the way we do business and work within the Group.</p> <p>► COMMITMENT</p> <p>We are committed to our shareholders, community, customers and employees for creating value in every stage of our business.</p> <p>► ACCOUNTABILITY</p> <p>We are accountable for providing the highest level of service along with meeting the strict requirements of regulatory standards and ethical business practices.</p> <p>► AGILITY</p> <p>We can respond rapidly and adjust our mode of operation to meet stakeholder needs and achieve our goals.</p> <p>► TRUST</p> <p>We value mutual trust, which encompasses transparent and candid communications among all parties.</p>	<p>► OUR PERFORMANCE EVALUATION</p> <p>We use a balanced performance evaluation process to track the progress we have made in serving the interests of our multiple stakeholders.</p> <p>Our evaluation is balanced in the following ways:</p> <ul style="list-style-type: none"> ■ Balanced between financial and non-financial performance indicators; ■ Balanced across multiple stakeholders, and not focused solely on shareholders ■ Balanced between short-term and long-term outcomes <p>The evaluation results is updated in regular interval and placed before the Board of Directors.</p> <p>It is cascaded throughout the organisation, ensuring that the performance goals of every business, country and support function are aligned to those of the Group.</p>	<p>► SHAREHOLDERS</p> <p>We focus on maximizing shareholders' wealth by declaring sound returns annually.</p> <p>► CUSTOMERS</p> <p>We deliver our customers with a safe, reliable and jubilant banking experience.</p> <p>► EMPLOYEES</p> <p>We offer our employees with an individual professional development journey which help them progress in their careers.</p> <p>► REGULATORS</p> <p>We ensure compliance with all regulatory guidelines and directives</p> <p>► SOCIETY</p> <p>We have a social cognizance which is implanted into our business. Through the CSR activities and MTB Foundation, we are dedicated to advocating social wellbeing across the region.</p>

Our activities generate sustainable returns in a responsible manner and we seek to positively benefit the communities we operate in and deliver value to our stakeholders.

ECONOMIC CONTRIBUTION REPORT

The bank's overall mission is to be the most admired financial institution in the country, recognized as a dynamic, innovative and client focused bank that offers an array of products and services in search of excellence and to create an impressive economic value. This section covers the value we deliver to our shareholders and the nation at large.

The bank's policy has been to deliver optimum value in a manner that is consistent with the highest levels of fairness and transparency. For the bank, it has not been a case of building financial value and enhancing the bottom line at any cost, but rather participating in a process of creating value through fair and ethical means. Building sustainable value of all stakeholders is an important corporate goal. Some of the measures taken to create, sustain and deliver optimum value are as follows:

Capital to Risk Weighted Assets Ratio:

Capital adequacy indicates the financial strength and stability of a bank. It limits the extent up to which the bank can expand its business in terms of risk weighted

assets. Like all commercial institutions, banks too constantly look at ways of expanding their operations by acquiring property, plant & equipment, opening branches, in addition to mobilizing deposits, providing loans and investing in other assets.

Regulatory capital requirements are therefore necessary to prevent banks from expanding beyond their ability to manage (over trading), to improve the quality of bank's asset, to control the ability of the bank to leverage their growth and to lead to higher earnings on assets, leading to peace of mind of all the stakeholders. The bank keeps a careful check on its capital adequacy ratios.

Minimum Capital Requirement (MCR) Under Risk Based Capital (Basel-III) as at December 31, 2017:

BDT Million/Percentage		
Particulars	2017	2016
A. Total Regulatory Capital		
1. Common Equity Tier-1 (Going-Concern Capital) :	10,067	9,009
2. Tier-2 Capital (Gone-Concern Capital) :	8,949	4,716
3. Tier-3 (Eligible for market risk only)	-	-
4. Total Eligible Capital (1+2+3)	19,016	13,725
B. Total Risk Weighted Assets (RWA)	138,224	121,555
C. Capital to Risk weighted Asset Ratio (CRAR)	13.76%	11.29%
D. Going-Concern Capital to RWA	7.28%	7.41%
E. Gone-Concern Capital to RWA	6.47%	3.88%
F. Minimum Capital Requirement (MCR)	13,822	12,156

VALUE ADDED STATEMENT

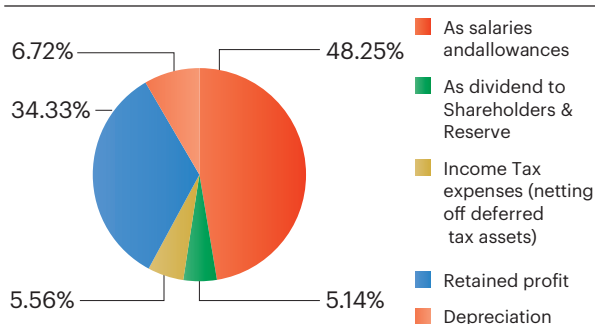
For the year ended December 31, 2017

The Value Added Statement provides a detailed account of total value addition and the distribution of the value created by the organization. Mutual Trust Bank Limited contributes positively to social-economic development by empowering employees through the payment of salaries and allowances; by paying attractive and consistent dividend to the providers of capital; by assisting the regulatory capacities through paying taxes, and of course, keeping in mind company's continuous expansion and growth.

