



MANAGEMENT DISCUSSION & ANALYSIS

The Management Discussion and Analysis Report aims to provide insight into the business units as well as related support units of the bank along with financial performance analysis for the year ended December 31, 2017, compared with the previous year and future strategies.

PERFORMANCE ANALYSIS WITH THE MANAGEMENT

Accounting for changes in reporting standards

As is applicable, we adhere to the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRS), for our reporting framework, except the circumstances where the local regulations differ and supersede the standards. These are listed in details in note 2.22 of the notes to the consolidated and separate financial statements as presented in page no. 246 of this Annual Report.

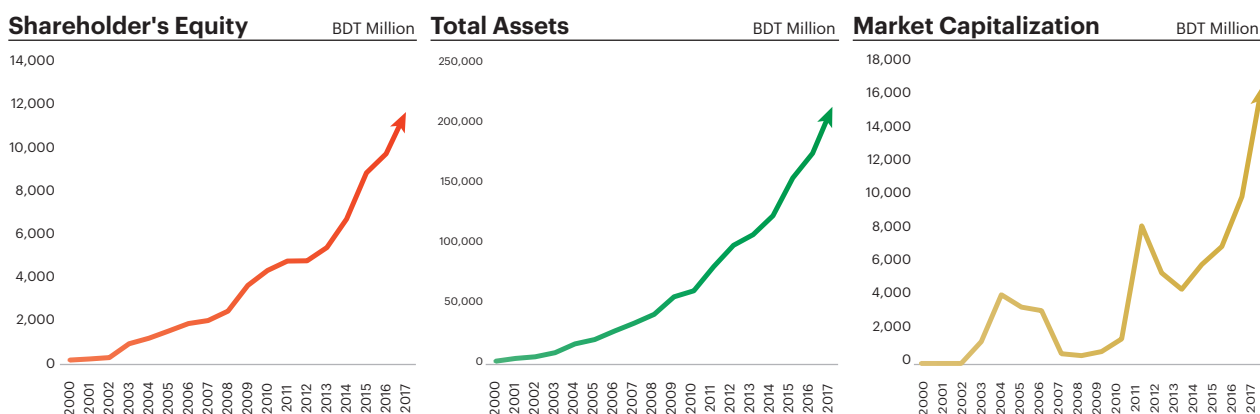
Two new financial reporting standards BFRS 9 Financial Instruments and BFRS 15 Revenue from Contracts with

Customers have come into effect from January 01, 2018. We would be incorporating as and where they will be applicable for us; keeping in mind the scope to which they would be permissible by our prime regulatory authority - Bangladesh Bank.

The fundamentals of our business strategy

MTB has delivered a strong performance in 2017, thanks to our robust customer-focused approach, sound capital allocation strategy and a sustainable growth platform that enabled us to mitigate earnings volatility and report consistent growth.

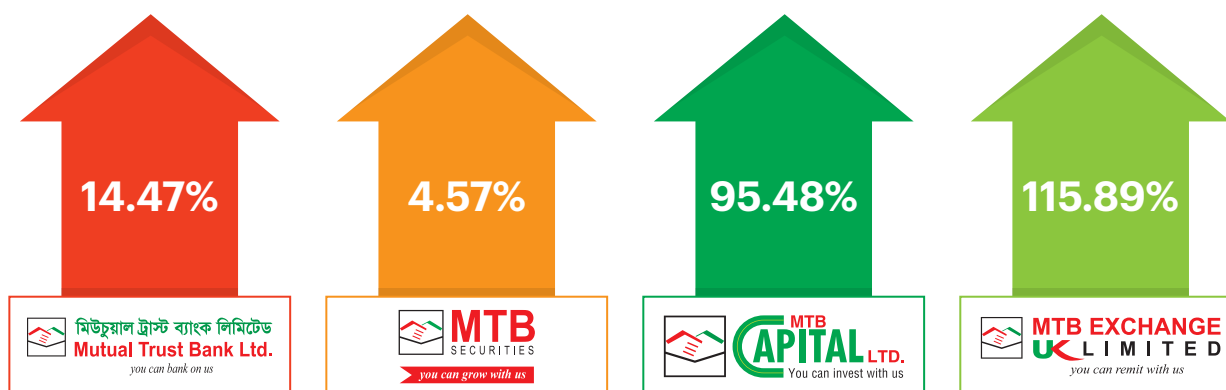
This is reflective in the sustainable growth trends of our Net Profit, Total Assets and Market Capitalization which have registered cumulative growth rates of 18%, 42% and 66% respectively over the last 3 years.

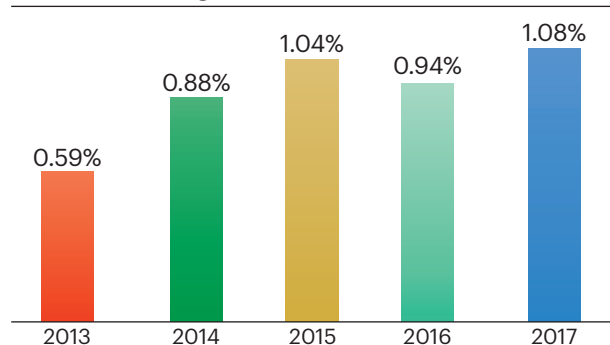
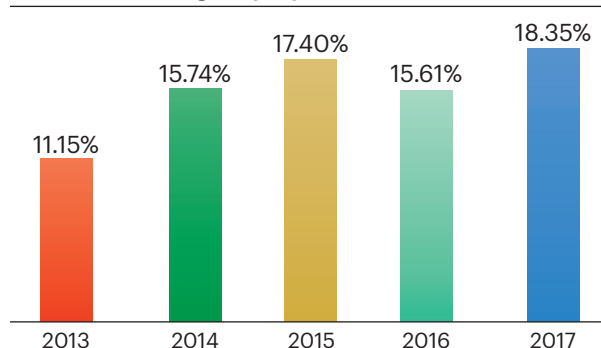


Over the years, MTB's successive management teams have demonstrated keen foresight into industry trends and have taken timely decisions regarding key strategic maneuvers. This has enabled us to gain foothold across a well-diversified range of businesses in the financial sector. Moving forward to current

times, our multiple business verticals allow us to strategically balance our focus over different fronts to take advantage of potential opportunities, enabling us to maximize our Return on Equity (ROE).

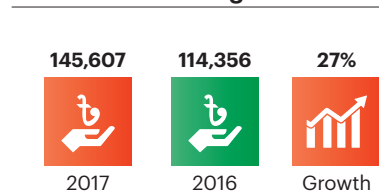
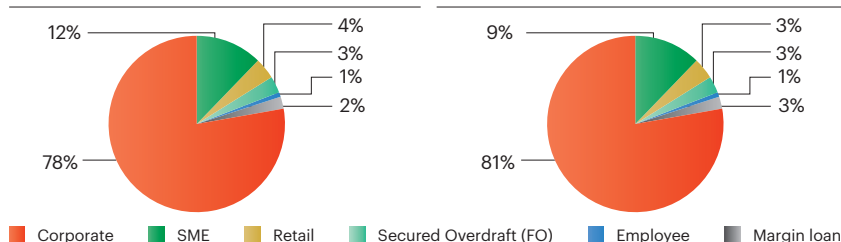
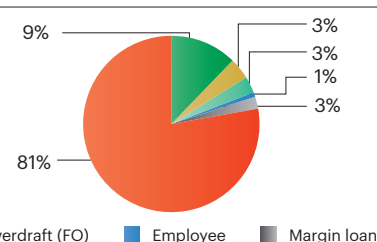
Growth in Operating Profit MTB & Subsidiaries



Return on Average Assets (ROAA)**Return on Average Equity****Lending Business Review**

Our total loan book, the core driver of our lending business, has increased by 27.33% and now stands at BDT 145,607 Million. A total of 26,692 new clients were

booked and we were able to grow our Net Interest Income by 11.07% to BDT 4,308 Million in 2017. This came despite a tightening of our margins, resulting from a 48 bps fall in our Loan Deposit Spread over the year.

Total Lending BDT Million**Portfolio Mix 2017****Portfolio Mix 2016****In-Depth Review of Our Financial Capital****What it entails**

Our financial capital includes our monetary resources, which have been contributed by our investors and are being enhanced through our business activities. Our key sources of financial capital comprise of equity, debt and term deposits besides other sources of funds.

**What it entails**

Returns generated by our business enhances our financial capital, which in turn is used to repay our investors with dividend payments and the rest retained to aid business operations and growth through enhancing other capitals.

Material Aspects

Revenue Mix



Cost Optimization



Quality Asset Growth



Funding Strategy



Capital Management

HighlightsAchieved **35.31%** growth in net profitRetained cost to income ratio at **53.82%**Restricted NPLs at **4.3%**Obtained Loans & Advances growth of **27%**Raised Tier-II capital taking CAR to **13.76%****Challenges**

- Competitive pressures affecting both asset and liability sides
- Interest rates bottoming out and lending rates being stickier than cost of funds, leading to poorer margins
- Management of operating expenses

Responses

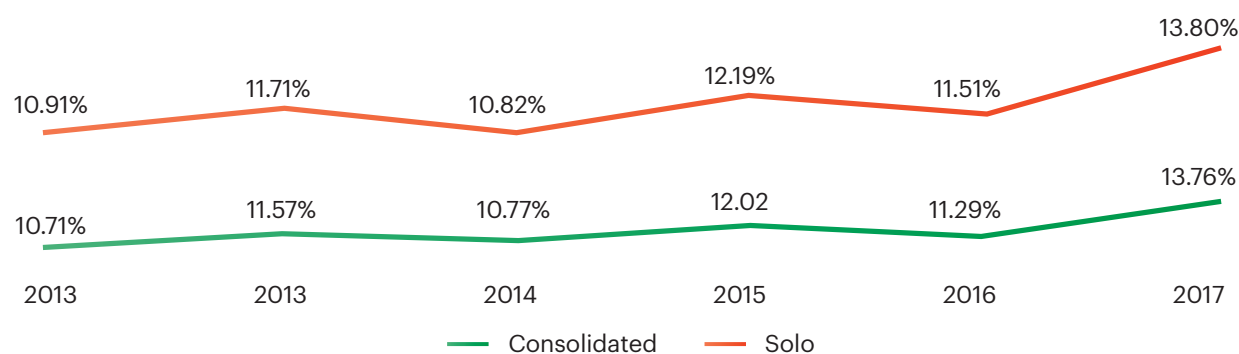
- Added new products targeting different customer needs, further improved customer service and ensured efficient fund-sourcing
- Re-arranging deposit and advances portfolio mix for reducing cost of fund and increasing yield on advances respectively
- Improved operating efficiency through process optimizations

CAPITAL ADEQUACY RATIO

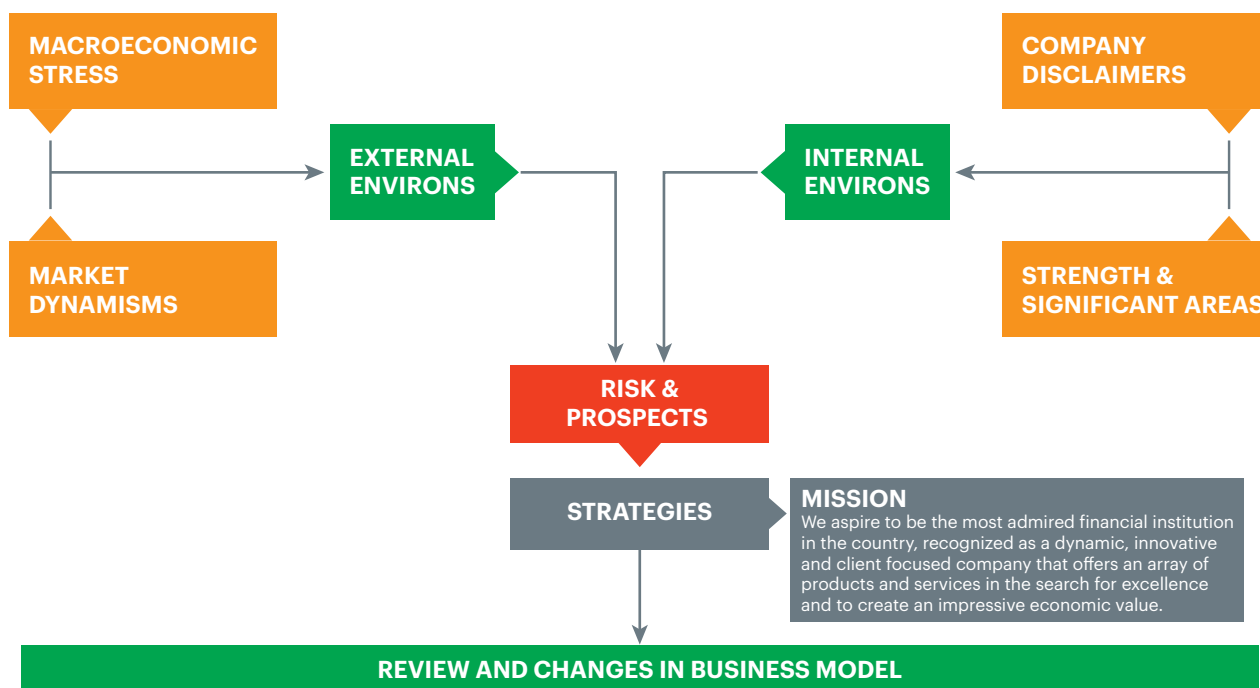
Financial Institutions (FIs) are required to maintain a minimum capital adequacy ratio of 10%. As per the Bangladesh Bank Prudential Guidelines on Capital Adequacy and Market Discipline for Financial Institutions, At the end of 2017, capital adequacy ratio of the group stood at 13.76%.

	BDT Million	
	Consolidated	Solo
Common Equity Tier-1 (Going-Concern Capital):		
Paid-up Capital	5,096.56	5,096.56
Statutory Reserves	3,622.22	3,622.22
General Reserves	616.78	616.78
Retained Earnings	1,722.35	1,632.48
Non-controlling Interest	0.12	-
Total	11,058.03	10,968.04
Regulatory Adjustments:		
Goodwill and all other Intangible Assets	101.35	101.35
Deferred Tax Assets (95% of DTA as per BB Guideline)	889.11	889.11
Reciprocal Crossholdings in the CET-1 Capital of Banking, Financial and Insurance Entities	0.10	0.10
Total	990.56	990.56
Total Common Equity Tier -1 (Going-Concern Capital)	10,067.48	9,977.48
Additional Tier-1 Capital	-	-
Total Tier-1 Capital	10,067.48	9,977.48
Tier-2 Capital (Gone-Concern Capital) :		
General Provision including Off Balance Sheet items	2,605.73	2,605.73
Revaluation Reserve on Investment in Securities	260.14	260.14
Subordinated Debt	6,239.20	6,159.21
Total	9,105.06	9,025.07
Regulatory Adjustments:		
Revaluation Reserve for Fixed Assets , Securities & Equity Securities	156.08	156.08
Total Tier-2 Capital (Gone-Concern Capital)	8,948.98	8,868.99
Total Regulatory Capital (Tier-1+Tier-2)	19,016.46	18,846.47
Total Risk Weighted Assets	138,224.49	136,597.10
Capital to Risk-weighted Assets Ratios (CRAR) (%)	13.76%	13.80%

Capital to Risk-weighted Assets Ratios (CRAR) (%)



OPERATING FRAMEWORK AND RISK MANAGEMENT



Remaining ahead involves constant review of our external as well as internal environs. Working in the financial services industry, MTB is exposed to several stress and risks both externally and internally. However, with around two decades of rich experience, the company has witnessed several industry cycles and hence has developed and fine-tuned a risk identification and mitigation framework that protects the company from adverse risks, enhances operating viability and ensure the sustenance of its business.

We have provided a detailed analysis of the competitive intensity we face while operating in Bangladesh's dynamic financial services industry and how the environment and competitive pressures evolved over the last one year. We have also articulated the strategies and programs that we have in place to successfully face those pressures and uncertainties in order to minimize, to the extent possible, the risks that we are exposed to.

MACROECONOMIC FEATURES AFFECTING THE INDUSTRY

Macroeconomic Dimension	Impact on the Industry	MTB's Front	Evident in
POLITICAL			
<p>Stable political environment with looming uncertainty</p> <p>We have experienced relatively calm and stable political environment over the last 2-3 years. However, with the general election looming in 2018 there has been anticipation of potential political unrest</p> <p>Policy continuation on developing infrastructure</p> <p>With the stability in the political front, there has been continuity in government policies and priorities have been given on developing infrastructure including large outlay on building bridges, roads and power generation.</p>	<p>Investments expected to gain further traction amidst potential hiccups under short-term uncertainties</p> <p>While the investment to GDP ratio increased to 30.12% from 29.98% a year ago, it has largely been driven by public investments'. However, with most of these massive public investments going to the development of infrastructure, it is anticipated that private investments will soar as well. This means that the vibrancy experienced in the industry is expected to continue in the future with a few bumps and stresses along the way.</p>	<p>We have seen businesses on our coverage doing very well last year riding on low borrowing cost coupled with robustness in demand.</p> <p>Demand for retail financing (both consumer loans and small individual driven business loans) remained robust as well throughout the year.</p> <p>While real estate prices remained stable, demand for real estate financing increased on the back of a low interest rate scenario.</p> <p>Our focus will remain on quality acquisition, diversification of exposure and regularizing default accounts.</p> <p>Long-term strategy:</p> <p>Diversify sector exposures and focus on thrust sectors to go beyond leveraging current political stability and cushion against future uncertainties.</p>	<p>Message from the Chairman</p> <p>CEO's Statement</p> <p>Financial Capital (Portfolio growth, NPL)</p> <p>Risk (sectorial exposure)</p> <p>Strategy & Resource Allocation</p>
ECONOMIC			
<p>Continuation of strong GDP growth and expansionary monetary policy</p> <p>In FY17, GDP growth remained strong at 7.28% amidst political stability and growth friendly policies and programs from the government. Monetary policy remained expansionary throughout the year. However, remittance growth declined and import bills kept increasing throughout the year 2017 as both import volumes and import prices increased with the rise of global commodity prices and in the aftermath of the devastating flood that massively damaged crop production.</p>	<p>Considerable excess liquidity in the system at the start of the year gradually decreased, with 19.6% credit growth in 2017 vis a vis only 11% deposit growth.1</p> <p>On the back of a significant gap between the deposit rates in scheduled banks and the rates offered by National Savings Certificates (NSC), with the banking rates significantly lower, savings continued to flow to the NSCs.</p> <p>Some of the private banks extended lending activities aggressively despite not having enough growth in deposits and resultantly breached the regulatory limit of Advance Deposit ratio. This caused a scrap among banks and FIs for deposits in Q4 2017 and a subsequent increase in the deposit rates. This increase in Deposit rates is expected to continue till the market comes to an equilibrium whereby deposit rates of savings approach closer to the rates offered by NSCs.</p>	<p>MTB has been facing stiffer competition, takeover attempts and margin reduction as a result of too many institutions floating on excess liquidity and effectively starting a price war in the market.</p> <p>It therefore, makes even more sense for the bank to concentrate on growing strongly in the SME segment, which offers good returns, through improving its reach to those in financing need.</p> <p>If the deposit rates go up as expected, there will be massive pressure on the Net Interest Margins for all Banks and FIs. Most of the effect of this increase can be passed through as the majority of the lending book of MTB is of a floating rate. However, this will require to be executed with great caution and precision.</p> <p>Long-term strategy:</p> <p>Focus on improving value added to clients through service and product offerings.</p>	<p>Business Segment Review-SME</p> <p>CEO's Reflections (growth in credit vs. deposits)</p> <p>Performance Analysis with the Mgt.</p> <p>Committee</p> <p>Intellectual Capital</p>