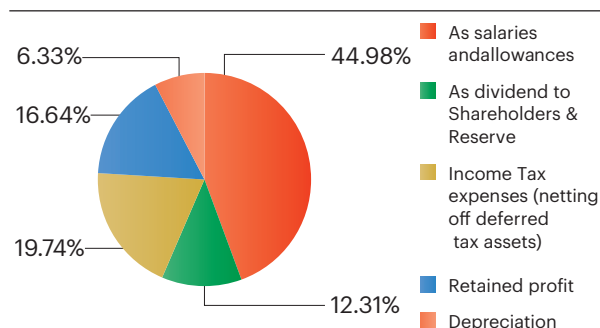
BDT Million

Particulars	2017		2016	
	Amount	%	Amount	%
Value Added				
Interest Income	12,160.54	74.46%	11,381.37	75.78%
Investment Income	2,127.21	13.02%	2,010.54	13.39%
Commission, Exchange and Brokerage	1,578.01	9.66%	1,228.15	8.18%
Other Operating Income	466.40	2.86%	397.90	2.65%
Sub-Total (a)	16,332.16	100.00%	15,017.96	100.00%
Less Cost of service rendered:				
Interest Expenses	7,852.87	69.40%	7,503.09	75.31%
Cost of services & supplies	1,805.45	15.96%	1,513.30	15.19%
Provision for Loans, Investment, Off B/S Items & etc.	1,656.25	14.64%	946.63	9.50%
Sub-Total (b)	11,314.57	100.00%	9,963.03	100.00%
Total Value added by banking services (a+b)	5,017.59		5,054.94	
Distribution of value addition				
To Employees				
As salaries and allowances	2,420.96	48.25%	2,273.51	44.98%
To Providers of Capital				
As dividend to Shareholders & Reserve	257.99	5.14%	622.35	12.31%
To Government				
As Income Tax Expenses	1,180.00	23.52%	961.28	19.02%
As Deferred Tax Expenses/(Income)	(900.87)	-17.95%	36.61	0.72%
Income Tax expenses (netting off deferred tax assets)	279.13	5.56%	997.89	19.74%
To Expansion and Business Growth				
Retained profit	1,722.35	34.33%	841.24	16.64%
Depreciation	337.16	6.72%	319.95	6.33%
Total Distribution	5,017.59	100%	5,054.94	100%

Total Distribution - 2017



Total Distribution - 2016



ECONOMIC VALUE ADDED STATEMENT (EVA)

For the year ended December 31, 2017

Economic Value Added (EVA) is the financial performance measure that attempts to measure that true economic profit of an organization. It provides a measurement of the bank(s) economic success (or failure) over a period of time. Such a metric is useful for investors who wish to determine how well the bank has added value for its investors and it can be compared against bank(s) peers for a quick analysis of how well the bank is operating in its industry. Economic value added is calculated by taking the bank(s) net profit after Tax, adding with it, the amount of provision charged against profit to absorb the losses inherent in the investments. EVA is calculated as under:

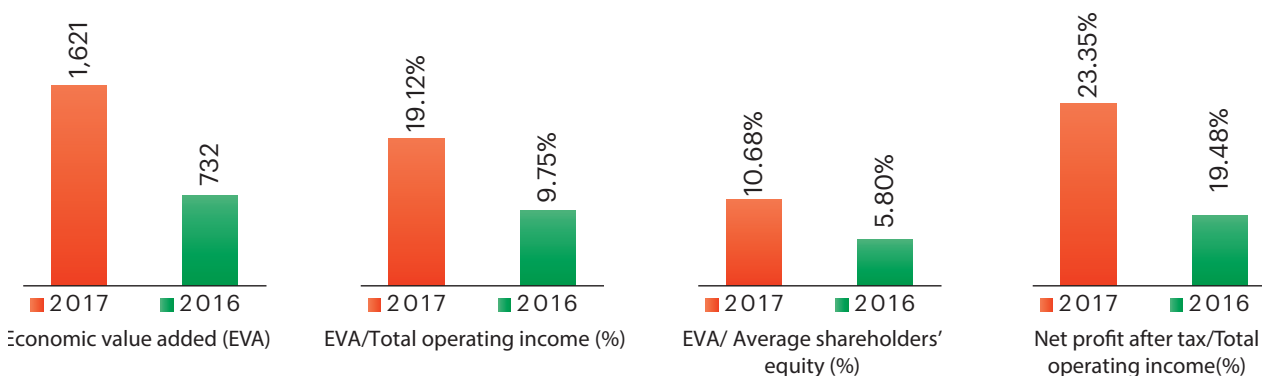
EVA = NPAT – Cost of average equity

NPAT = NPAT is the net profit after Tax plus the provision for doubtful losses charged against profit.