Macroeconomic Dimension	Impact on the Industry	MTB's Front	Evident in
SOCIAL			
<p>Improved standard of living and access to information</p> <p>The country achieved lower middle income status in 2015, with a per capita income of \$1,3141 and resultantly, the standard of living has improved. With the advancement in communication technology and increase in internet penetration, individuals are now becoming more aware of market variables.</p>	<p>The rising middle income population, expected to reach 35mn by 2025, will be the driving factor for the increase in local consumption demand.</p> <p>With purchasing power increasing in this group, so will their needs for financial products grow in the form of requirements for Home Loans, Small Business Loans and other consumer finance products.</p>	<p>MTB's strategy to expand its SME business to further granular level dovetails very well with this development.</p> <p>The growth of the middle income segment will not only be concentrated in Dhaka or other large cities, but also throughout different other regions. MTB will address this demand through opening small distribution centers all over the target regions.</p> <p>MTB plans to introduce specific Home Loan products aimed at the middle-class segment in 2018 and distribute this product throughout the country to capture the opportunities thereby.</p> <p>MTB plans to introduce new products for student banking</p> <p>Long-term strategy:</p> <p>Focus on superior segmentation, targeting, product innovation and excellent customer relationship management.</p>	<p>Performance Analysis with the Mgt.</p> <p>Committee</p> <p>Strategy & Resource Allocation</p>
TECHNOLOGICAL			
<p>Opportunities, risks and impact in changing clients' expectation dynamics</p> <p>Technology has brought in new ways of process innovation and data-driven decision making.</p> <p>However, it also comes with risks and challenges.</p> <p>On the business end, its advancement has made customers more sophisticated and has altered expectation levels.</p> <p>Customers worldwide are doing away with physical interaction and are more comfortable to interact and be served digitally. However, such a transformation is taking place slowly in Bangladesh.</p>	<p>Improved technological platforms to meet customer demands with possibilities of disruption by Fintechs looming in the horizon</p> <p>So far, the technological improvements in the industry focused mainly on increasing control, bringing operational efficiency and managing scale. However, we have recently seen efforts from select institutions in digitizing customer interactions and customer experience management. This is expected to become the trend as more and more organizations try to adopt technological innovations to increase customer satisfaction. However, the threat of Fintech companies to enter the market in Bangladesh is not imminent due to the current stance of the regulatory establishments.</p>	<p>MTB has made great strides in building a holistic technology based platform to increase operating efficiency through the Core Banking System and the support systems that have enabled the total loan generation to disbursement process to be completed digitally.</p> <p>The focus for 2018 will be to implement new CBS for the bank and its customer facing employees by equipping them with all information and system access they need through hand held smart devices.</p> <p>MTB will also strive to introduce web based customer service platform to enhance service.</p> <p>Long-term strategy:</p> <p>Investment in technological advancement to continue going forward, while maintaining proper checks in weighing benefits over costs and ensuring adequate research on all possible alternatives.</p>	<p>Statement of Risk Mgt.</p> <p>Intellectual Capital</p> <p>Strategy & Resource Allocation</p>

Macroeconomic Dimension	Impact on the Industry	MTB's Front	Evident in
ENVIRONMENTAL			
<p>Increasing global focus on promoting green & environmentally-responsible businesses and sustainable financing</p> <p>This has shaped up as an outcome of the increasing threat on the environment.</p>	<p>Regulatory encouragement not always enough to spur the borrowers</p> <p>There has been a sharp increase in regulatory focus on sustainable financing. Separate refinancing fund earmarked by the Central Bank for green financing offers a good window of opportunity to strengthen our green financing activities. However, not all promoters/factory owners are ready to accept greener technology as they, many of the times, do not necessarily realize the long term cost savings that accrues through the upfront investment in sustainable technology, and there is a sense amongst many that it is only feasible through an extremely low cost subsidized financing.</p>	<p>MTB is committed to sustainable development through the creation of long-term value - for our stakeholders, for the environment and for the community.</p> <p>Our focused green banking unit has been performing well since its launch in 2014, although it took a hit in 2017 owing to a slowdown of new disbursements under green financing schemes due to narrower interest rate difference amidst low lending rates in the market. However, it is expected to pick up pace again as interest rates are expected to see gradual rise.</p> <p>MTB improved its Environmental and Social Management System (ESMS), which was launched with support from the DEG of Germany in 2017.</p> <p>Long-term strategy:</p> <p>Grow portfolio through green banking efforts to reduce carbon footprint, leverage on soft loans and create a culture of responsible financing within the financial sector.</p>	<p>Natural Capital (Green banking, ESMS)</p> <p>Business Segment Review – Green Banking</p> <p>Strategy & Resource Allocation</p>
LEGAL			
<p>Improvements made towards regulatory compliance and control</p> <p>Industries are faced with tighter rules and regulations and application of laws are more uniform and stringent, translating into a more level playing field.</p>	<p>Financial institutions are, understandably, subjected to greater scrutiny by the regulators to ensure safety of the deposits made by the general public.</p> <p>The focus has correctly been on strengthening the foundation of Financial Institutions through strict implementation of capital adequacy parameters, stress testing and other ALM indicators.</p>	<p>MTB's history of strict legal and regulatory compliance places it in a good position within the financial services industry.</p> <p>Close communication is maintained with regulators and trade bodies to carry out a supportive and participatory role in policy discussion.</p> <p>Separate compliance team ensures compliance across the Group.</p> <p>Long-term strategy:</p> <p>Continue to set the benchmark as a compliant institution through assisting regulators and ensuring organization's values such as integrity, trust and respect are followed in practice by every employee.</p>	<p>CEO's Statement</p> <p>Performance Analysis with the Management.</p> <p>Statement of Corporate Governance</p>

Supplementary details of the 2017 economy and business environment relevant to MTB:

- Private sector credit posted staggering growth of 18.13% in 2017 while deposits grew by 10.22%, such divergence in growth rates resulted in substantial fall in excess liquidity in the banking system and put an upward pressure on the interest rate in the later part of the year
- Inter-bank call money market remained stable throughout the year. Monthly average call money rate remained in the range of 3.50% to 3.93% in 2017
- Widened trade deficit due to sharp rise in imports, coupled with moderate growth in exports and remittances pushed the current account balance into negative territory which exerted downward pressure on foreign exchange rates. BDT depreciated by 5.08% against USD in 2017
- Foreign exchange reserves dropped marginally to 33.2 billion in Dec'17, after hitting record high of BDT 33.6 in Aug'17
- Point to point inflation increased to 5.83% in Dec'17 from 5.03% a year ago

OVERVIEW OF MTB DIVISIONS

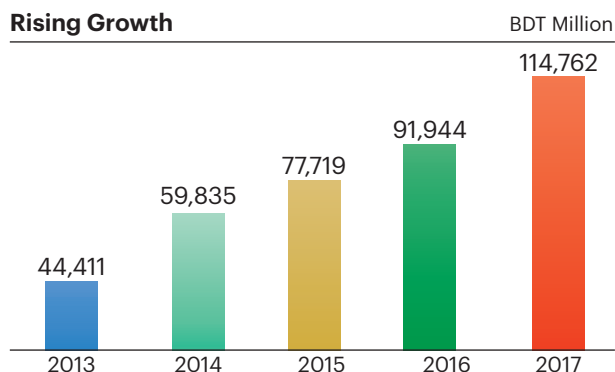
WHOLESALE BANKING

The economy of the country continues to show strength and is enjoying its brightest growth spell in over a decade. Bangladesh achieved 7.2% GDP growth in FY 2017, exceeding forecasts. The economy is expected to grow at 6.9% in the current fiscal year (FY 2018) while inflation will remain within 6%, according to latest reports of the Asian Development Bank (ADB). Growth in FY 2017 was higher than expected as consumption picked up in response to rising income, higher public investment, and lower than projected inflation. While consumption was a major positive macroeconomic driver, growing trade deficit and declining inward remittance adversely impacted the current account deficit. Foreign exchange reserves stood at USD 33 billion at the end of 2017.

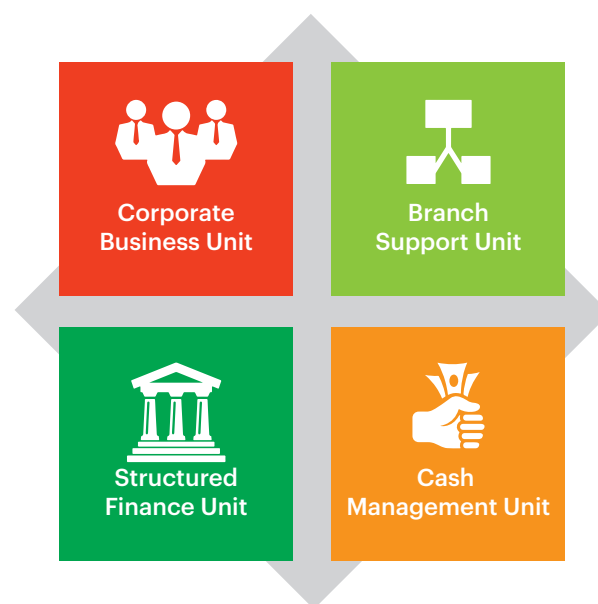
In the year 2017, major impediments to economic growth are similar to those of previous years - high income and wealth inequality, inflation on basic commodities, financing of budget deficit, rising non-performing loans (NPL), weak governance amid crisis in the banking sector, and lower remittance inflow. Alongside price and macro-financial stability, Bangladesh Bank's (BB) monetary policies embrace inclusivity and environmental sustainability in pursuit of creating employment aligned with the government's Sustainable Development Goals (SDG). Despite the central bank's attempt to improve performance of the banking sector, improvements are not visible yet.

Despite challenges in both the domestic and global markets, MTB's Wholesale Banking Division (WBD) has played a pivotal role in booking and nurturing corporate businesses since its inception characterized by innovative products and dynamic relationship management as well as branch banking network. They are marking their footprints from across a range of industries including RMG, Textiles, Manufacturing Industries, FMCG, Power, Poultry, etc. with wide range of banking and financial services provided to domestic and international operations of large local corporates and local operations of multinationals corporations. Services include access to commercial banking products, including working capital facilities such as domestic and international trade operations and funding, channel financing, and overdrafts, as well as domestic and international payments, term loans (including external commercial borrowings in foreign currency), letters of guarantee, etc.

Rising Growth



MTB's Wholesale Banking Division is comprised of four functionally-discrete units.



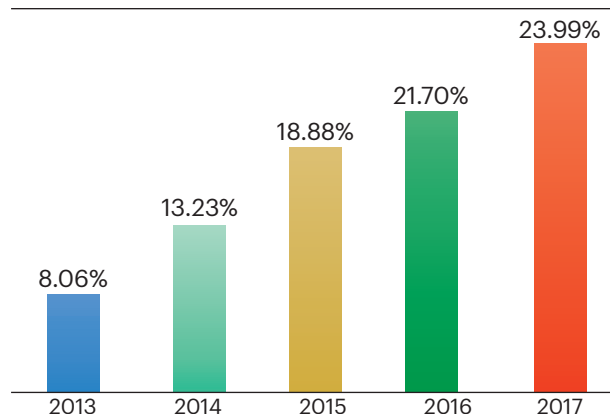
CORPORATE BUSINESS UNIT

The Centralized Corporate Business Units drive all marketing initiatives of WBD. Dedicated relationship managers follow a pro-active and integrated approach to not only book new clients but also service the various business needs of existing clients by collaborating with product, business, and service partners. This one stop business solution unit is an integration of several Relationship Managers (RM) units. Analyzing current economy, forecasting future business growth and setting up and whetting their business strategies accordingly are the key driving

aspects of the immense success of this business unit. They proactively communicate with the clients, negotiate and close-off deals and ultimately bring businesses to MTB. To ensure their vast business portfolio enlarges and prevails, they have to perform multitasking roles. They spot on the requirement of their corporate clients, prepare the conferred credit proposals by performing all the necessary analysis and successfully put through the business deals. Penetrating into emerging and sustainable markets is another essential attribute of this unit. Apart from ensuring a strong presence in the already developed corporate segments, they are quite aspirant to be the frontrunner in eco-friendly business projects. Results of which have propelled their enviable presence in this business segment marked by financing most of the LEED (Leadership in Energy and Environmental Design) certified indigenous textile projects.

Combined, the Corporate Business units contribute around 24% of the total business portfolio of MTB. Major bookings in 2017 include Palmal Group, Summit Group, MGH Group, Berger Paints, Hatil Group, Altech Aluminum Industries Limited, Renaissance Barind Limited, Pretty Group, and Shahriar Steel Mills Limited.

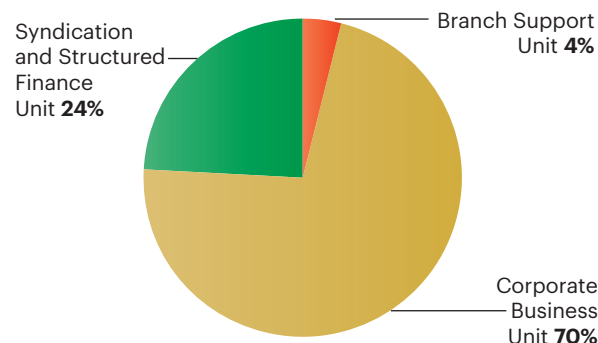
Year-Wise CBU Contribution



BRANCH SUPPORT UNIT

Historically, MTB has been operating through branch-banking business model and as such the branch support unit provides structuring, approval, monitoring and compliance support to clients booked in MTB branches in its business pursuits. This unit takes presence in its geographically diversified portfolio comprising of all major sectors across the country and act as the central processing hub for widespread branch network of MTB. Providing with state of the art services within shortest possible time has uplifted the image of this unit to the apex of success. Branch Support Unit is now successfully maintaining a staggering business portfolio of BDT 83,224M which is 70% of total corporate asset size.

2017 Funded Outstanding



STRUCTURED FINANCE UNIT (SFU)

Structured finance solution is the key driving aspect of this unit. SFU caters all corporate clients by offering tailored business solutions. Taking the role of Lead Arranger, Co-Arranger, Participant Lender, Agent or Trustee has accelerated the process of keeping their footprint in all major business sectors. They raise money through debt or equity instruments, diversify the risk of large scale investment and enable bank to earn big ticket funded and non-funded income by offering short term and long term facilities. This unit offers great flexibility in terms of maturity structure, security design and asset types, which allows issuers to earn augmented returns at a customized degree of diversification compatible with an investor's appetite of risk.

- Acting as Lead Arranger, SFU has arranged long term foreign currency loan of USD 36.0 million for financing a hotel project of Bengal Group which has been jointly financed by Multi-laterals such as IFC and FMO.
- Acting as Lead Arranger, SFU has arranged syndication term loan of USD 16.68 million for financing the expansion of garments project of Agami Apparels Ltd. (a concern of DEKKO Group).
- Under SFU's initiative, MTB is enjoying a total limit of USD 24 million from Asian Development Bank (ADB) under its trade finance program (which includes ADB's own limit plus limit from its risk distribution partners).
- SFU is working for arrangement of USD long term fund from different Multi-laterals like DEG, NORFUND, FMO, IFC, and others.
- MTB is actively involved in offering long term financing to its customers in USD under Bangladesh Bank's Financial Sector Support Project funded by the World Bank. So far MTB has

received approval for facility over USD 35.0 million for its various clients from Bangladesh Bank and disbursement is on-going.

- As part of the SFU's ongoing effort to increase liquidity/funding sources both in USD and BDT form, the unit signed (i) agreement under on-lending/refinancing arrangement with Bangladesh Bank for Green Transformation Fund (GTF) (ii) Agreement under on-lending/refinancing arrangement with Bangladesh Bank for Urban Building Safety Project funded by Japan International Cooperation Agency (JICA) for strengthening factories of RMG sector and private commercial buildings in Dhaka District, Gazipur District, Narayanganj District and Chittagong city.

CASH MANAGEMENT UNIT

This unit is committed to provide best-in-call tailored cash management service to the corporate clients and institutions that truly complement their financial requirements. Leveraging on superior technological platform, we offer tailored banking services, using a variety of advanced collection and payment solutions, to achieve a balanced level of liquidity and return for business operations. With vast banking network, customized reporting and MIS, web based and internet banking facility, MTB Cash Management Service delivers effective management of payable and receivables with reconciliation ease. Distinguished services this unit offers are-

MTB Nationwide Sales Collection (MNSC) – This service is formulated to facilitate large corporate clients to collect their funds through MTB's own branch network and credit the same to their single collection account maintained with MTB. It facilitates the large corporate clients by providing faster funds availability in a cost-effective manner.

MTB Capital Market Operation – This dynamic feature is structured to facilitate any organizations or company to provide Lead Banker role for IPO and Right Share Collection, who is listed in DSE and CSE.

MTB Web-based Banking Service – This unique offer is formed as a middleware between service provider's core system and service receiver's core system. That is, once a transaction is done at any MTB branch, the entry will be directly reflected on receiver's core software. This service also includes management of information system, just-in-time transaction reflection, error-free and embedded reconciliation facilities.

PRIORITIES IN 2018

Although the economy will have to contend with some strong market determinants like liquidity crisis, volatile currency exchange rates, rising inflation, it appears unlikely that it will derail stronger economic momentum. To cope with these challenges following measures are to be taken:

FINANCIAL HIGHLIGHTS

LOANS AND ADVANCES

Growth + 27.33%

2016: BDT 114,356 M
2017: BDT 145,607 M

INTEREST INCOME

Growth + 6.85%

2016: BDT 11,381 M
2017: BDT 12,161 M

INTEREST EXPENSE

Growth + 4.66%

2016: BDT 7,503 M
2017: BDT 7,853 M

FEES & COMMISSION INCOME

Growth + 28.50%

2016: BDT 1,228 M
2017: BDT 1,578 M

- The foremost priority in 2018 is to ensure best possible services to the existing relationships by reviewing and reinforcing the internal business processes, capabilities and strengthening risk governance.
- To grow further with the good credit relationships – those are already on board according to their requirement. Likewise, WBD will take initiatives for forcing exit of poor asset relationships.
- To attract prominent and flourishing clients for booking new quality asset relationships through extending customized solutions.
- To focus on productive sectors on which our economy's growth is solely dependent, e.g. RMG, Spinning, Textile, Pharmaceuticals and Electronic product manufacturing, etc.
- With the forthcoming opening of a German desk in 2018, SFU can play an instrumental role in driving business not just for WBD but also for the bank. This in turn will further raise the profile of MTB.
- MTB CMU will play a vital role in accelerating inflow of funds, maximizing liquidity, facilitating automated payments and strengthening reconciliation.

Notwithstanding the challenges faced by the economy in 2017, MTB's dedicated resources possess the knowledge and skill to evaluate businesses, assess risks, and offer customized solutions in line with best practices. With focused drive and increased collaboration, MTBians can aspire to achieve MTB's vision, values, and goals in 2018 and beyond.

SME

The increasingly interconnected world economy is transforming rapidly for the companies, as well as for the goods and services they produce. The impact of such transformation is not only on what is traded and how, but also on who is trading it. Large companies continue to dominate international trade, because they have the critical mass, organizational reach and relevant technologies necessary to access and supply to foreign markets. But thanks to the Internet,

the emergence of new business platforms, and the increasing openness of the global economy, many Small and Medium Enterprises (SMEs) now have the potential to become successful and important global traders as well. The SMEs have been playing a key role in the national economies, giving rise to the employment opportunities, uplifting the value addition, contributing to innovation and poverty alleviation.

GLOBAL SMEs AT A GLANCE

Micro, Small and Medium Enterprises (MSMEs) account for over 95% of all enterprises in OECD countries.



On average, 83% of the more than 12 million firms covered by the IFC's MSME Country Indicators are micro firms.

Most of the MSMEs (85% of micro firms and 72% of SMEs) operate in the services sector, and in particular in wholesale and retail trade.



MSMEs account for around 70% of total employment in developing and developed countries alike.

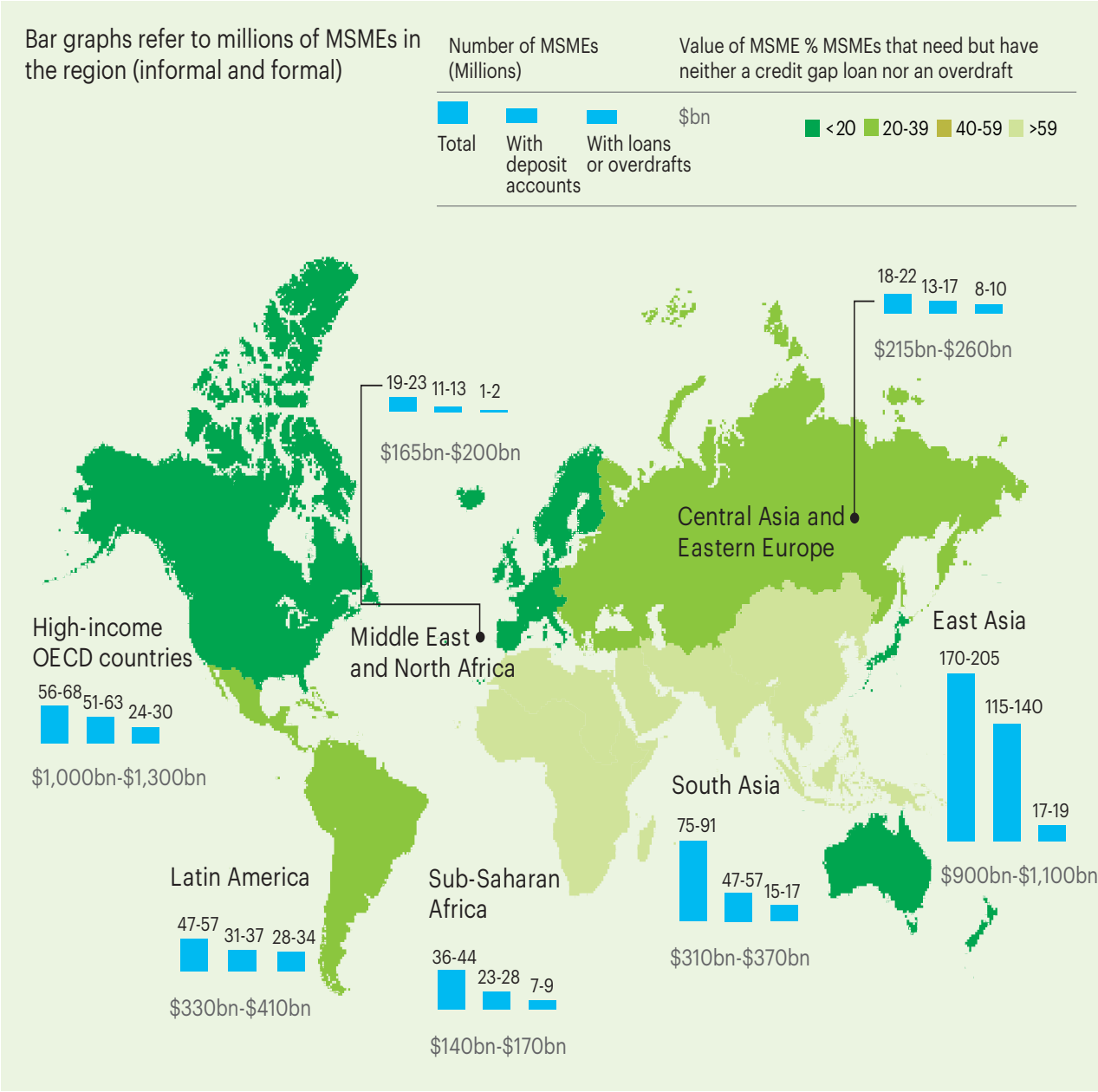
From 2003 to 2017, the SME share of total full-time employees in the formal sector increased to 34.8%.



Walmart started their journey in 1962 with only one retail outlet. Now, in 2017, they have presence in 28 countries with 11,695 stores and serve 260 Million clients per week. They had a total revenue of USD 485.9 Billion in 2017 fiscal year



Journey of Walmart 1962-2017



The significance of SMEs can be clearly observed if we take a look at the contribution of SMEs in different countries. For example, about 97.3% of enterprises in China, 97.3% in Malaysia, 97.5% in Kazakhstan, and 97.7% in Vietnam are SMEs. Furthermore, about 99.4% of enterprises in Singapore, 99.5% in Sri Lanka, 99.6% in the Philippines, 99.7% in Thailand, 99.7% in Japan, and finally, 99.9% in the Republic of Korea are SMEs.

There are a number of examples, where global giants started their journey as mere Confederation Micro, Small and Medium Enterprises (CMSME). The rise and growth of globally recognized Walmart, Honda and Panasonic is the perfect example of how the global operations and recognition of each of these giants started with one outlet or a humble workshop.



1948: The Honda Motor Co., Ltd. is incorporated with 34 employees, 1 million yen capital as a bicycle auxiliary engine manufacturer in a small factory in Hamamatsu.



1949: A iconic product of Honda



2015: Honda Jet deliveries begin

2016: Honda reached the 100 million-unit milestone in cumulative global automobile production.



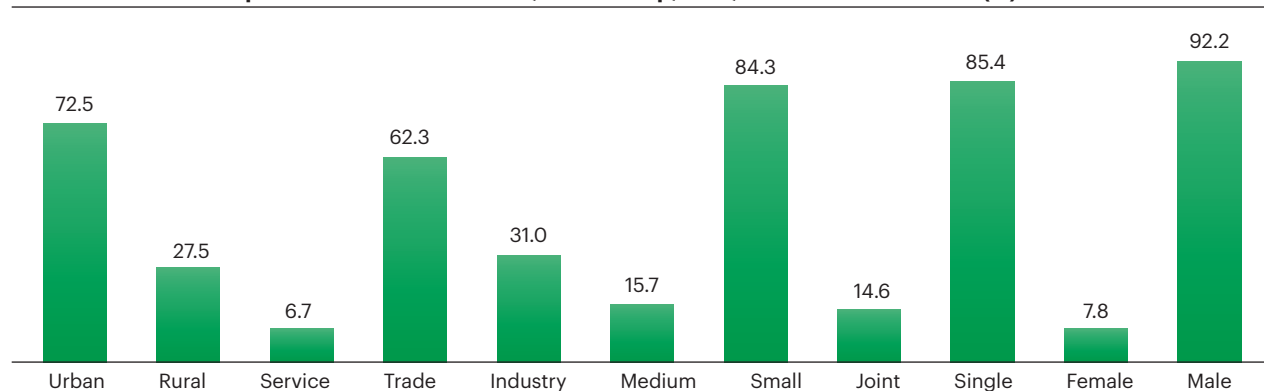
The economic growth of Bangladesh was underpinned by strong economic growth, with 6% plus growth over the decade and reaching to 7.24% in 2016-2017 FY. This rapid growth enabled Bangladesh to reach the lower middle-income country status. The CMSMEs have been contributing about 75% of non-agricultural employment and about 25% to the national GDP, which may reach up to 56.34% if trading and service are included. In Bangladesh, SMEs are playing a noteworthy part in driving economic advancement and generating employment opportunities. About 99% of the formal business enterprises in Bangladesh are SMEs (ADB Institute, 2016). Their total contribution to export earnings varies from 75 percent to 80 percent.

SME loans as percentage of total loans stood at 23.27% at the end of June, 2017 as compared to 23.63% of June, 2016. Total SME loans by the banks and nonbank

financial institutions increased by BDT 222.12 Billion or 13.84% and stood at BDT 1827.05 Billion at the end of June, 2017 as compared to BDT 1604.93 Billion at the end of June, 2016. The increase of SME loans of different category-wise institutions at the end of June, 2017 (shown in the diagram) are in state-owned banks, private banks, foreign banks and non-bank financial institutions as compared to that of June, 2016. While for the specialized banks, it decreased by 49.92% during the same period.

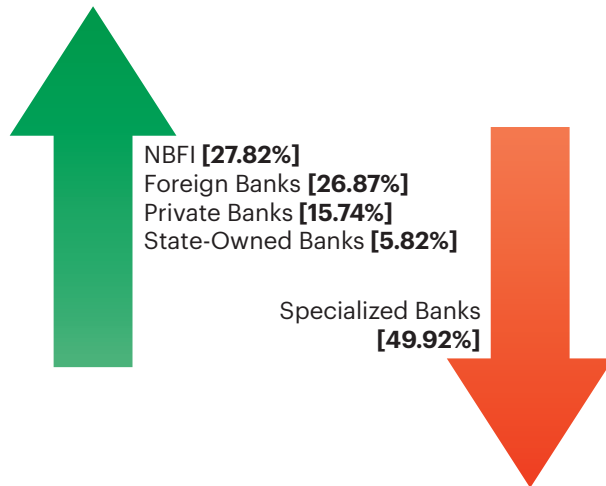
Cluster-based SME entrepreneurship development could be an effective tool to accomplish Vision 2021 which comprehensively paved the milestones for the country on achieving the middle income country status. The goal of touching the double-digit growth depends substantially on the performance of the small and medium enterprises.

Distribution of Enterprises Based on Location, Ownership, Size, Sector and Location (%)

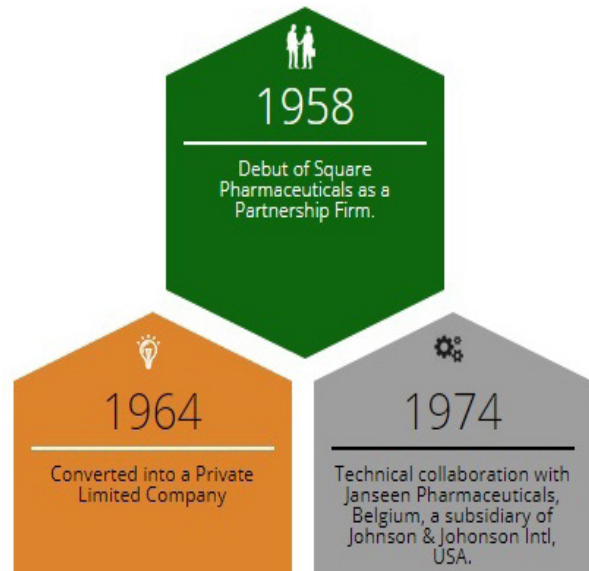


Source: A Survey Report 2016, Research Department, Bangladesh Bank.

In Bangladesh, most of the formal enterprises are small (around 84.3%) and with higher concentration on trade industry (62.3%) and the larger number is located within urban area (72.5%). A recent study shows that, most of the SME entrepreneurs (77.4%) do the banking transactions with private banks, where 72.5% of them are from urban area, specially, 44.6% of them were inhabitants of Dhaka Division.



Unlike the global trend, Bangladesh has seen uprise of group of companies, which started at a micro level but reached to global height within a very short period of time. Square Group is one such prominent example.



A modern factory of Square Pharma at present days

2016-2017 Business Performance and coverage

1958:

Mr. Samson H Chowdhury ventured into a partnership for pharmaceutical products manufacturing with three of his friends in Pabna district.



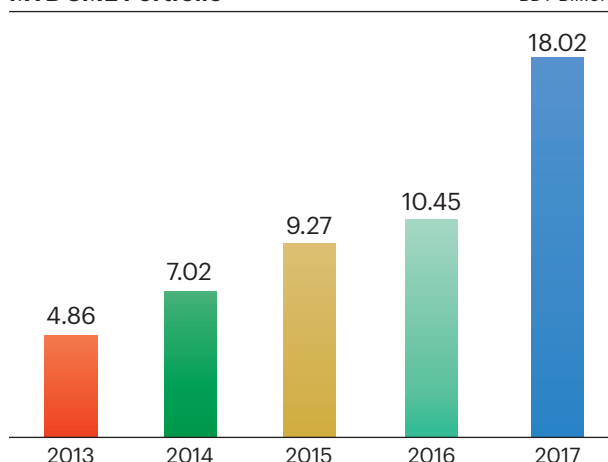
MTB believes that the present CMSMEs are the building blocks of the country's path to middle-income nation. MTB wants to be a proud partner of implementation of the nation's dream by sponsoring the CMESMEs at their early stage and remain a trusted partner throughout their graduation to national to international level. MTB SME Division provides a comprehensive array of loan products and solutions to small and medium enterprises (SMEs) across the

country since its commencement in 2007, helping them meet their longing to accomplish the sustainable business growth.

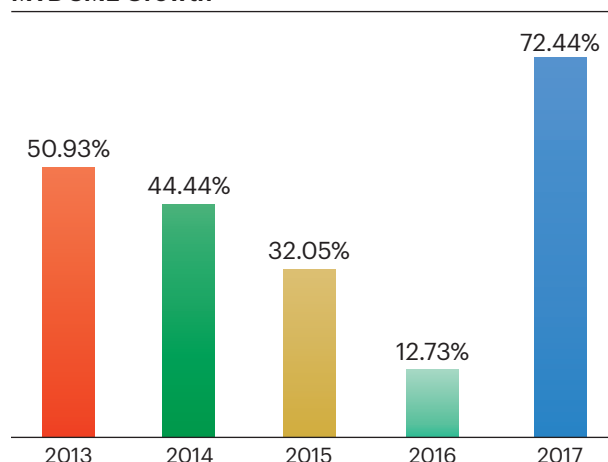
For outstanding contribution to the development of SMEs in Bangladesh, MTB has secured two highly prestigious awards: Women Entrepreneur Friendly Bank of the Year 2014 and SME Bank of the Year 2014 at the SME Financing Fair-2014, organized for the first time by Bangladesh Bank and SME Foundation jointly

MTB SME Portfolio

BDT Billion



MTB SME Growth

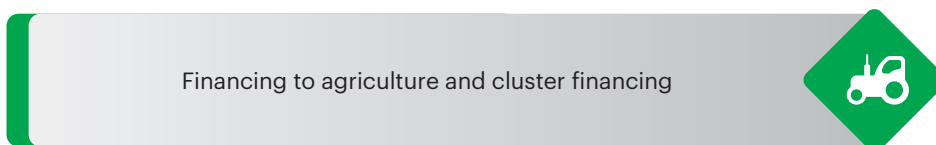


Major Strengths of MTB SME

Dedicated SME business desk at 111 MTB branches



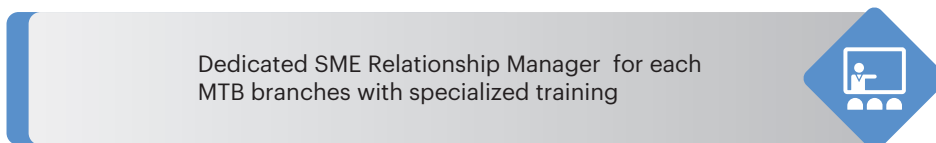
Dedicated 14 SME/Agri branches across the country



Financing to agriculture and cluster financing



SME products specially designed to finance women entrepreneurs



Dedicated SME Relationship Manager for each MTB branches with specialized training

MTB SME business growth has been outstanding, which stood at 72.43% at the end of 2017 compared to that of 2016. MTB SME Division has been focusing on business growth along with maintaining the quality of portfolio and strengthening the MTB SME brand in SME financing of Bangladesh. Recognizing the growing competition in the SME banking industry, the division has made significant investments in technology to

ensure faster and more efficient services to SME clients.

MTB SME Banking Division has been working relentlessly with a diversified array of SME products, keeping in mind the needs of every type of SME business. MTB SME Banking business growth has reached a new height at the end of 2017 with tremendous SME business achievement.

Ettihad Plastic Bag Industries Ltd. located at Indoil, Santahar, Adamdighi, Bogra, was established in 2011 and started full scale operation in 2014. The firm is engaged in manufacturing of different types of PP woven bags (printed) which are mainly used in different agro processing industries, rice mill, flower mill, cement industries, fertilizer factories, chemical

plants, poultry and fish feed industries, salt refineries etc. MTB started financing the factory at project implementation stage, which continues, till now, through working capital finance and non-funded import facility.. The factory is comprised of 30 sets circular looms where daily production capacity is 7067 kg pp woven bags per day.



MTB Agriculture Financing

The unrelenting effort of MTB Agriculture financing is continuing through 14 MTB SME/Agri branches across the country to fulfill varying financing needs of agro-enterprises. MTB Krishi, one of MTB's agricultural products, stood at BDT 398.28 million and the portfolio of MTB Krishijat (RL) was BDT 2,064.83 million at the end of 2017. MTB has been striving hard towards financing in the agricultural sector and, as a result, superseding the agricultural loan disbursement target set by Bangladesh Bank over the last few years.

MTB has been contributing to the agricultural sector through the branches and agent banking centers across the country. The batch lending proposition and disbursement through different clustered farmers' groups (Somobay Samity) for agricultural loan disbursement in the remote areas has been a phenomenal success. MTB is striving to make agriculture more attractive to young people and empower women so they can contribute more.

MTB's Collaboration with MFIs

Microfinance has built a solid track record as a critical tool in the fight against poverty and has entered the

financial mainstream. Microfinance Institutes (MFIs) have a significant outreach to the unbanked or under banked population across the country and they have higher scope to extend the credit facilities to them. MTB has partnered with around 100 MFIs since 2007 in order to strengthen and maximize the cumulative agricultural and rural credit portfolio which is helping MTB to exceed the agricultural loan disbursement target set by Bangladesh Bank.

MTB Inclusive Financing

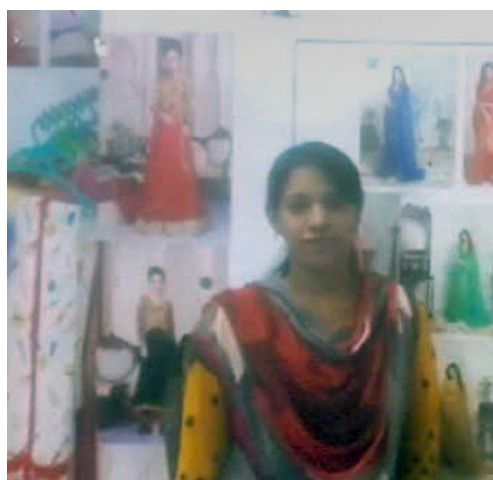
An estimated 2 billion working-age adults globally have no access to formal financial services delivered by regulated financial institutions. Bangladesh Bank is working relentlessly to increase the availability of modern financial services that meet the specific needs of users without discrimination which is the key financial inclusion objective. MTB bridges the gap between the bank and the unbanked people by extending financing to the marginal farmers around the country through 50 MTB agent banking centres. MTB is making modern banking services accessible to rural people offering cost-effective banking services in remote areas of Bangladesh.

MTB Women Entrepreneur Financing



Throughout the world, in any development undertaking of a nation, women's empowerment is an inevitable part of economic development discourse. Women entrepreneurship has been recognized as an important source of economic growth, creating new jobs for themselves and others and providing society with different solutions for management, organization

and business problems. MTB Bhagyabati and MTB Gunabati are two innovative financial products for women entrepreneurs and have a strong presence in SME credit market for their unique features and easy access to financing. MTB is the only bank that offers interest rate of 9% to the Women Entrepreneur under an MoU signed with the SME Foundation.



Mrs. Nahid Akter started her business in 2009 bearing the spirit of patriotism and love for the country (Desh) in mind. She planned to flourish the boutique industry through maximum use of local resources. MTB started financing her business imitative in 2011, with a loan of BDT 0.20 Million. She continued her business through dedication, and in course of time, MTB provided her with a loan limit of BDT 2.00M in 2017 under MTB Bhagyabati loan product. Now she is operating with 15 female employees, a large outlet of 2700 SFT encompassing boutique, beauty parlor, cafeteria and mini Chinese to provide one stop service to her client. She is planning to open 5 more outlets in Dhaka city in near future.

দেশ
একটি কামদেবী

তারিখ:

স্বাক্ষর: _____

দেবতার জন্মশ্রী গ্রহণ করে 'দেশ' নামক নিত্য-২০০৯ মাসের
২০ নতুনদের ফল প্রদানের 'দেশ' এর যাত্রা শুরু। উদ্দেশ্য
৭% দেশীকৃত কাঁচামাল দিয়ে একটি ব্র্যান্ডের সিন্ধুকে
নন্দিত্যবিত্ত করা। যখন সে যুক্ত পয়চনা। নিত্যের মাঝে
গ্রাহক মহোদয়গণ অত্যন্ত পড়ে। এদিকে আসে
'প্রতিষ্ঠান টাইম ট্র্যাক'। ২ মাস চাকা বিনিয়োগ মাসের
নিয়মে পয়চনা শুরু করে। এই বিনিয়োগ ২০০৭ মাসে
২০ মাস চাকা উত্তীর্ণ হয়ে ২৭ মাস চাকা ফিরে বিশাল
পরিমাণে 'দেশ' এর অর্থায়ন।
একই পরিমাণে * ব্র্যান্ড * দেশ পার্শ্ব
* দেশ প্রাণকোষেই এখনি চাইনিজ
এছাড়াও কিছু কপারি, প্রাকৃতিক কপারি, নৈতিক কপারি
কামোৎকর্ষক এবং সিন্ধু কপারি। নতুন নিয়মে 'দেশ' এর
বিনিয়োগ ৮০ মাস চাকা। কর্মসূচি 'দেশ' এ ০৫ জন
নারী যুক্ত কর্মরত আছে। উদ্দেশ্য চাকা মহোদয়গণ
পূর্ণ কামে আসে ও চাকা পার্শ্ব 'দেশ' নামক প্রতিষ্ঠান
করা।

DESH
দেশ
Proprietor

৩১৮, হাজী সালাউদ্দিন চাওদার, ২য় তলা, দলিলা রোড, ঢাকা-১২০৬

MTB Green Finance

As a responsible corporate entity, MTB has a strong commitment in developing the field of sustainable energy finance of Bangladesh. MTB has been playing an important role in the banking diversity through providing the access to finance for SMEs in the green economy. MTB has a dedicated product, MTB Green Energy Loan, which is an environment friendly Green Credit product that enables the prospective customers to set up renewable energy projects such as solar, biogas, wind, hydro and any other potential renewable

plants covering environment friendly technologies i.e. modern technology in brick kiln, ETP in factories and help reduce the carbon footprint of the country.

MTB SME Banking Products

MTB SME Banking Division offers a number of diversified products as shown below keeping in mind the wide-ranging needs of micro, small and medium-sized enterprises (MSMEs) and special business segments like agro based industry, renewable energy, light engineering and MFIs.

RETAIL BANKING

Rapidly increasing use of modern technology has enhanced both the reach and accessibility of banking services across the country. A significant part of the banking industry growth can be awarded to the surge in retail banking arena. Bangladeshi banking industry has been witnessing a steep growth in the uptake of retail sector for the past 5-6 years. Retail banking has been growing at double-digits for the past few years, riding on the growing middle-class.

Retail banking typically focuses on consumer oriented banking and financial service products, including checking, savings, money market instruments, personal loan, residential home loans, and business loans. Retail banks are typically located in areas that are accessible and convenient to serve a broad base of prospective and existing customers.



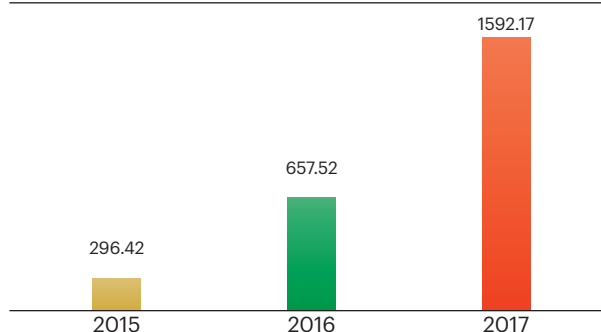
In recent years, the way consumers are discovering, analyzing, buying, and engaging with the products experience, has shifted significantly. Consumers have taken control of their purchase process. Specially in retail banking industry, the customers have a wide range of options of retail products and services with different features offered by the banks.