Equity = Shareholder's equity is the total amount of equity the year end plus accumulated provision charged against profit for doubtful losses.

Cost of equity = It is the opportunity cost i.e. the expected risk from return on investment, plus a risk premium. Interest on 5 years Bangladesh Government Sanchaya Patra plus 2% risk premium has been assumed to be the cost of equity.

	BDT Million	
For the year ended	2017	2016
Shareholders' Equity at year end	11,761.96	9,818.26
Add: Cumulative Provision for Loans, Investment, Off B/S Items & etc.	5,090.33	3,686.80
Total	16,852.29	13,505.06
Average Shareholders' Equity	10,790.11	9,373.73
Add: Average Cumulative Provision for Loans, Investment, Off B/S Items & etc.	4,388.57	3,260.65
Average Equity of Shareholders	15,178.68	12,634.38
Average cost of Equity (Risk Free Rate + 2% Risk Premium)	13.28%	13.28%
Earnings:		
Net Profit after tax	1,980.34	1,463.59
Add: Provision for Loans, Investment, Off B/S Items & etc.	1,656.25	946.63
Net Profit after Tax (Before Provision)	3,636.59	2,410.23
Cost of average Equity	2,015.73	1,677.85
Economic value added (EVA)	1,620.86	732.38
Growth over last year	121.31%	133.00%
Total operating income	8,479.29	7,514.88
Net profit after tax	1,980.34	1,463.59
Key Ratios:		
EVA/Total operating income (%)	19.12%	9.75%
EVA/ Average shareholders' equity (%)	10.68%	5.80%
Net profit after tax/Total operating income(%)	23.35%	19.48%



MARKET VALUE ADDED STATEMENT

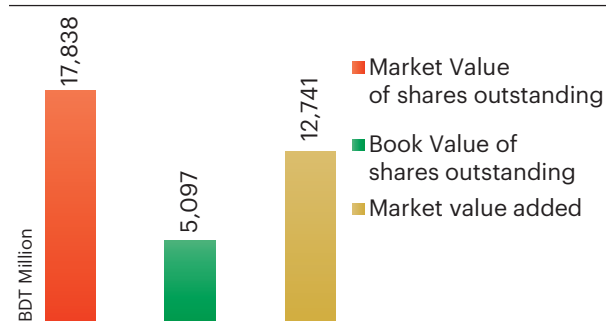
For the year ended December 31, 2017

Unlike EVA, which measures internal performance, Market Value Added (MVA) is a measure of external performance that indicate how the market has evaluated the company's performance in terms of market value of quoted shares compared to book value of this shares. Market Value Added (MVA) is the difference between the current market value of the bank and the capital contributed by investors. If MVA is positive, the bank has added value. If it is negative, the bank has destroyed value. The amount of value added needs to be greater than the bank's investors could have achieved investing in the market portfolio, adjusted for the leverage of the bank relative to the market. A high MVA denotes that the bank has maximized the wealth for the shareholders. The calculation of market value added is tabled below.

BDT Million

Particulars	Number of Shares	Value per share	Total Value 2017	Total Value 2016
Market Value of shares outstanding	509,656,034	BDT 35.00	17,838	10,237
Book Value of shares outstanding	509,656,034	BDT 10.00	5,097	4,432
Market value added		BDT 25.00	12,741	5,806

MARKET VALUE ADDED STATEMENT-2017

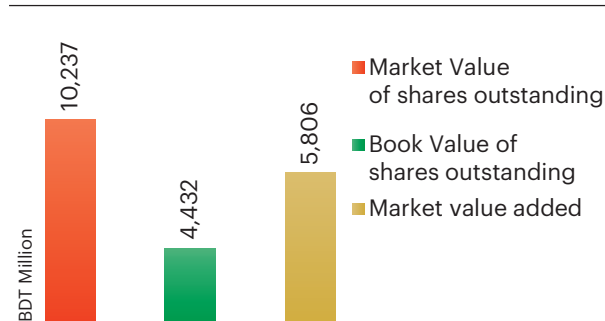


Liquidity Policy:

The liquidity policy of the bank has always been to carry a favorable mismatch in the interest earning assets and interest bearing liabilities in different buckets. Our liquidity remained at optimum levels during the year.

The assets and liabilities committee (ALCO) of the bank monitors and maintains a satisfactory trade-off between liquidity and profitability.

MARKET VALUE ADDED STATEMENT-2016



Dividend Policy:

The dividend policy of the bank has always been to pay a satisfactory dividend to its shareholders. As per Bangladesh Bank Guidelines, we have to maintain provision capital as capital & reserve required by Revised Risk Based Capital Adequacy 10%; minimum of Risk Weighted Asset (RWA) of the Bank also capital conservation buffer.

Considering the performance of the bank the board has recommended stock dividend of 12.50% for the year 2017 maintaining minimum capital requirement (MCR) as per Basel-III.