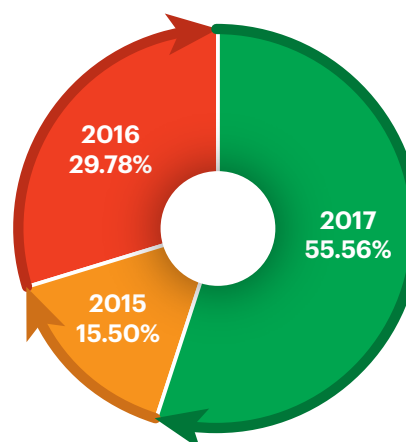
MTB Retail Banking Highlights

MTB has been maintaining a swift progress in becoming one of the paramount private banks in the banking industry of Bangladesh. MTB has invested significantly establishing more branches, ATMs, agent banking centres around the country in recent years focusing on the retail market base. Though the bank has been emphasizing the wholesale banking, a number of long term strategies were placed in motion with a view to increasing the retail banking growth keeping in mind the extreme competition in the market. With vigorous and relentless support from Retail Banking Division, MTB Branches, Retail Relationship Managers, Payroll and Privilege Banking network, MTB has achieved BDT 1592.17 million growth in its retail lending portfolio in YTD 2017.

MTB Retail Portfolio Yearly Growth Volume BDT Million

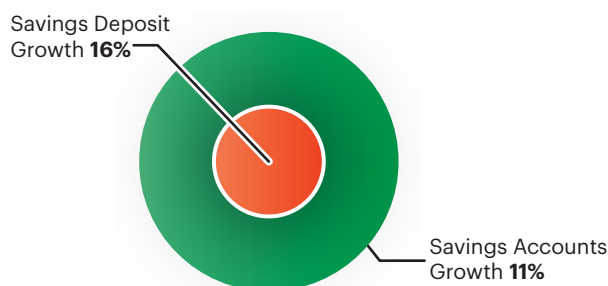


A continuous strive towards the excellence in the long standing customer relationship with tailor-made retail products and services has been helping MTB become one of the leading retail banks in Bangladesh. The Retail Banking Division will continue its pursuit of outstanding growth in the coming years introducing more retail products matching the growing needs of the retail clients.



The Retail Banking Division of MTB offers a number of deposit products, loan products and MTB cards to the customers through its 111 branches, direct sales team, payroll, privilege banking and 50 agent banking centres. MTB is providing non-stop customer services with the support of 24/7 call centre, one of the best internet banking services with mobile app, 250+ ATMs, POS and KIOSKs across the country.

The Savings deposit growth stood at 16% and Savings accounts growth at 11% at the end of 2017, which helped MTB in portfolio risk diversification and cross selling maintaining higher yields.



MTB NEER

Most of the people in our country still live in the urban and suburban areas with very little or no modern banking facilities. The “Semi Pucca” houses becoming



Inauguration of new retail product - “MTB NEER” on August 22, 2017

MTB NEER is an Equated Monthly Installment (EMI) based loan facility, and intending applicants can take up to BDT 4.0 million from any of the bank’s 111 branches located across the country for construction, expansion or renovation of semi-pucca houses.

MTB Payroll Banking

MTB Payroll Banking Unit has been pushing its boundaries to excel further and have a greater market share for the last couple of years. This unit has been showcasing professionalism and team-work and consistent growth by providing expert banking solution with personal touch. It has been a year of continuous progress for MTB Payroll as the unit continued to accelerate the growth rate in almost every component of the portfolio composition. MTB Payroll Banking Unit onboarded a number of companies in 2017 which include MNCs as well as local companies. Payroll accounts contribute almost 13% of the total retail loan portfolio this year which is 60% higher than that of 2016.

To demonstrate the customized payroll products and services to the clients, this Unit arranges “Payroll Campaign” each year. MTB Payroll Banking Unit will continue its pursuit of excellence by offering a complete range of reliable and customized banking solutions with exclusive salary management products for the clients.

2017 Highlights:

- Company acquisition: MTB Payroll Banking onboarded quite a few companies in 2017 which include MNCs as well as Local Corporates.
- Retail Loan Penetration: Payroll accounts contribute almost 13% of the total retail loan portfolio this year, which is 60% higher than that of 2016.
- Payroll Roadshow: MTB Payroll conducted 24 Roadshows in its top Payroll Companies in 2017 which increased the bank’s visibility in the market and enhanced cross-selling of other MTB products.
- 2017 was a year of process re-engineering and improvement. As part of it, MTB Payroll introduced Payroll Categorization.

MTB Retail Strategic Plan for 2018

MTB Retail Banking Division has had a successful year with an accumulated growth of around 56% compared to that of last year. MTB will continue its focus on the Retail Banking Division to ensure the ceaseless growth in 2018 by:

Within 18 years since the bank started its journey, MTB Retail Banking Division has come a long way through relentless hard work in line with the long term strategic planning. Through continuous pursuit of excellence, MTB Retail Banking Division is working towards establishing itself as one of the most dominant players in the Retail Banking Industry of Bangladesh.

Reinforcing the CASA growth with the support of Online Account Opening (OAO) system using MTB website

Emphasizing on the long term strategic focus towards the retail portfolio management of MTB

Concentrating persistently on the superior customer service while contributing to the sustainable growth of MTB Retail Banking

PRIVILEGE BANKING

MTB always aspires to let its customers experience the best services in the banking industry. Since inception in 2010, MTB Privilege Banking Department, as a frontier of retail banking, strives to provide a 360 degree banking solution to its high net worth (HNW) clientele with its well-trained and dedicated industry-best relationship managers. The ambience of the well-decorated, furnished and stylish business suite of each privilege centre is a testament to the careful attention, which has been given in creating these modern offices with state-of-the-art technologies for our valued customers.

For better customer experience, MTB Privilege Banking Department follows a strategic selection plan while choosing location for privilege banking centres in order to ensure presence in close proximity to the highly valued clients. As the bank aspires to become the best amongst the premium banking service providers, it restructured its privilege banking in 2014 and added 8 new state-of-the-art privilege centres to provide a soothing experience to the high net-worth customers. Among them 7 are located in Dhaka and 1 in Chittagong.



The efficient relationship managers ensure high standard of services that enables the highly prioritized clients to build a long-term beneficial relationship with MTB. Any Bangladeshi citizen maintaining a minimum of BDT 4 Million with MTB is eligible for privilege services. MTB Privilege Banking Department operates having faith in 6 (six) core values- Customer Focus, Quality, Teamwork, Integrity, Respect for the Individual and Respectable Citizen. Moreover they act as the personal financial advisors, who help achieve high net-worth clients' financial goals. Through tailored products and services, MTB Privilege Banking Department ensures competitive financial return on the investment of the privileged customers for their banking relationship.

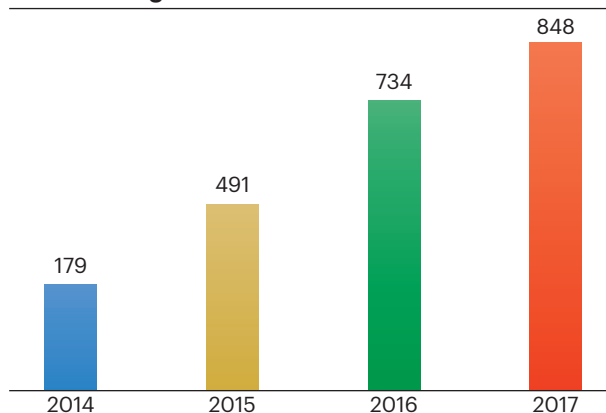
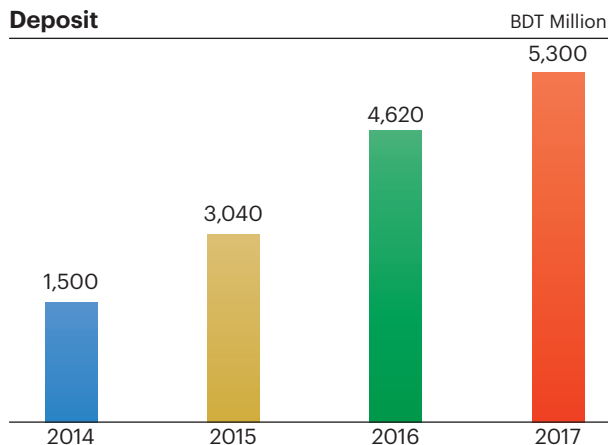
MTB Privilege Banking Department offers its customers attractive deals throughout the year on shopping, dining, travel and entertainment. To ensure premium customer service for affluent customers, MTB has come to agreements with a number of strategic partners- The Westin Dhaka, Amari Dhaka, Sayeman Beach Resort, The Peninsula Chittagong, Royal Tulip Luxury Hotel, Amin Jewellers, Purobi Jewellers, Spitfire, Saltz, Absolute Thai, UMAI, Tastebud, Bulls n Barrels, Asgar Ali Hospital, Apollo Hospitals, United Hospitals, Vibes, Biman Bangladesh, Air Asia, US-Bangla Airlines and many more. Apart from these, MTB, through partnering with more than 105 premium brands, has been offering attractive discounts and facilities of several fashion houses, hospitals and service providers like restaurants, hotel, resorts and airlines.

Complimentary Airport Pick-Drop Limousine Service from Europcar, complimentary access and complimentary food at MTB Air Lounge, complimentary Airport Protocol Assistance Service/ Meet & Greet Service, customized Health-Care Support at top hospitals of Bangladesh and abroad, celebrating special days with personalized wishes, gifts & specialized cakes, greetings in festivals and invitation to exclusive Privilege Banking events and seminars. To entertain the valued customers, other non-financial facilities include, but not limited to, free debit cards with higher withdrawal limits, Pre-Approved Mastercard World and VISA Signature Card, discount on locker service, SMS and Internet Banking Services with dedicated 24/7 call centre.

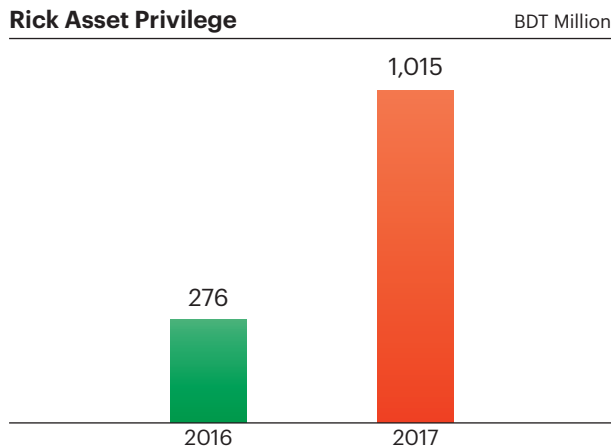
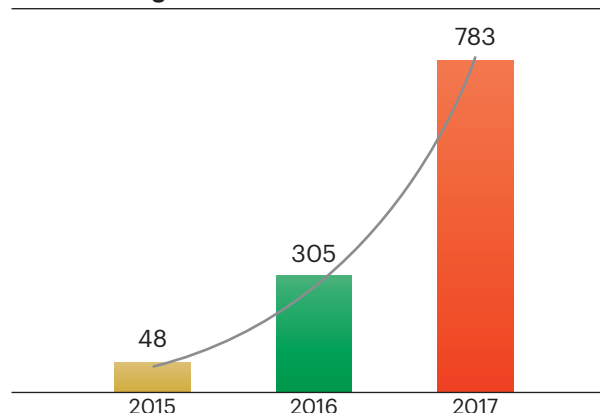
Performance of MTB Privilege Banking Department at a Glance:

MTB Privilege Banking Department with its unique target marketing strategy has been catering affluent clientele for MTB. Since 2014, after facing a lot of challenges and overcoming various hurdles, MTB Privilege Banking Department through MTB Privilege Centres has been trying its best to provide industry-best premium services and win customers' satisfaction. The following numeric data and graphs highlight the comparative performance of MTB Privilege Banking Department:

In 2017, MTB Privilege Banking Department experienced a growth of 15.53% in the number of customers compared to that of the last year and it is almost 4.74 times greater than what the number was in 2014 as a positive impact of revamping the then Privilege Banking System. In addition to that, the total amount of deposit has been increased from the BDT 4,620 Million in 2016 to BDT 5,300 Million, registering about 14.72% growth.

No of Privilege Customers**Deposit**

Along with the deposit, MTB Privilege Banking Department started to acquire assets since 2016. It was proved as a great initiative, as, in 2017, the MTB Privilege Banking Department booked assets amounting **BDT 1,014.57 Million**, which is **3.67 times higher** than what the figure was in 2016. The number of credit cards has increased to **783** and shows about **156.72% increase** from 305 in 2016. It has caused a great effect on the profit of MTB Card Division for the year 2017.

Rick Asset Privilege**No of Privilege Credit Cards****Achievement in 2017**

- A luxurious **MTB Air Lounge** has been established at Hazrat Shahjalal International Airport with a view to providing MTB customers with greater comfort and convenience when travelling in and out of the country.
- Credit facility has been extended at a large scale with several retail lending products to the reputed high net-worth customers appraising their financial needs.

Plan for 2018

- To innovate customized products and services to let the customers have better experience.
- To increase the customer-base as well as the market share.
- To increase lending business along with deposit products.

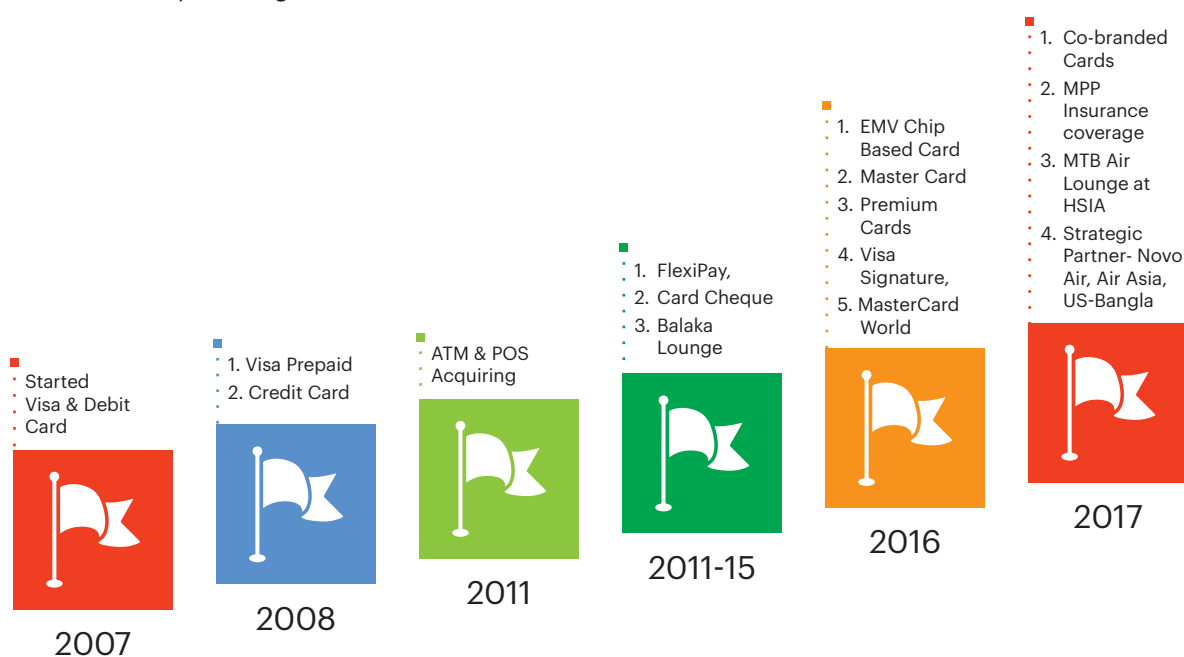
MTB Privilege Banking Department is experiencing growing demand for privilege banking and the achievement of the last couple of years has been inspiring to come up with more privilege banking centres, which will increase the availability of such kind of priority banking services. Moreover, Privilege Banking Department of MTB strives to retain the client growth through acquiring new customers to increase its client base while continuing to provide the premium services to the existing clients as well. From its experience over the years, MTB Privilege Banking Department is now confident enough to seize a significant market share and drive to explore avenues, which it can optimize for sustainable growth and development while maintaining world class service quality to be **The Bank of Choice**.

CARDS

MTB Card Division has revamped its card services with state-of-the-art EMV technologies and has also launched premium products in the year 2016. MTB Cards always believes in continuous adaptation of changes and simultaneously new innovation in the market. This is the effective way to penetrate this card market being a late entrant one. Year 2017 was the year of shift of MTB card business and this success history will flourish in the upcoming days or years to come.

With the slogan of 'WORKING TOWARDS A CASHLESS SOCIETY', MTB Card Division with its skilled and dedicated professionals has adopted strategies with dynamism and, sensitivity towards changes. MTB Cards continuously striving to enhance customer

satisfaction with best services and come up with innovations through state-of-the-art technology and products. That strives MTB Card Division to adopt EMV chip based **EUROPAY, MASTERCARD** and **VISA** in 2016, to ensure most secured mode of Electronic Transactions, as the 'Cyber Security' became the major concern due to some mischievous scams during that time. Obviously these allowed MTB Card Division to thrive in the market through providing **Safe, Fast and Hassle-free** services to the clients throughout the country. Since its inception in 2007, some of the major milestones achieved by MTB Card Division are being depicted here-



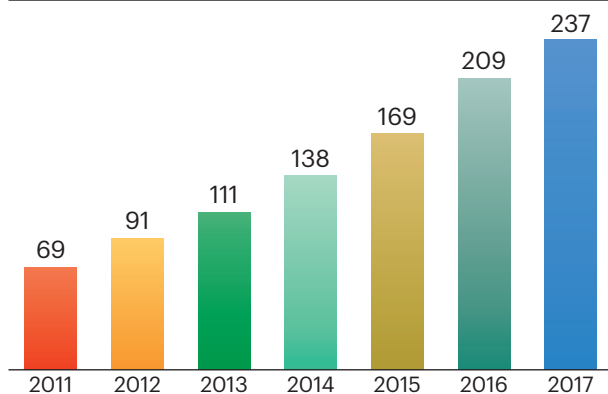
Performance at a Glimpse

During the last couple of years MTB Card Division has shown a remarkable performance which is helping MTB to become a BANK OF CHOICE in the Card

Industry through Innovations, Value Addition and Customer Service. Here are the graphs depicting the year to year progress at a glimpse

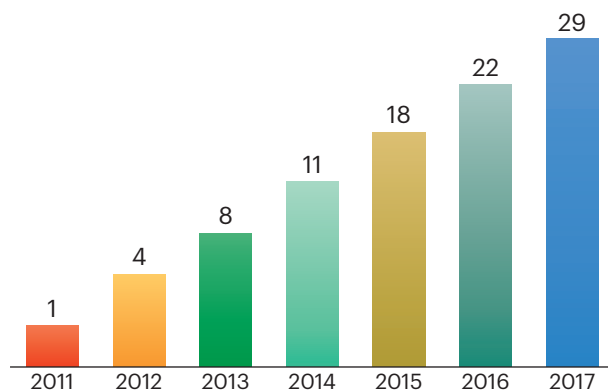
No. of Debit Card

In Thousand



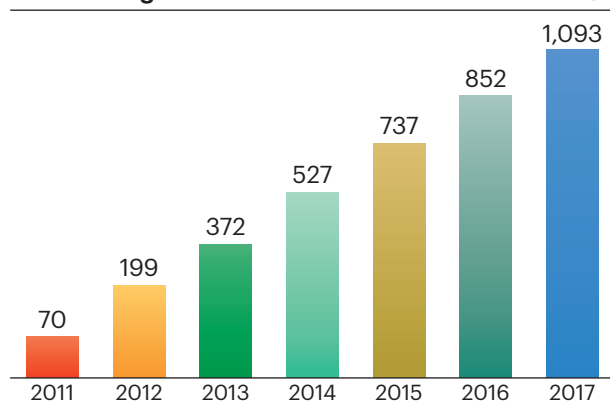
No. of Credit Card

In Thousand

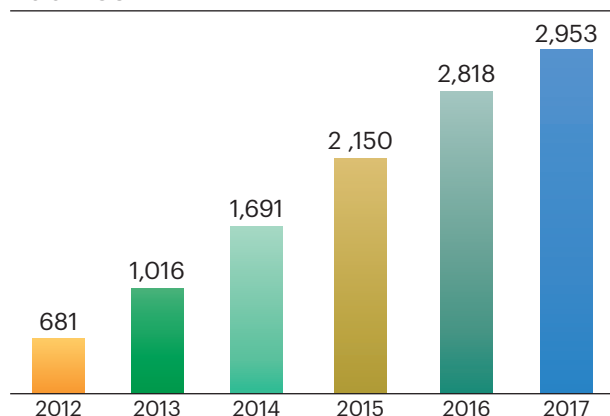


Outstanding of Credit Card

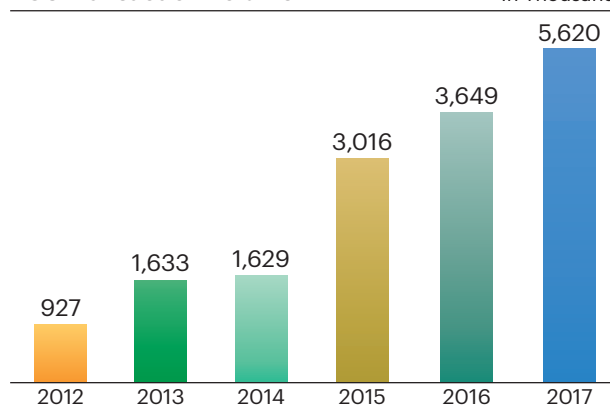
BDT Million



In 2017, MTB Credit Card has experienced 31.18% growth compared to that of 2016 and the number of credit card is almost 29 times greater than that of 2011. At the same time the number of MTB Debit Card has showed around 13.40% growth than that of 2016. Along with the number of cards, the outstanding balance has increased significantly about 28.29% than that of the last year and the amount is about 15.61 times more than that of 2011. It has caused a great effect on the MTB Card Division Profit for the year 2017.

No of POS**POS Transaction Volume**

In Thousand



Moreover though the number of POS has seen a slight growth. The volume of POS transaction shows the growth of 54% than that of last year and around 5 times bigger than that was in 2012. All of these have resulted in a great outcome in the year 2017. We have attained a Profit of BDT 80 Million which is about 100% greater than the profit earned in 2016. Products and Features

MTB Cards are now offering a range of products, e.g. Debit Card, Prepaid Card, Credit Card Visa and Credit Card Mastercard. MTB Card Division is proudly announcing that all types of cards we are now offering are EMV chip based, PIN enabled card, which requires PIN for a secured process in each transaction. MTB Card Division is proudly offering EUROPAY, MASTERCARD & VISA (EMV) Chip based Card. As the principal member of Visa and Mastercard, we are providing a wide range of card products which includes Visa Classic/ Gold/ Platinum/ Signature and Mastercard Classic/ Gold/ Titanium/ World.

Unlike other card products Visa Signature and MasterCard World is the premium product that are entitled with a lot of additional value addition and exclusive features and facilities like,

- Complimentary Access to MTB Air Lounge (HSIA): Visa Signature/ Mastercard World cardholders will get complimentary access to our exclusive 'Oasis of Peace', MTB Air Lounge at Hazrat Shahjalal International Airport (HSIA), Dhaka, along with one adult companion and two kids below 12 years round the year.
- Access to 1000+ airport lounges under Priority Pass: The cardholder will receive a complimentary 'Priority Pass' to access the exclusive 1000+ privilege lounges around the world. The first ten (10) lounge visits are complimentary in a calendar year with Priority Pass upon passport endorsement against MTB Card.
- Complimentary Airport Pick & Drop Service: Complimentary Airport Pick-up & Drop Services, while travelling to and from Hazrat Shahjalal International Airport (HSIA), within Dhaka.
- Complimentary Meet & Greet Service: Cardholders will be entitled to have complimentary Meet & Greet Service at HSIA, Dhaka.
- Complimentary MTB Protection Plan (MPP): MTB Protection Plan (MPP) insurance coverage will be provided under the umbrella of Guardian Life Insurance Ltd, a renowned insurance service provider of Bangladesh. In case of natural, accidental death or permanent total disability, cardholder will be covered by a Complimentary insurance up to BDT 4 (Four) Million. Beneficiary (s) will be eligible to get this amount to continue their lifestyle, after deducting the remaining outstanding of the card.

Achievements of 2017

As MTB Cards committed last year to continue with innovation and broadening the customer base MTB Card Division has tried its best to perform in 2017 to keep the word. MTB Card Division has launched diversified, customized and unparalleled products for target customer and to create the stronger foothold in the card industry through capturing the market share. The following will poster the activities during 2017-

1. Co-branded Cards:

Through the year 2017, with some regular interval MTB Card Division has come up with new Co-branded Cards, new concept of value addition service to the target segments.

On 21 May, 2017, MTB launched Country's first-of-its kind 'Amar Prothom Easy Payment Card' a Prepaid Mastercard for the subscribers of Banglalink which is free for the lifetime and accessible for online shopping. In a simple ceremony, on 16 August, 2017, MTB-Sonali life insurance Co-branded Debit Card has been advented for the customers of Sonali Life Insurance Company.



Launching Ceremony-'Amar Prothom Easy Payment Card'

On 8 November, 2017 MTB Card Division introduced co-branded card for the member of e-CAB for making their legitimate expenditure which is Prepaid Dual Card. In an auspicious moment on 21 November, 2017 MTB came up with MTB-Cadet College Club Co-branded Credit Card with both Visa Signature and MasterCard World for the Permanent members of Cadet College Club. The Last addition to the rally of co-branded cards was MTB-Chittagong Club Mastercard World Credit Card for the Permanent members of Chittagong Club that took place on 14 December, 2017. MTB Card Division is expecting to see more addition to this rally in the coming years.



MTB Co-branded credit cards for the members of Cadet College Club



Launching ceremony Co-branded credit cards for Permanent members of Chittagong Club

2. MTB Protection Plan (MPP):

To make MTB Credit Card more beneficial and valuable, MTB Protection Plan (MPP), the unique insurance facility, has launched. Under MPP, Death (Natural/Accidental) and Permanent Total Disability insurance coverage will be provided by Guardian Life Insurance Company in Bangladesh. MTB Visa Signature or Mastercard credit cardholder will get an insurance coverage maximum of four-times of outstanding balance but not more than **BDT Four (4) Million** and for other cardholders maximum coverage is BDT **Two (2) Million**. Cardholder's beneficiary will be eligible to get this amount to continue their lifestyle, after settlement of outstanding at first place. This service is complimentary for Visa Signature and Mastercard World cardholders. For other credit cardholders a nominal charge of 0.30% per month on outstanding has been charged.

3. Partnership Benefit:

As of December 2017, MTB had over 110 discount partners with offers of up to 75% discounts for MTB cardholders and over **100 FlexiPay Partners**. Apart from this, year-round discount facility, in 2017 MTB Cards have presented a number of special offers in the midst of nationwide festivity to make life more colorful. During Ramadan and on the eve of Baishakh, Eid-ul-Fitr and Eid-ul-Adha, MTB had additional **20 Strategic Partners** and **25 lifestyle Partners** to offer discounts to card holders. The Partners like **Six Seasons, Platinum Suites, and Long Beach Hotel** have been catering free **Buy-one-Get-one (BOGO)** offers round-the-year. MTB has signed agreement with **Air Asia, US Bangla and Regent Airways** that will allow the card holders to get bundle of offers, discount and FlexiPay facilities.

Plan for 2018

With the advancement of affordable digital gadgets and availability of internet driven services, our customer's habits are rapidly changing. Financial industry is facing technological disruption in payments

in developed market with new payment concepts like NFC payment, QRC payment, wallet based payments, etc. MTB Card Division is very active in the digital payment space and wants to be pioneer in Bangladesh to thrive with customers' aspiration.

The year 2017 is surely a remarkable year for MTB Card Division considering a lot of achievements. In 2017 we built our strong platform to take off with a robust system and enhanced security. In 2018, we will offer many more new technological products. With the added features and products, we will further enrich and strengthen our partnership with other entities. Major initiatives planned for 2018 are as follows:

Upcoming Innovations:

- 1. QR Code based payment:** MTB Card Division is actively working for offering QR code based payment solution to the customers. Customer will scan the QR using MTB mobile app installed in his phone at the merchant outlet and enter the amount, that's all. Secured payment will happen and both customer and merchant will get confirmation in SMS/email and also check in their mobile app.
- 2. Contactless payment:** MTB card division is actively working for offering contactless payment solution to the customers. Customer will have 'Tap and Go' experience at the merchant for a quick small payment. PIN will be required for transactions beyond a threshold amount. Contactless data transfer will be encrypted and secured by **EMVCo standard**.
- 3. UnionPay International (UPI):** UPI is a subsidiary of China UnionPay and looks after the international business of China. UnionPay is the largest issued Card in the World including Mainland China. In 2018, MTB will tie up with UPI for contact, contactless, QR Code, e-commerce issuing and acquiring.
- 4. 2 Factor Authentication:** In 2018, MTB Card Division is looking forward to come up with 2(two) Factor Authentication, for secured E-commerce and online transaction. An SMS **OTP (one time password)** will be sent to the cardholder's mobile that the cardholder will insert into the merchant's payment Gateway for the particular transaction.

- 5. Payment Gateway:** E-commerce transactions are increasing exponentially across the world compared to conventional contact POS transactions. In 2018, Mutual Trust Bank will set up payment gateway for acquiring merchant's websites.

More Business and Benefits:

1. Card business will also have vigorous sales campaign round the year by penetrating payroll customers, corporate customers, and so on.
2. MTB cards will try to be always in the mind of customers by celebrating each occasions of 2018 and will come up with Valentine's/Boishakh/Ramadan/ Eid al-Adha campaign. Every occasion will have discounts, Buy one get one and so on to make MTB cards more lucrative.
3. During the year MTB Cards will launch Payroll Card, SME Debit or SME Credit cards to penetrate in the market in different ways.
4. To keep the existing cardholders and to cater new, all the year round, there will be different customer engagement plan which will be activation campaign, card up-gradation campaign, and Installment loan against available limit of card.
5. MTB cards being the pioneer in co-branded card will come up with enormous number of co-branded cards with different nature and with brand to keep surprising in card market which can be Hotel/Hospital/Travel Company / E-commerce/ Airlines/Clubs and so on.
6. Continuous onboarding of new FlexiPay or discount Partners to give cardholders something extra will be the main motto.
7. Exclusive campaign with partners will be always an ongoing process to strengthen the card business.

From the inception of 2007, it took years for MTB Card Division to gain strength to perform in the competitive market and now it is equipped enough to play a role at a large scale and compete with the current giants in card market. Year 2018 will be the year to put a strong step mark and exhibit our presence, which will definitely ensure bold and a substantial place in the card market.

GREEN BANKING

Sustainable Banking

Humanity has the ability to make development sustainable to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs. The concept of sustainable development does imply limits - not absolute limits but limitations imposed by the present state of technology and social organization on environmental resources and by the ability of the biosphere to absorb the effects of human activities. But technology and social organization can be both managed and improved to make way for a new era of economic growth.

The whole world are concerned about the environmental degradation, specially the rising of global temperature and thereby melting of glaciers and ice-berg in the polar region and consequently rising of sea level which will directly affect the low lying countries of the world like Bangladesh. The conscious people of the world are also concerned about the increase of Green House Gases and Chlorofluorocarbons (CFCs) and thereby depletion of Ozone layer. As such every person and specially the professionals must have greater role to check the environmental degradation. The contribution of the banking sector is playing significant role to save the environment through their CSR, investment or other activities.

Most prominent of all, to save the environment, Green Banking is the greatest initiative taken by the banks all over the world. The term Green Banking is popular worldwide now-a-days. It is for stopping the environmental degradation and making this planet habitable. The concept of Green Banking developed in the western countries has been replicated by many developing countries. It means the eco-friendly or environment friendly banking and it also refers to ethical banking or sustainable banking.

Green Banking

The term "Green Banking" in general refers to the efforts of the banking sector to keep the environment green and minimize greenhouse effects through rationalizing their strategies, policies, decisions and activities pertaining to Banking service, business and in-house operational activities. Green Banking is concerned with both human made disaster and natural disaster due to climate change risk or global warming or any other factors related to environment. Green Financing is playing a vital role to ensure the sustainable growth and development of the economy and to ensure a healthy environment for the present generation as well as the future generation.

Rapid industrial growth in Bangladesh over the last two decades brought economic benefits as well as environmental and social challenges. Examples of

environmental issues Bangladesh is facing include discharge of untreated highly polluted waste water; air emissions from burning low grade fuel, land contamination from untreated chemical waste or uncontrolled industrial development damaging local biodiversity in ecologically sensitive areas. In line with global development and response to environmental degradation, the financial sector, bank as one of the key stakeholders in society, should play its due role.

A Green Economy promotes a triple bottom line: sustaining and advancing economic, environmental and social well-being.

Bangladesh Bank initiatives

The Sustainable Finance Department of Bangladesh Bank has been engaging and encouraging all banks and financial institutions (FIs) to step-up their green banking initiatives and standards. Policy guidelines and work plans for the banks and FIs have been put into effect by the central bank which encompasses policy formulation and governance, incorporation of environmental risks into CRM (credit risk management), in-house environmental management, introduction of sector-specific green finance, creation of climate risk fund, capacity building through training and awareness along with mandatory periodical reporting on green banking practices. With a view to incorporating sustainability in the financial sector; Bangladesh Bank undertook its first initiative in the year 2011 by introducing Green Banking Policy Guideline for the Banks (vide BRPD Circular No. 02 dated February 27, 2011) and later in the year 2013 it was made mandatory for the FIs (vide GBCSRD Circular no. 04, dated August 11, 2013). In the said policy guidelines, Bangladesh Bank instructed the banks and FIs to formulate Green Banking Policy and establish a separate Green Banking Unit/Cell with the objective to evaluate and manage the activities related to Green Banking.

Afterwards, Bangladesh Bank vide GBCSRD Circular No. 08 dated December 24, 2013 instructed banks to assign Risk Management Committee of the Board of Directors to supervise overall Green Banking activities of the bank. Subsequently, Government of Bangladesh also took initiatives with the objective of implementing the Sustainable Development Goals (SDG) at national level to comply with the United Nations efforts to implement the same globally. In line with the objectives, Honorable Prime Minister of Bangladesh also appealed to all concerned to join the movement in order to accomplish the SDG.

In this connection Bangladesh Bank also instructed the banks and FIs vide SFD Circular No. 02 dated 1st December, 2016 for the followings:

- I. Establish a Sustainable Finance Unit under CRM Division

- II. Establish a Sustainable Finance Committee chaired by senior most Deputy Managing Director.
- III. Formulate Terms of Reference (TOR) as per guidelines set by Bangladesh Bank for the Sustainable Finance Unit and Sustainable Finance Committee in the bank.
- IV. Make Risk Management Committee (RMC) of the Board of Directors responsible for undertaking required measures for formulation of policies, setting strategies and programs and monitoring the overall activities related to Sustainable Banking and Sustainable Finance (Green Banking and CSR) programs.

As a regulator of the banking business and activities, Bangladesh Bank introduced Environmental Risk Management (ERM) framework for banks and FIs in 2011. The framework includes environmental risk factors for ensuring sustainable development and protection of the surroundings from further deterioration. ERM aims at ensuring habitable environment and reducing climate effects.

Recently, Bangladesh Bank has widened the number of green products under several refinance schemes to widen their outreach in green financing. Now, 52 green products are being offered in 8 categories, namely - (i) Renewable Energy (ii) Energy Efficient Technology (iii) Alternative Energy (iv) Waste Management (v) Recycling Plant and Recyclable Product Manufacturing Plant (vi) Environment Friendly Brick Manufacturing (vii) Environment Friendly Building (viii) Others

To promote Green Banking, Bangladesh Bank has declared the following preferential treatments for the compliant banks:

- I. Points to be awarded on 'management' component while computing CAMELS rating of the concerned bank.
- II. Top 10 (ten) banks' name will be hosted on the Bangladesh Bank website.
- III. Separate consideration while according permission for opening new branches of the bank.
- IV. Bangladesh Bank also, vide GBCSRD Circular No. 04 dated September 04, 2014 instructed all scheduled banks to allocate 5% of its funding for Direct Green Finance to reap refinancing benefit against the 50 (Fifty) products/scheme declared by it.

MTB's Green Initiatives

MTB, one of the leading compliant commercial banks of the country, always try to comply with economic, environmental, social regulation for the betterment of our planet and the living being residing on it. In compliance with Bangladesh Bank guidelines, MTB formed Sustainable Finance Unit under the Credit Risk Management Division.

To ensure Green Banking practices in the bank, MTB has formulated Green Office Guide as well as Environmental and Social Risk Management (ESRM) Policy as instructed by Bangladesh Bank, covering areas that ensure sustainable environment, i.e. in-house environment management, green financing and awareness building among the employees and stakeholders of the Bank.

MTB Green Office Guide

As part of Bank's continuous effort for upholding Green Banking initiatives, MTB developed Green Office Guide to facilitate Green Banking objectives of the bank. The Green Office Guide comes up with pictorial demonstration for better understanding of the readers. This Guide is used in the offices to determine the style of daily functional behavior of all tiers of workforce.

Inclusion of Environmental and Social Risk Management (ESRM) Policy

The Executive Committee of the Board of Directors at its 98th meeting held on 04.12.2017 approved "Environmental & Social Risk Management (ESRM) Policy and Procedure of MTB - 2017". This policy and procedure is a modification / amendment of our existing "Environmental Risk Management (ERM) Guidelines".

Unlike the ERM guidelines issued in 2011, this document is a more dynamic and comprehensive in nature and accommodates social risks management issues in addition to covering latest developments in environmental risk management. This paper is based on the "Guidelines on Environmental & Social Risk Management (ESRM) for banks and financial institutions in Bangladesh" issued by Bangladesh Bank (BB) vide their SFD Circular No. 02 dated February 08, 2017.

MTB's Green Marketing System

MTB emphasizes selling products and/or services based on their environmental benefits. A number of such products and services like Debit Card, Credit Card, Internet banking, Internet recharge for mobile, SWIFT, Call center, Online banking, SMS banking, etc. are being promoted through vigorous advertisements in both the electronic and the print media. The virtual world of communication is also being used as the means of promoting the bank's environment friendly products and services. Brochure, leaflets, banners, flags, hard boards, festoons, danglers, billboards, and alike means of advertising are also used to popularize the Green products of the bank. MTB also uses the occasion of opening ATM booths and branches to popularize the bank's environment friendly products and services. Clients are also encouraged to modify their product lines, set up modern machinery from the environmental viewpoint.

Internet Banking Facilities

MTB Internet banking enables its customers to avail various services such as Fund Transfer to MTB as well as other banks, Credit Card bill payment, Utility bill payment, account statement checking, etc. through the bank's website. Our Internet Banking platform is secured by state-of-the-art two factors authentication system.

MTB Mobile Banking Application

With MTB's state-of-the-art mobile banking application, customers can avail banking services from their smart phones anytime, anywhere. This application allows users to monitor accounts in real time, transfer funds, pay bills, make credit card payments, check transactions, etc.

MTB's SMS Banking Facilities

MTB's SMS Banking is a service that allows customers to access their account information via any mobile operator from anywhere in the world. It allows to make balance inquiries without visiting the bank. Customers can receive mini statement of last 5 transactions. Transaction Alert lets users get informed whenever there is a cash withdrawal transaction in their accounts.

ATM with National Payment Switch Bangladesh (NPSB) Network

MTB's customers have been enjoying 24/7 service through ATMs located around the country. The bank has undertaken some programs to expand its ATM network through procurement of more proprietary ATMs and joining hands with the common platforms of ATM network.

In addition to the bank's own 246 ATMs, the bank has joined National Payment Switch Bangladesh (NPSB) network during the year 2014, which enabled the Debit Cardholders of the bank to enjoy cash withdrawal facility from other bank ATMs under NPSB Network. MTB has used the BACH and BEFTN mechanism for convenient payment activities which, to a great extent, supports the concept of green banking.

Agent Banking

The 'Agent Banking' concept is new and much talked- about issue in the banking sector. It is playing a pragmatic role in paving the way for financial inclusion. Bangladesh Bank has introduced a guideline for 'agent banking' to be followed by all commercial banks. Considering the importance of the matter, MTB has already 50 Agent Banking outlets with a view to bringing the un-banked population under banking services. MTB will open near about 50 new Agent outlets during the year 2018. The important aspect of agent banking is financial inclusion. Actually, financial inclusion is a tool for inclusive economic growth and

financial development. About 15,000 new accounts have been opened within the year from the starting of Agent Banking Operation. This year we have a plan to open 30,000 new accounts having amount of Deposit BDT 1,000 million by the agent outlet. We have already disbursed foreign remittance about BDT 204.70 million by the Agent Banking outlets.

Capacity Building

For continuous capacity building of the human resource, all the foundation training courses organized by the HR-Training and Development Center have dedicated session to familiarize the participant with the concept of Green Banking and Environmental and Social Risk Management Guidelines. Moreover, MTB is planning to enlighten employees about sustainable finance through E-Learning Courses. In 2017, approximately 113 employees have been enlightened with 7 different training sessions on green banking. Furthermore, the bank nominated its officials for various external workshop/training/seminar related to green banking organized by different external bodies.

In House Environmental Management

Initiatives have been taken by MTB with a view to practicing Green Management in the offices. Efficient use of resources, reduction of waste, saving energy and money, improves our working environment.

MTB Green Building

MTB has designed its two corporate Head Office buildings named "MTB Centre" and "MTB Tower" as fully 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 also been installed on the rooftop of the buildings. Both buildings are designed to reduce energy consumption significantly and make MTB a green and environment friendly bank in the true sense.

MTB Tower has introduced the facilities of rain-water harvesting and eco-friendly carpet, a carpet made of wool, a natural fibre processed without using any chemical treatment. The state of the art rain-water harvesting plant has a capacity of 10,000 litres.

Energy and Water Management

Energy and water are being used efficiently by all the MTBians with the encouragement of the management of MTB. Minimization of consuming gas, electricity and water has been advised. Energy saving bulbs as well as other products with eco-friendly features are also being used in the bank offices.

Fuel Consumption

MTB always tries to ensure economic use of fuel by buying energy efficient cars to reduce gas and petroleum consumption.

Paper Consumption Management

Green Paper Guideline is an integral part of Green Office Guideline. Internal communications are done through emails. All staff have dedicated email IDs for office use. Customer communications are being done through emails, SMS or ATM displays. Use of one side used papers for note pad has become usual practice in the workplace. One side used papers are also used for printing draft copies of the office assignments. All divisions and branches have been following very stringent policy to prevent misuse of papers.

In addition, all Board and Committee Meeting Agenda are printed on either side of the paper. Online Account Opening Form has been introduced and the Directors are encouraged to use Laptops/Tabs, etc. in the Board Room for review and decision on the Agenda instead of hard copies.

Renewable Energy Usage

The bank installed solar panels at head office, 9 branches and 9 ATM booths, as a part of its commitment to the usage of renewable energy resources.

Green Travel:

MTB always encourages the officials to consider the following green approaches while travelling:

- I. Encourage employees to use Public Transport/ Carpool Program.
- II. Encourage employees to use eco-friendly energy for private vehicles.

MTB's Financing in Green Projects

Green financing could be one of the suitable opportunities to diversify bank's businesses. It is also sensible initiative to keep our environment better. MTB is committed to promote sustainable growth in the economy. During 2017, the bank extended green financing under MTB Green Energy loans of BDT 5.8 million to green project in Hybrid Hoffman Kiln for brick manufacturing. In 2017, MTB implemented the ESRM Policy and Bangladesh Bank brought changes in conditions of Refinance Scheme. This will surely help to finance more in green projects in coming years. To explore new ventures in environment friendly projects,

the bank has conducted several field visits, meetings with the existing and prospective entrepreneurs, consultants and central bank officials. The outcome is positive and we aspire to see the fruition of this endeavor.

MTB's Way Forward for Green Banking

MTB is devoted to building a sustainable business environment for the country that brings benefit to the society, its inhabitants and the economy. Some future planning regarding green banking is:

- I. Increase both direct and indirect green financing. Special emphasis shall be given on Bangladesh Bank's listed 52 green finance products and banks own upcoming green finance products.
- II. Creating Climate Risk Fund for supporting the environmental disaster like flood, cyclone, etc. MTB shall finance in the affected areas at the regular interest rate without charging additional risk premium. Regular financing flows shall also be ensured in these vulnerable areas and sectors.
- III. Organize Green Events like observing World Earth Day, World Environment Day, etc. in a befitting manner for awareness and compliance.
- IV. Adopt Biometric Smart Card in near future.
- V. Introduction/addition of more Alternative Delivery Channel products and services.
- VI. Bringing remote branches under Video Conferencing rather than undertaking physical visits.
- VII. Emphasize increased usage of alternate available energy sources.
- VIII. Continue to provide training and workshop on Green Banking to employees.
- IX. Arrange more seminars to create customer awareness regarding Green Banking and to promote the Green Products.
- X. Continuously monitor through inventories and records of the consumables like water, paper, electricity, gas, fuel, etc. to reduce consumption in an effort to protect environment.
- XI. Arranging regular Training/Workshop, Seminars related to Green Banking activities and products for the employees and the entrepreneurs.

INTERNATIONAL TRADE

Global Perspective

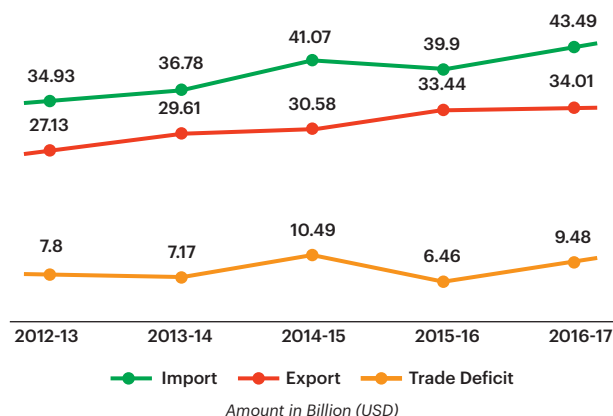
Global and regional financial institutions are now more collaborative with others in order to benefit from the current and developing environment of the Fourth Industrial Revolution, which includes utilizing artificial intelligence (AI), distributed ledger technology (DLT), digital cloud-based databases, smart contracts, 3D printing, advanced robotics and Internet of Things (IoT) in particular. This paradigm shift from competition to collaboration will have an enormous impact on international trade in the years ahead. Replacing the traditional paper based process with the process of exchanging data in electronic platform under the banner of digitization of trade is now a reality, even for a developing country like ours. The year ahead will be a challenging one for trade finance as banks have to choose right technology to collaborate with partners in terms of costs, business prospect, compliance, etc. Although Bangladesh is predominantly using documentary credit's trade payment method for its import and export business, contract based trade methods like documentary collection and open account with its bundle of trade finance products like factoring, forfaiting, account receivable financing, account payable financing, etc. under the banner of supply chain finance, will start to capture the market share of documentary credit in the years ahead.

After the financial crisis of 2008, trade flow figures witnessed ups and downs in the following years. According to the ICC publication, '2017 Rethinking Trade & Finance', 'while a recovery in trade volumes is expected for 2017 and 2018, global trade growth in 2016 was the weakest (USD 15.8 trillion) since the global financial crisis, with goods trade stagnant for most of the year. This was driven by cyclical inventory drawdown across advanced economies and contracting imports in China and major commodity exporters.' The Boston Consulting Group (BCG) highlights the evolution of trade flows and estimates that trade flows will grow at an annual rate of about 4.3% to reach nearly USD 19 trillion by 2020. China's various collaborative steps including the Belt and Road (B&R) Initiative, which targets to recreate the old Silk Road with massive infrastructure projects to connect China to Europe and beyond, and American protectionism may re-shape the trajectory of the world trade flow in the coming days.

Bangladesh Perspective

According to Bangladesh Bank data, Bangladesh earned USD 34.01 billion with 1.70% increase in exports and spent USD 43.49 billion with 9% increase in imports in the fiscal year 2016-17. Consequently, the trade deficit in fiscal year 2016-17 was USD 9.48 billion which was 46.75% higher than the trade deficit of USD 6.46 billion of the fiscal year 2015-16. The deficit

widened as import spending increased faster than export earnings. Import spending increased with the increase in oil prices and because of import of capital machineries for major projects.



Source: Bangladesh Bank

The top destinations for Bangladesh's export business are USA, Germany and UK. Bangladesh's export items consist of mainly knitwear, woven garments, frozen food, jute, jute goods, leather and leather products, etc. The Bangladesh government has set its export target at \$41 billion for the fiscal year 2017-18 with a growth target of 7.87%. The country is expecting growth in the apparel export markets next year. Bangladesh's import items consist of mainly petroleum, oil, chemicals, fertilizer, raw cotton, yarn, textile materials, capital machinery, iron, steel and food grains. In 2017, the government had to import food grains in higher volume because of high rice prices, fast depleting stocks and floods destroying crops in the north of the country.

Source: Bangladesh Bank

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MTB Perspective – Export

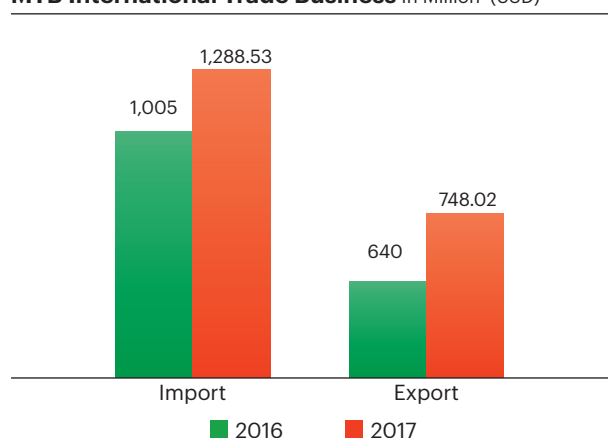
In 2017, MTB achieved a significant growth in both export and import business. MTB's export volume

grew from USD 640 million in 2016 to USD 748.02 million in 2017, an increase of 16.88% MTB's export business facilitation consists of items like ready-made garments, frozen foods, jute products, leather and leather products, etc.

MTB Perspective – Import

MTB's import volume was USD 1,288.53 million in the year 2017, an increase of 28.21% from USD 1,005 million of the year 2016. MTB's import business facilitation consists of items like capital machinery, industrial raw materials, food grains, consumer goods, etc.

MTB International Trade Business In Million (USD)



Business Outlook

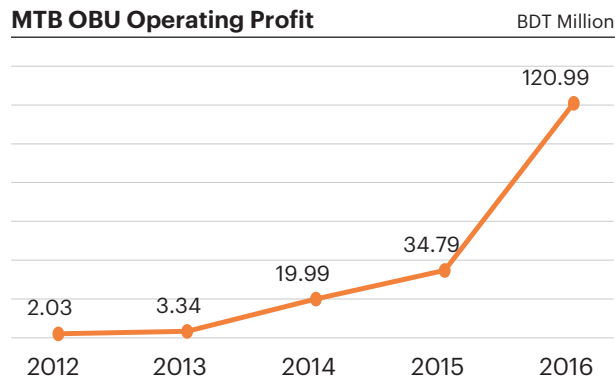
The global economy will continue to benefit from supportive fiscal policies and modern trade solutions next year. According to focus-economics.com, the global economy is expected to grow 3.2% in 2018. Both developed and emerging economies are expected to continue their positive growth trends. Bangladesh's business outlook in 2018 looks positive for international trade. Considering the ongoing and upcoming huge infrastructure development works, Bangladesh is expected to be more active in importation of capital machinery, generator sets and others in 2018 and onward. Moreover, the shifting of China's economic policy to concentrate on the production of sophisticated high value content products is providing a unique opportunity for the Bangladeshi exporters to grab a substantial market share of lower value content manufacturing products of global trade in the coming years. MTB plans to provide innovative trade finance solutions to customers to support the upward trend in the export-import business of our country in future. Therefore, MTB's international trade business is expected to continue its growth trajectory in the year 2018.

Offshore Banking Unit (OBU)

Offshore banking refers to international banking involving non-residents' foreign currency-denominated assets and liabilities. Offshore banking units conduct their deposit taking and lending activities with foreign investors without conflict with the domestic fiscal and monetary set-up and independent of the local commercial banking system. An efficient offshore banking system is imperative in ensuring the success of incoming foreign investment. Bangladesh's offshore banking market is well dominated by the foreign banks. However, Mutual Trust Bank Limited (MTB) has been striving really hard to make a strong foothold in the offshore banking arena by attracting a good number of customers. MTB is currently offering quality offshore banking products and services while maintaining highest levels of professionalism and excellent customer services.

MTB obtained the Offshore Banking Unit (OBU) permission on December 3, 2009 and commenced operation from December 07, 2009. The MTB OBU is governed under the rules and guidelines of the Bangladesh Bank. The MTB OBU has been offering Offshore Banking facilities through its office located at 26, MTB Centre, Gulshan South Avenue, Gulshan Circle 1, Dhaka 1212. The total loans and advances of the MTB OBU reached to USD 111.70 million equivalent to BDT 9.24 billion as on December 31, 2017 compared to USD 39.72 million equivalent to BDT 3.13 billion as on December 31, 2016 recording a staggering growth of 181 percent. However, in the year 2017, OBU made operating profit of USD 1.50 million equivalent to BDT 120.99 million as against USD 0.44 million equivalent to BDT 34.79 million in 2016 with an outstanding growth of 238 percent.

MTB OBU Operating Profit



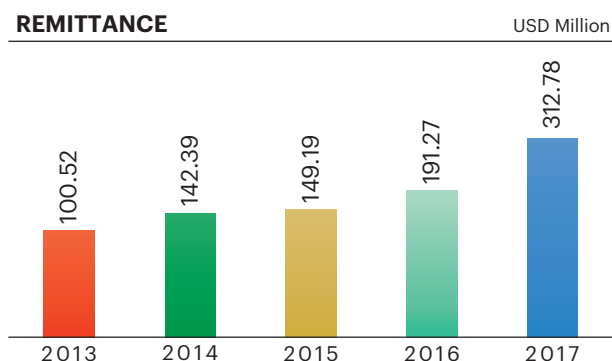
NRB OPERATION

Remittances help in macroeconomic development process of our country as it delivers significant sources of foreign currency, surges national income, finances imports and contributes to improve the balance of payment situation. Banking the unbanked is crucial for higher remittances.

Mobilizing remittance as a source of foreign currency is pivotal for any bank. Inward Foreign Remittance plays a vital role in lessening the bank's dependency on inter-bank market for payment of import bills. In the last 5-years Bangladesh witnessed a GDP growth of more than 6.50 percent and achieved 7.2 percent in 2016-17. It has been largely driven by its remittances, exports of readymade garments and the domestic agriculture sector. The annual remittance earning of Bangladesh now hovers at around \$12 billion.

MTB is a brand for its image among the non-resident Bangladeshis and their family members at home and abroad. Apart from providing premier services, we are facilitating the Bangladeshi workers by Account Opening programs. Furthermore, we are marketing different products of the Bank through our subsidiaries, correspondents and contractual marketing agents among the expatriates. MTB has been contributing to the growth of national economy by providing simple, quick and safe way to send money to Bangladesh through different distribution channels from abroad. MTB has a wide network of 111 branches and 50 Agent banking centres located at strategic places of commercial and business importance all over the country. Funds also can be directly credited into the accounts maintained with MTB.

MTB Introduced API (Application Program Interface), an automated process, to receive inward remittance faster from the Exchange Houses abroad. MTB has agency arrangements with 28 overseas Exchange Companies abroad along with the International Agencies like -Money Gram, Western Union, and Express Money through which it receives remittances from Kuwait, Oman, Bahrain, UAE, UK and other Middle-East countries.



There is broad consensus that access to a transaction account can help people better manage their lives

and plan for emergencies, the first step towards financial inclusion. To bring the NRBs and their families into financial inclusion, we have developed deposit products in accordance with their needs. We help NRBs to open deposit accounts through our own representatives and correspondents abroad. Through our relentless efforts and exemplary services to the NRBs, we have managed to open 23,279 accounts up to December 2017 and the deposit balance in these accounts now stand at BDT 1.89 billion.

In 2017, MTB received remittance of USD 312 million through 28 overseas exchange houses around the world.

Business Highlights:

The bank has signed remittance agreements with 9 Exchange Companies in 2017 including BRAC SAAJAN Exchange, Trans Fast Remittance L.L.C, NEC MONEY TRANSFER LTD, etc.

Also, MTB introduced Non-resident Investors Taka Account (NITA). NITA is a current deposit product with no interest bearing for the non-resident investor (non-resident persons/institutions including non-resident Bangladesh nationals) to invest into Bangladesh Capital Market and Government Bonds and Securities.

Strategic plans (Thinking forward for future prospects):

In order to be competitive and also to realize its vision into reality MTB NRB Division has the following action plans in mind:

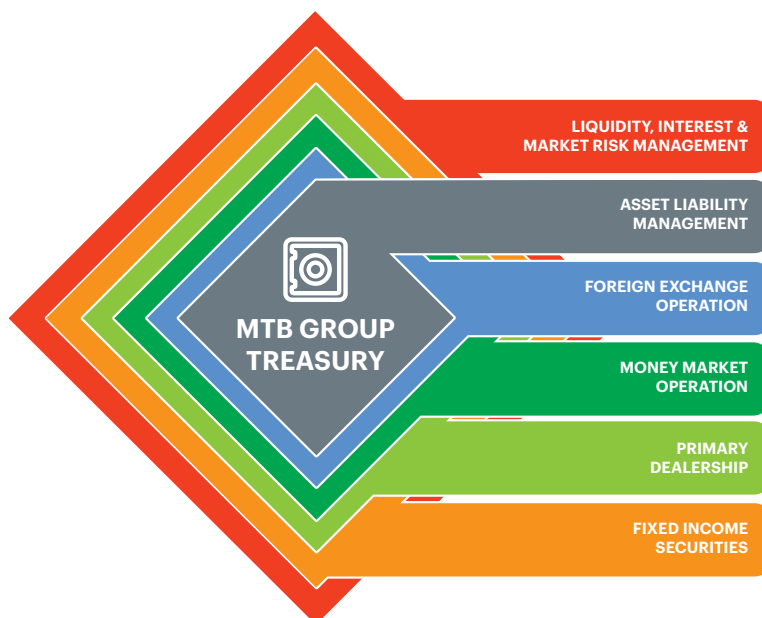
- Direct integration with the leading banks of the beneficiary countries
- Expansion into Europe and United States
- Increasing the number of beneficiary countries by introducing new services with existing exchange houses and partnering with new exchange houses
- Introducing other related products (mobile phone top up, pre-paid card, foreign currency, etc.)
- Simplifying operational activities in order to offer the beneficiaries more expedient services.
- Use of latest technologies under digital payment systems to encourage non-resident Bangladeshis (NRBs) to send their hard-earned money through banking channel instead of 'hundi.'

We also strive to achieve the most competitive exchange rates for our consumers through relationships with our banks in our beneficiary countries, thus providing our consumers the best price as well as providing them with the best customer service possible.

TREASURY OPERATION

In line with the ever increasing pace of change to regulations and the increased globalization of the markets, MTB Treasury played a significant role for the overall fund management of the bank. Treasury performs a lot of functions including fund management, maintaining CRR and SLR, investing in Government securities and bonds, placing fund

in the inter-bank market, etc. Apart from liquidity management, interest rate risk management and exchange rate risk management is also crucial for a treasurer due to the fact that a small change in the interest rate in the market causes huge losses on the investment in interest rate sensitive assets resulting in a decline in equity value.



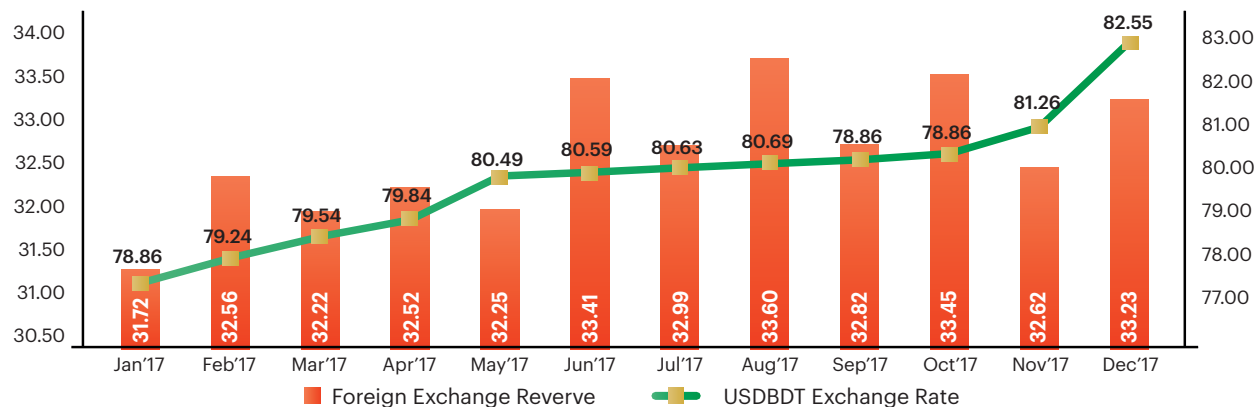
2017 has been a remarkable year for MTB Group Treasury, when it set new record of achievement in MTB's history thwarting various global as well as domestic challenges. It forecasted the market movement accurately and remained vigilant to gain from favorable events and to lessen risk from unfavorable ones.

Foreign Exchange Operation

The world could not come at peace even in 2017 and freshly, Bangladesh had to provide the asylum to

Thousands of Rohingya after they had encountered extreme violence and torture. However, the oil price increased to around USD 59 as the slow increase in price continued since September 2017. The demand for USD also started to increase since May 2017 and the demand accelerated when the country experienced the urgency to import food grains as the flood in later period caused huge destruction of crops along with depletion in the silos of public food stock. In addition to those, the import of capital machinery, industrial raw materials and accessories put pressure of foreign currency market of Bangladesh.

USD-BDT Exchange Rate & Country's FX Reserve

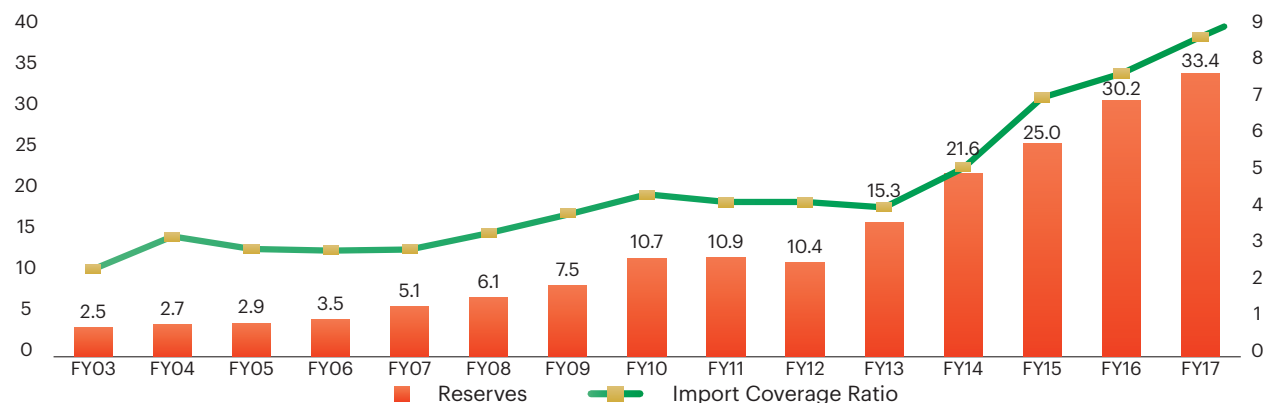


Source: Bangladesh Bank website

The exchange rate was BDT 78.80/USD in December 2016 and it soared high as much as to BDT 82.55/USD in last December. The country marked the foreign exchange reserve of USD 33.23 billion in December 2017 banking mostly on RMG export earnings, agro products and frozen food export earnings, jute export earnings, leather export earnings and remittance.

Later, the reserve dropped mainly due to making import payment for food grains, capital machinery, raw material and accessories. Though the remittance earnings hit some decline in the very beginning of the year which continued till the middle of 2017. The country has now the capacity to make import payment in foreign currency for around eight month without any worry.

Foreign Exchange Reserves and Import Coverage



Source: Bangladesh Bank website

The experienced treasury team remained observant of those major events and took enviously correct decisions which helped MTB to mitigate the foreign

exchange rate risk and to optimize the return besides being compliant of the regulatory requirement. In 2017, all the regulatory compliance maintained efficiently.

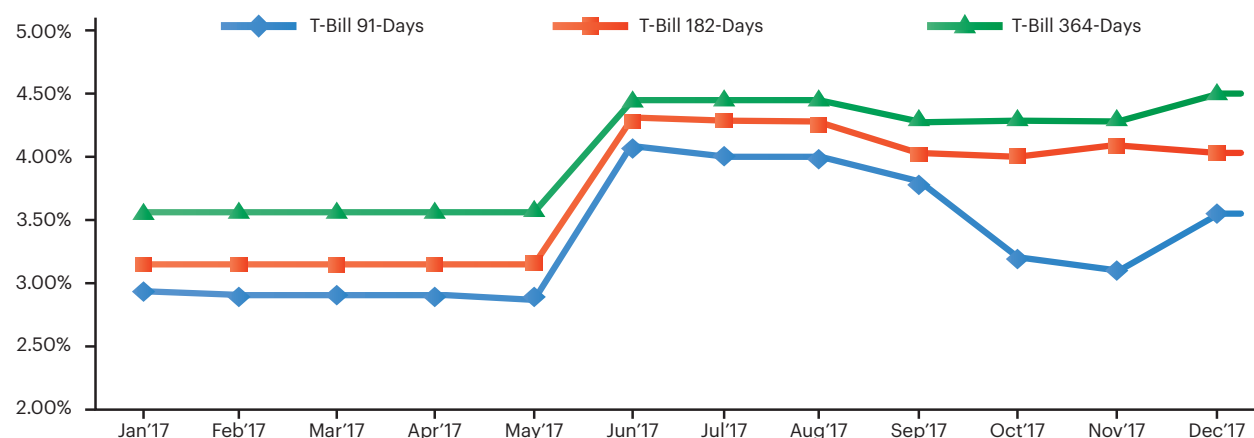
Money Market Operation

Money market activities refer to raising and deployment of short-term funds with maturity not exceeding one-year. Money market scenario of Bangladesh did not change much in 2017 and relatively stable like previous year. Throughout the year, interbank call money rate hovered around 3.00 to 4.50 percent indicating a very liquid money market. The repo rate was 6.75 percent while the reverse repo rate was 4.75 percent in the year 2017. Both the rates remained far above the interbank call money rate and it indicates the liquidity scenario of the year 2017. Despite this liquidity, the treasury team had been able to tap good return from the money market investment and fund mobilization while minimizing both interest rate and liquidity risk, due to their prudence.

Government Securities

In a well diversified financial system government securities market has a very important role to play. Bond financing allows diversification of credit and investment risks and thus reduces macroeconomic vulnerability to shocks and systemic risk. The available government debt instruments are the treasury bills and treasury bonds. Banks and financial institutions are the main buyers of treasury bonds. As a regulatory requirement, bank in Bangladesh has to meet SLR of 13 percent of average demand and time liabilities. And in compliance of the regulation by Bangladesh Bank, MTB maintained SLR of 13 percent throughout the year 2017. SLR has been maintained in the mode of Government Securities, i.e. Treasury Bills and Bangladesh Government Treasury Bonds.

T-Bill Yield Trend

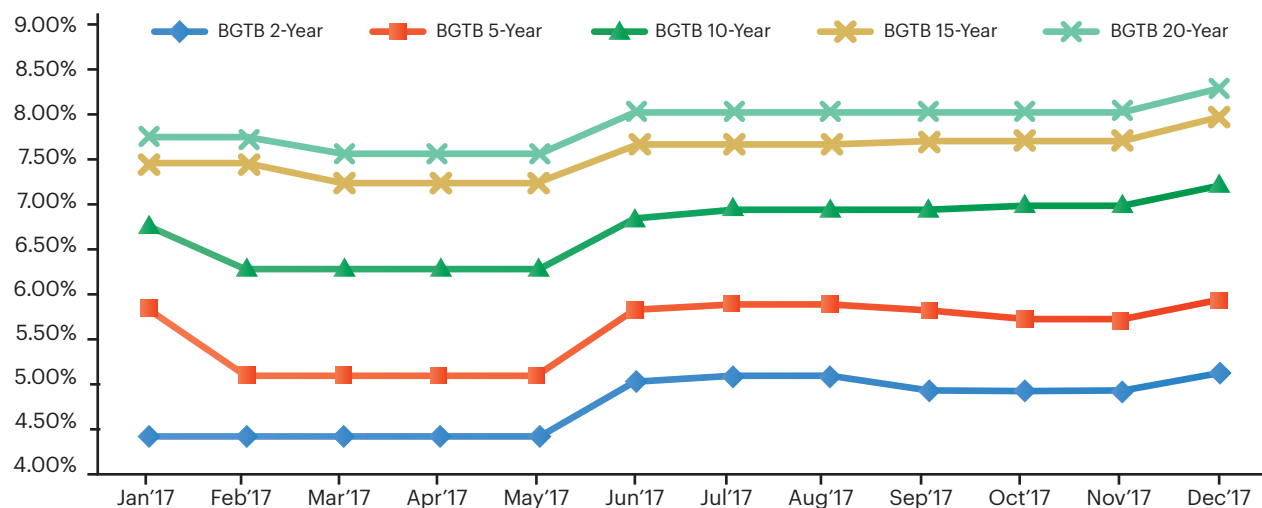


Source: Bangladesh Bank website

The yield from all types of Treasury Bill mounted in June 2017 from its stable point. Afterwards fourth quarter of 2017, the yield from 91-day Treasury Bill experienced huge fluctuation.

In case of Bangladesh Government Treasury Bond, the yield also increased since the month of June 2017. These upsurges were powered by new fiscal policy supported by Government's initiative to finance mega projects via these modes.

BGTB Yield Trend



Source: Bangladesh Bank website

Primary Dealership

MTB is one of the active members of primary dealers' of Bangladesh Limited (PDBL). Each member of PDBL has the obligation to perform as the underwriter of government securities which are used as a source of finance implementing national budget. Being a member of PDBL, MTB is a regular participant in the auction of government securities which takes place a specific calendar date. MTB has the obligation to underwrite a certain percent of government securities. MTB holds a significant amount of investment in government securities generating a healthy yield either in the mode of interest income or capital gain. MTB has been playing a dynamic role in developing an active and vibrant interbank secondary market of government securities from the very beginning. It also provides advisory services to its existing and potential corporate customers for making investment decisions on fixed income securities.

Asset Liability Management (ALM)

The responsibility of ALM Desk is to render judgments on overall balance sheet risk and to recommend effective way forward in terms of interest rate, business

strategy and policy prioritization. MTB Group Treasury has done exceptionally well in this area by keeping management well-informed of crucial developments in the market and pricing techniques of liabilities and assets. ALM Desk analyses, evaluates and interprets the market scenario on a regular basis to ensure the right balance between product profile, cost and risk exposure. They provide valuable inputs in MTB Asset Liability Committee (ALCO). ALCO is comprised of senior management of MTB. MTB Asset Liability Committee meets monthly at least once to discuss the current local and global market outlook, major issues that may shake the existing interest rate, liquidity and to decide on policy regarding interest rates and thrust sectors. In 2017, ALCO took some imperative and judicious decisions regarding interest rates, liquidity positions and other various risks associated with balance sheet that helped MTB accelerate the pace of growth.

AGENT BANKING

Agent banking is one of the vital moves that Mutual Trust Bank (MTB) has made with a view to providing banking and financial services to the unbanked population across the country and contributing to the financial inclusion countrywide. The journey, which started with setting up the first MTB Agent Banking (MAB) Centre in Jahapur Bazar, Muradnagar, Comilla in June 2016, resulted in reaching the targeted milestone of 50 such centers across the country by the end of 2017. Out of the total 50 centers, 40 were set up in 2017 alone. Agent banking is a fairly new concept in the banking sector of Bangladesh through which customers, who reside outside of the periphery of bank branches, can get a limited scale of banking services. An agent, who is appointed under an agency agreement, acts as the representative of MTB and carries out the transactions on behalf of the bank. Agent banking thus creates an alternative delivery channel that provides convenient and low cost banking services to places, where a fully equipped branch is difficult, or not viable.

As of 31st December, 2017, MTB Agent Banking opened a total of 14071 accounts, the total deposit figure stood at BDT 393 million and BDT 185 million of cash disbursement was made against foreign remittance through this channel. MTB Agent Banking Department carried out a three-month long business campaign titled 'MTB Agent Banking Business Boost 2017' from August to October of the year and successfully achieved all the set benchmarks (figure 1). Under a joint program of Bangladesh Bank and Alliance for Financial Inclusion (AFI) of Malaysia titled "AFI-BB Joint Learning Program (JLP) on Digital Financial Services 2017", 32 foreign delegates from 22 countries visited MTB Bauniabadh Agent Banking Centre, Bauniabadh, Kalshi, Dhaka on December 6, 2017. MTB Agent Banking Department also ran Customer Awareness Campaigns in MTB Kudimpara Agent Banking Centre, Ishwardi, Pabna; MTB Bagherhat Agent Banking Centre, Feni; and MTB Khironshal Agent Banking Centre, Chaudagram. In addition to these, the department also arranged Discussion & Training Sessions in Chittagong and Sylhet, Orientation Training for new agents at MTBTI and Agent Searching Conference in Chittagong.

To facilitate and to make the services of agent banking secure, the Agent Banking Software (ABS) is used



which enables the online transactions to be real time. The transactions are secured by a two-factor authentication (2FA) mechanism in which thumbprints of both the customer and the agent are used through a biometric device to validate transactions. The customer is notified through a system generated printed receipt of the executed transaction and an SMS alert as well.

At present, services that MTB offers through agent banking include:

- Collection and processing of forms for account opening
- Collection of small value cash deposits and withdrawals
- Inward foreign remittance disbursements
- Facilitating small value loan disbursements
- Facilitating utility bill collections
- Receiving clearing cheques
- Electronic funds transfer through BEFTN & RTGS
- Debit/Credit card request processing
- Facilitating mobile recharge
- Balance inquiry
- Cash payment under social safety net program of the government
- Collection of insurance premium & school fees
- Internet banking

MTB Agent Banking Department plans to add 75 agent banking centres to its fleet by the end of 2018. It also plans to introduce SME, agri and retail loan products and social safety net payment. MTB looks forward to expanding its agent banking network since it enables the bank to extend its services to the underserved people living in the remote regions, where traditional branch banking is difficult to perform. MTB also wants to make its services accessible in a cost effective manner to those who have little formal and financial literacy.

Performance Highlights of 2017

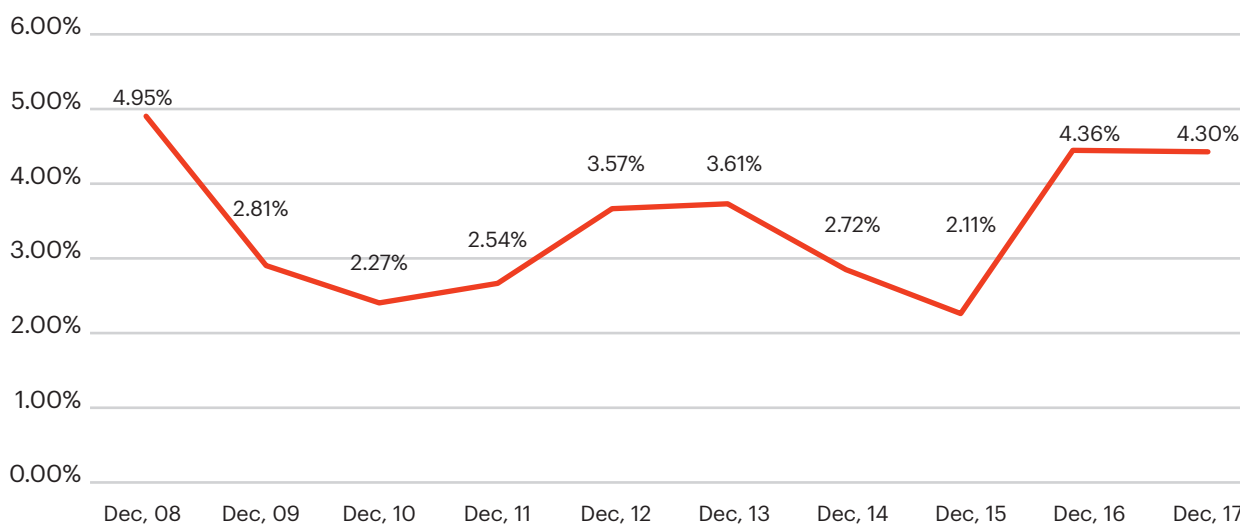
							
Total MAB Centers	Districts Covered	Rural Areas Covered	Urban Areas Covered	No. of Accounts	Customer Liabilities (BDT Million)	Remittance Count	Remittance Amount (BDT Million)
50	23	43	07	14,071	393	6,418	185

SPECIAL ASSET MANAGEMENT

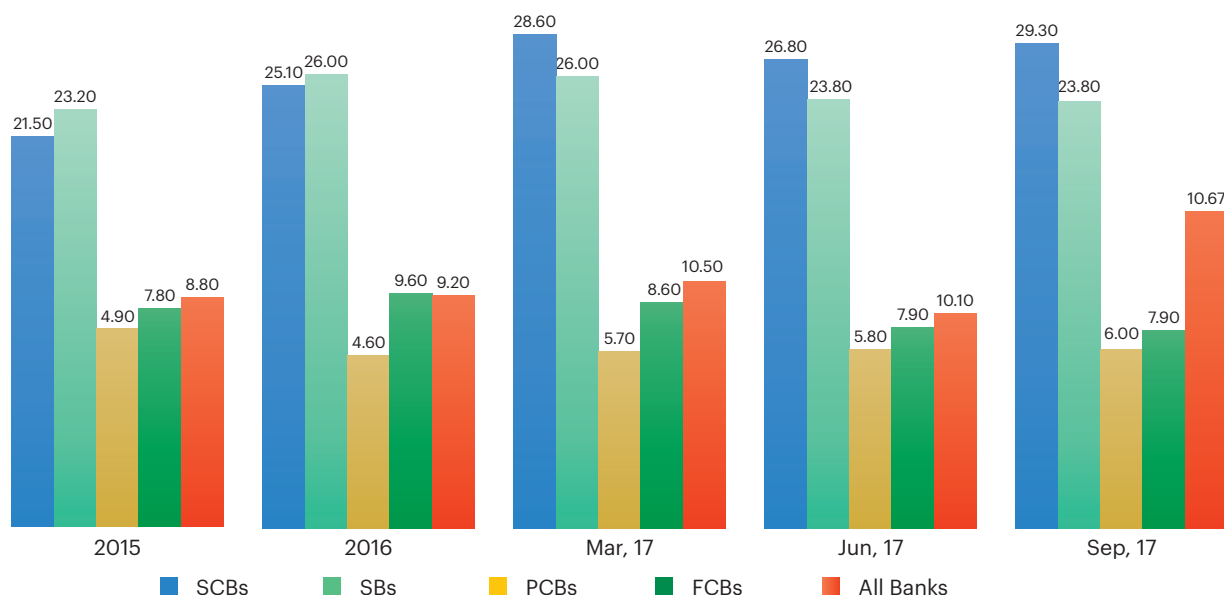
MTB is incessantly working to establish it as a viable economic enterprise and striving to increase stakeholders' value. In this regard, the bank has been trying to have solid earning capacity stemming from a vibrant, diversified quality credit portfolio backed by capital adequacy, low cost and stable deposit base, wide range of products and services along with competent and committed human resources. In order to keep the loans regular and performing and strengthen the recovery drive, Special Assets Management Division (SAMD) is in place to act as a team of warriors to make the book good as MTB declared 'War against NPL' as the top priority task. Keeping this objective in view, MTB had taken many initiatives to recover from classified and written-off loans towards minimizing provisions and maximizing profitability.

MTB CL TREND FROM 2008 TO 2017

It is an admitted fact that a bank's financial health is largely dependent upon the extent and size of performing assets. Credit losses are equivalent to capital losses. An increase in non-performing loans (NPL) has the multi-pronged adverse impacts on bank's balance sheet having consequential effect of erosion of capital impairing earning streams, profitability, liquidity and solvency. As such, MTB always strives harder to keep NPLs as minimum as possible.



Industry CL Trend (Gross NPL percentage by Types of Banks)



SPECIAL ASSET MANAGEMENT: WHY?

Striving harder for recovery/regularization of Special Assets i.e., Non-Performing Loans (NPL) A/Cs in order to have a sound and good portfolio, saving the bank from provisioning is the core function of SAMD.

Customer calling, following-up the promises/commitments made by NPL clients while visiting their business premises/houses/factories/ eligible securities along with suits filed at different courts against those defaulted borrowers helping concerned branch officials are the important parts of ongoing pro-active and pragmatic measures for recovery/regularization of NPL A/Cs.

ACTIVITIES OF SPECIAL ASSETS MANAGEMENT DIVISION:

In order to ensure recovery/regularization of NPL A/Cs and saving bank from provisioning, activities of SAM Division as per CRM guidelines are stated below:

- Overall Action plan/ Recovery strategy of the bank is determined on quarterly basis having its aim in front.
- Periodic action plans are prepared and filed properly on quarterly basis.
- Making of all out efforts to maximize recovery.
- For providing adequate and timely loan loss provision, branches are helped based on actual and expected losses.
- The status of CL is collected from branches after which, checking the same as per latest BRPD circular on loan classification.
- NPL A/Cs are rescheduled maintaining norms/ rules/circulars.
- Classified loan A/Cs are reviewed considering all possible ways to recover them.
- Legal actions are initiated as per norms/rules/ circulars, if required with the help of Legal Department.
- Court cases are followed up regularly ensuring that necessary steps are taken for early resolution.
- Classified Loan Review (CLR) Report are collected by SAMD from the concerned branches within 15 (Fifteen) days of becoming CL.
- Eligible Security value of mortgaged property is determined in line with Bangladesh Bank Guidelines.
- Ensuring that appropriate authorities approve exceptions, waiver of interest and reschedule/ compromise, settlement, where applicable Bangladesh Bank approvals are obtained.
- Ensuring that appropriate authorities approve write-offs in line with Bangladesh Bank Guidelines.
- Ensuring that appropriate authorities approve legal action against defaulted borrowers and foreclosure and sale of collateral.
- Helping the concerned branches to determine Forced Sale Value (FSV) of eligible securities mortgaged for accounts.

RISK MANAGEMENT

Risks, the measurable uncertainties, are the events, we know, can happen and for being enabled to predict their future likelihood, we have necessary data. Mathematically, risk is the probability of an adverse occurrence multiplied by the impact of that adverse occurrence. Through systematic risk analysis, available information are objectively used to determine how often, specified events might occur, their magnitude and consequences. In MTB, we understand that risk is an inherent element of doing business. Since risk is innately embedded in every action of banking, utmost attention is given to analyze various risk factors from multiple avenues so that the probability of occurring unfavourable events could be minimized, and favorable return be maximized.

Risk and return are always inversely proportionate. Making perfect balance between these two aspects is a classical predicament to the successful growth of business. MTB focuses on transparency of contracts between the parties, accountability to the stakeholders and the proper mix of assets and liabilities to make sure that risk and reward are duly balanced.

MTB attaches the highest priority to establish, maintain and upgrade risk management infrastructure, systems and procedures. Adequate resources are allocated in this regard to improve skills and expertise of relevant employees to enhance their risk management capacity. The risk management guidelines and other policies and procedural guidelines are approved, and regularly reviewed by the Board of Directors of MTB to bring these up to the finest satisfaction level. The capacity to make forward-looking choices about risk in relation to reward,

and to evaluate performances, lies at the heart of the management process of MTB.

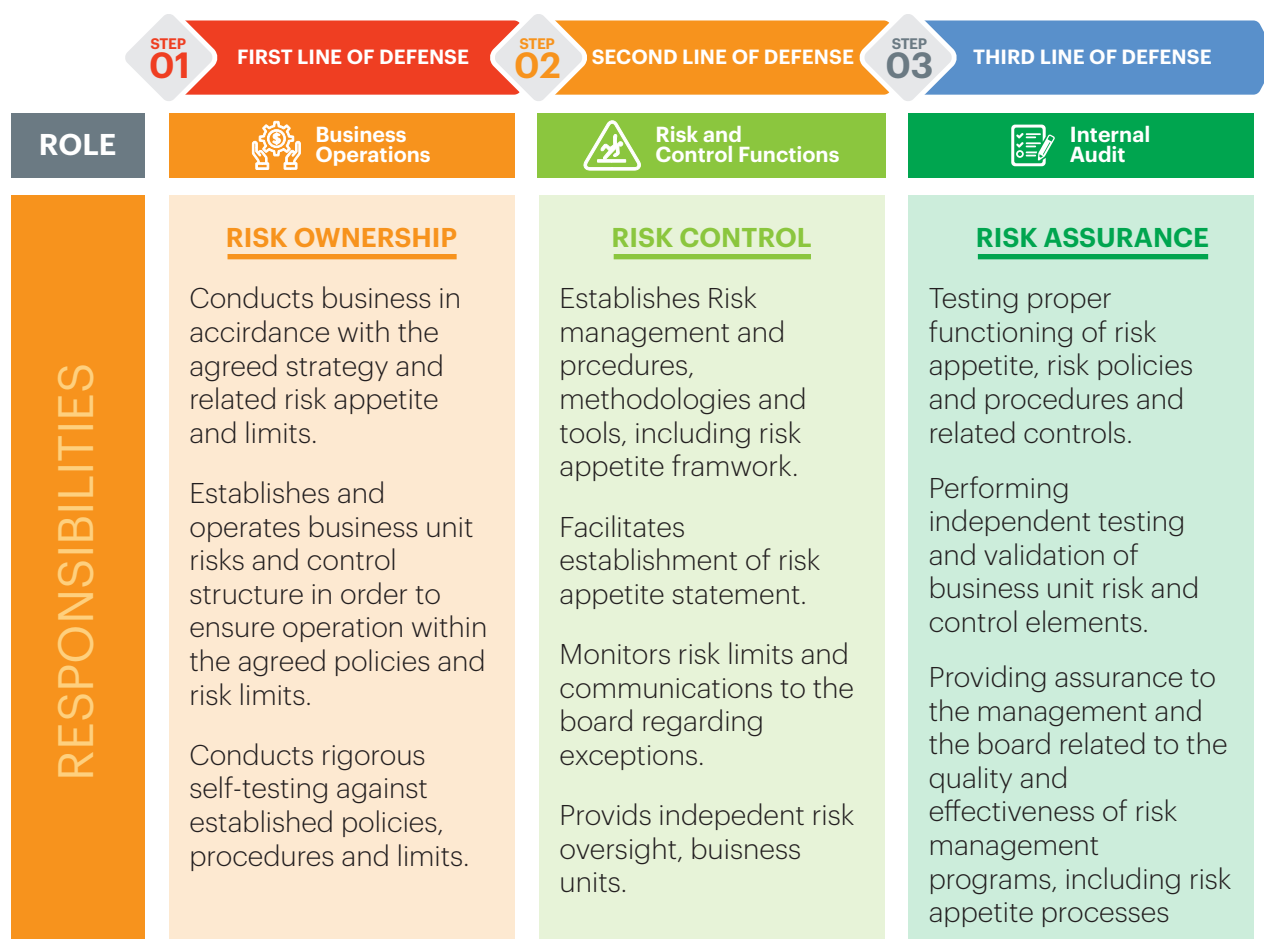
Risk Management Framework

The primary goals of risk management are to ensure that the outcomes of risk-taking activities are consistent with the bank's strategies and risk appetite, and that there is an appropriate balance between risk and reward in order to maximize shareholders' returns. The bank's enterprise-wide risk management framework provides the foundation for achieving these goals.

This framework is subject to constant evaluation to ensure that it meets the challenges and requirements of the global markets in which the bank operates, including regulatory standards and industry best practices. The risk management programs of the bank's subsidiaries also conform in all material respects, to the bank's risk management framework, although the actual mode of execution of their programs may be different.

The bank's risk management framework is predicated on three-lines-of defense. In this model, functional business line of management (the first line) incurs and owns the risks, while risk management and other control functions (the second line) provide independent oversight and objective challenge to the first line of defense. Internal Audit Department (the third line) provides assurance that control objectives are achieved by the first and second lines of defense.





MTB's risk management framework is applied on enterprise-wide basis and consists of the following key elements:

- Risk Governance,
- Risk Appetite,
- Risk Management Techniques and
- Risk and culture

Risk Governance

MTB's governance structure specifies the policies, principles and procedures for making decisions about corporate direction. MTB has a disciplined risk governance structure that facilitates oversight of and accountability for risk at all levels of the bank and across all risk types. Its risk governance structure follows the principles of transparency, fairness of key people, clear accountability, skill development and competencies, compensation architecture, etc.

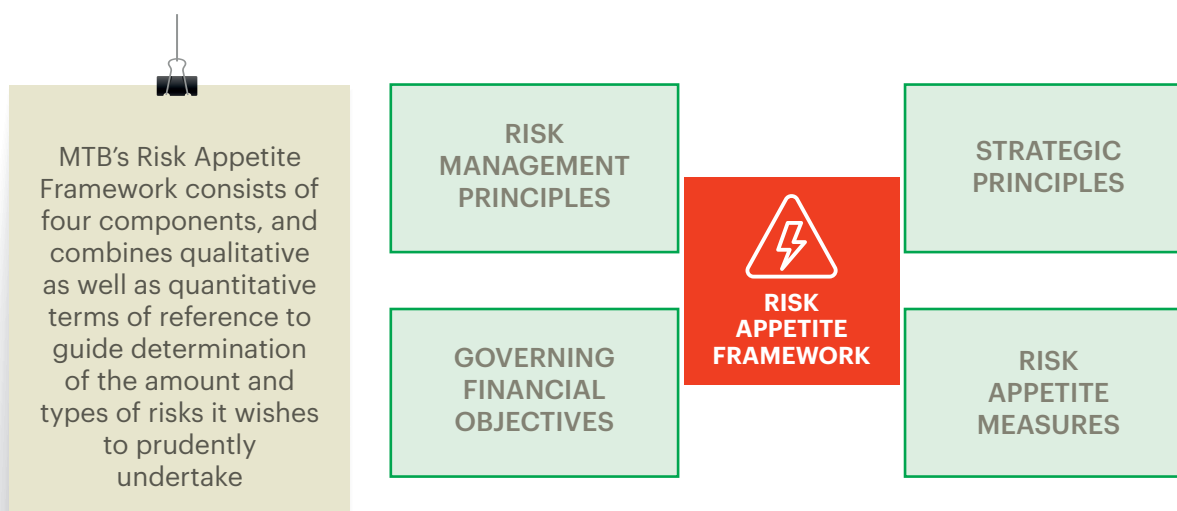
The learned Board of Directors of MTB exercises oversight and provides guidance to the experienced Senior Management team that works closely with other teams in managing risks. Understanding the highly specialized nature of managing risks, decision-making is centralized, largely, through a structure of different risk management committees.



Risk appetite

MTB understands that effective risk management requires clear articulation of the bank's risk appetite and how the bank's risk profile will be managed in

relation to that appetite. The bank's risk appetite framework governs risk taking activities on an enterprise-wide basis.



Risk management principles

MTB's principles of risk management are based on the qualitative foundation of risk appetite framework. These principles include:

- Promotion of a robust risk culture
- Determining accountability for risk by the business lines

- Avoidance of excessive risk concentrations, and
- Ensuring that the risks are clearly understood, measurable, and manageable

Strategic principles

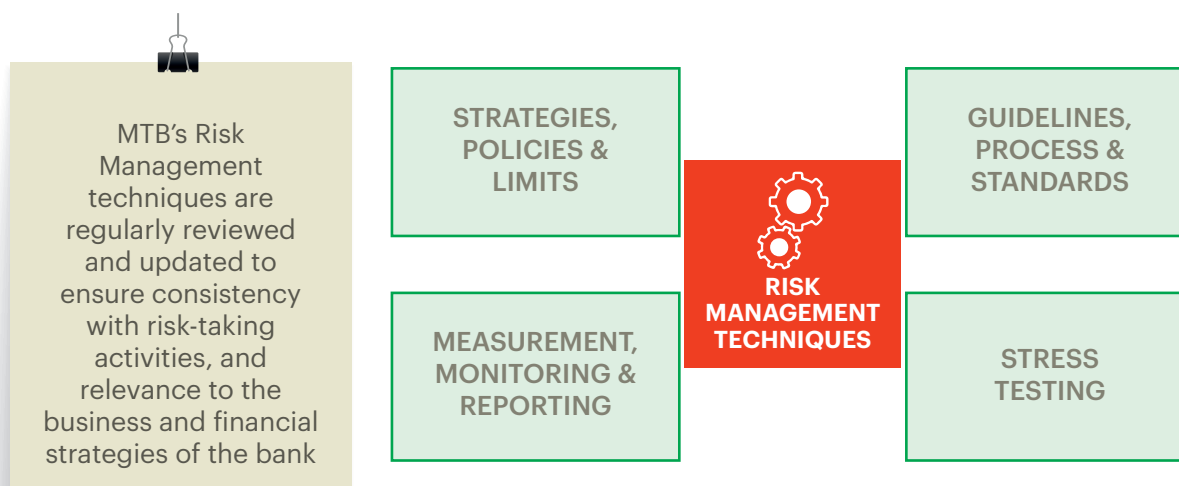
Strategic principles outline qualitative benchmarks to guide the bank in its pursuit of the governing financial

objectives, and to gauge broad alignment between new initiatives and the bank's risk appetite. MTB's strategic principles include:

- Placing emphasis on diversity, quality and stability of earnings
- Focusing on core businesses by leveraging competitive advantages, and
- Making disciplined and selective strategic investments

Governing Financial Objectives

MTB always focuses on long-term shareholder value. These objectives include sustainable earnings growth, maintenance of adequate capital in relation to the bank's risk profile, and availability of financial resources to meet financial obligations on a timely basis at reasonable prices.



Strategies, Policies and Limits

Strategies

Risk management strategies sketched by MTB provide quantitative and qualitative guidance. This guidance is, in turn, used to set limits and guidelines on the types of risk taking activities the bank is prepared to assume in pursuit of its strategic and financial objectives.

Policies

Policies apply to the specific types of risk or to the activities that are used to measure and control risk exposure. They are based on recommendations from risk management, audit, business lines, and senior executive management. Industry best practices and regulatory requirements also act as key factors of the policies. Policies are guided by the bank's risk appetite, limits and controls, within which the bank and its subsidiaries can operate. Key risk policies such as ICAAP (Internal Capital Adequacy Assessment Process) policies are approved by the Board of Directors, with prior approval of the Board Risk Management Committee (BRMC).

Limits

Limits rationalize risk-taking activities within the tolerances established by the Board and senior management. Limits also seek to establish accountability for the key tasks in the risk-taking process and establish

Risk appetite measures

Risk appetite measures of MTB delineate objective matrices that gauge risk and articulate the bank's risk appetite. They provide link between actual risk taking activities and the risk management principles, strategic principles and governing financial objectives described above. These measures include capital and earnings ratios, market and liquidity risk limits, credit and operational risk targets.

Risk management techniques

Sound risk management includes techniques that are guided by the bank's Risk Appetite Framework and integrated with the bank's strategies and business planning processes.

the level or conditions under which transactions may be approved or executed.

Guidelines, Processes and Standards

Guidelines

The directives are provided to implement policies as set out above. Generally, they describe the facility types, aggregate facility exposures and conditions under which MTB is prepared to do business. Guidelines ensure that the bank has the appropriate knowledge of the clients, products, and markets, and also that, it fully understands the risks associated with the business it underwrites. Guidelines may change from time to time, depending on the market or other circumstances.

Processes

Processes are the activities associated with identifying, evaluating, documenting, reporting and controlling risk.

Standards

Standards, define the breadth and quality of information required to make a decision and the expectations in terms of quality of analysis and presentation. Processes and standards are developed enterprise-wide, and documented in a series of policies, manuals and handbooks. Key processes cover the review and approval of new products, model validation and stress testing.

Measurement, Monitoring, and Reporting

Measurement

MTB's risk management is responsible for developing and maintaining appropriate varieties of risk management techniques to support the operations of various business lines, and the measurement of enterprise-wide economic capital. The risk sections explain the application of these techniques.

Risk measurement techniques include the use of models and stress testing. The bank uses models for a range of purposes including estimating the value of transactions, risk exposures, credit risk ratings and parameters, and economic and regulatory capital. The use of quantitative risk methodologies and models is balanced by a strong governance framework and includes the application of sound and experienced judgment. The development, independent review, and approval of models are subject to formalized policies where applicable, including the oversight of senior management committees.

Regular Monitoring

Continuous monitoring ensures that business activities are within approved limits or guidelines, and are aligned with the bank's strategies and risk appetite. Breaches, if any, of these limits or guidelines are reported to the senior management, appropriate committees, and/or Board depending on the intensity that might warrant.

Risk Reports

Risk reports aggregate the measures of risks across products and businesses, and are used to ensure compliance with policies, limits, and guidelines. They also provide a clear statement of the amounts, types, and sensitivities of various risks in the bank's portfolio. Senior management and the Board use the information to understand the bank's risk profile and the performance of the portfolio.

Control and audit functions are also established that are independent of other functions in the organization. In functional discharges it is ensured that all the components of the risk management framework are effective and are implemented on a day to day basis.

Stress Testing

A risk management technique used to evaluate the potential effects on an institution's financial condition of a specific event and/or movement of a set of financial variables. This involves several shocking events e.g. increase of NPLs, adverse change of interest rates, and exchange rates, market price changes, decrease in forced sale value of collaterals etc. Each shocking events contains Minor, Moderate and Major levels of shock.

Objective of Stress Testing:

The Stress Testing report provides a structured way of assessing the vulnerability of a bank to extreme but plausible market conditions. The Stress Testing report also enables banks to accurately assess the impact of risks, and defines the 'risk appetite' of the organization and also provides critical information to the top management as well as to the Board of Directors for taking decisions on capital allocation and contingency planning.

Our stress testing framework is designed to:-

- Contribute to the setting and monitoring of risk appetite
- Identify key risks related to our adopted strategy, financial position and reputation
- Examine the nature and dynamics of the risk profile and assess the impact of stresses on our profitability and business plans
- Ensure that effective governance, processes and systems are in place to co-ordinate and integrate stress testing information to the senior management
- Ensure adherence to the regulatory requirements

MTB conducts the stress testing of the bank on a quarterly basis and reports the same to Bangladesh Bank.

Risk Management Culture

MTB, focuses on effective risk management that requires a strong, robust, and pervasive risk management culture. The Business Lines of MTB are responsible for the development and execution of business plans that are aligned with the bank's risk management framework, and are accountable for the risks they incur. Understanding and managing those risks is a fundamental element of each business plan. In MTB, business units work in partnership with Risk Management framework to ensure that the risks arising from their businesses are thoroughly and clearly identified, evaluated, and appropriately addressed.

Decision-making on risk issues is highly centralized in MTB. The Senior Members of different committees are responsible for the review, approval and monitoring of transactions and the related risk exposures. The flow of information and transactions to these committees keeps them well informed of the risks the bank faces, and ensures that the transactions and risks are aligned with the bank's risk appetite framework.

Risk Management Levels at MTB

Strategic Level

- At strategic level, MTB Board of Directors (BoD) defines the risk appetite and approves overall risk policies, procedures, and guidelines for the bank.
- The Executive Committee (EC) approves loans and investments, and administers various functions assigned to them by the Board.
- The Board Risk Management Committee (BRMC) sets up risk governance structure, and risk philosophy to ensure adequate capital, and appropriate capital adequacy assessment process to accommodate the present, and future business operations. This committee also reviews risk policies and recommends to the Board.
- The Audit Committee (AC) is responsible for reviewing the adequacy of the bank's risk management processes, policies, and the effectiveness of implementation of the risk management system.
- All Risk Committee (ARC) continuously monitors policies, and the threshold limits of risks, that may be taken in line with the bank's risk appetite.

Managerial Level

- At managerial level, the policies and the strategies approved by the BoD are implemented by the management.
- The Credit Evaluation Committee (CEC)
- The Assets-Liability Committee (ALCO) works for managing market price risk, liquidity risk and interest rate risk in a better way.

Operational Level

- Operational level encompasses on-the-line risk management, where risks arise from front office, or from credit desk of the bank. At this level, MTB, with its various divisions and officers, work rigorously to combat those risks.
- MTB established Credit Risk Management Division (CRM), Credit Administration Department (CAD), Internal Control and Compliance Department (ICCD), and Risk Management Division (RMD) to mitigate risks in a better way.
- MTB also has Branch Anti Money Laundering Compliance Officer (BAMLCO) for every Branch under dedicated Chief Anti Money Laundering Compliance Officer (CAMLCO) to manage money laundering risks.

Focusing Capital on the long term

The bank's capital plan draws key inputs from the periodic strategic business plans. The strategic plan aims to create a holistic perspective on business outlook, funding needs, capital requirement as cushion and risk-return considerations. The long term strategic targets are translated into measurable short to medium term financial goals for measuring and monitoring performance. The strategic planning process combines both the approaches: top-down target setting and bottom-up substantiation. In the first phase, bank-wide key targets (asset growth, funding sources, profitability, liquidity, and solvency) are set by the Board of Directors. In the second phase, the objectives are substantiated by the management at different levels through careful review of business and economic outlook leading to the detailed business plans, which consist of month by month functional targets. The resulting strategic plan is finally presented to the Board for discussion and approval.

All financial targets are monitored on an ongoing basis by the respective committees (MANCOM, BRMC, SRP Team) and Board/Board Committees. Any shortfall from targets is discussed together with potential mitigating strategies seeking to ensure that MTB remains on track to achieve targets. Amendments to the strategic and capital plan are approved by the Board of Directors. Achieving targets ensures that MTB also complies with the Supervisory Review and Evaluation Process requirements as articulated by Bangladesh Bank.

Liquidity Risk Management:

Liquidity risk in MTB is assessed to measure risk arising from its potential inability to meet all payment

obligations when they come due or only being able to meet these obligations at excessive costs. The objective of the MTB's liquidity risk management framework is to ensure that it can fulfil its payment obligations at all times and can manage liquidity and funding risks within its risk appetite. The framework considers relevant and significant drivers of liquidity risk, be it on-balance sheet or off-balance sheet.

An important aspect of measuring liquidity risk is making assumptions about future funding needs. While certain cash inflows and outflows can be easily calculated or predicted, the bank also makes assumptions about future liquidity needs, both in the very short term and for longer time periods. One important factor to consider is the critical role a bank's brand and reputation play in its ability to access to funds readily and at reasonable terms.

We have identified several key liquidity risk indicators, which are monitored on a regular basis to ensure healthy liquidity position. These ratios are:

- Statutory Liquidity Ratio (SLR)
- Liquidity Coverage Ratio (LCR)
- Net Stable Funding Ratio (NSFR)
- Asset to Deposit Ratio
- Maximum Cumulative Outflow
- Medium Term Funding Ratio

The second and third ratios mentioned above have been introduced by Bangladesh Bank under Basel III guidelines in order to achieve two separate but complimentary objectives. The first objective of LCR is to promote short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficient high quality liquid resources to survive an acute stress scenario lasting for one month. The second objective of NSFR is to promote resilience over a longer time horizon by creating additional incentives for a bank to fund its activities with more stable sources of funding on an ongoing structural basis.

MTB is maintaining a strong liquidity base reflecting its sound position in the industry. Cash Reserve Ratio (CRR) and Statutory Liquid Ratio (SLR) of the bank are above the regulatory standard of 6.5% and 13% respectively. Short-term resilience of the bank is reflected through 127.92% Liquidity Coverage Ratio (LCR) against regulatory standard of at least 100%. MTB shows resilience over the longer time horizon as it is capable of funding its activities with more stable sources of funding on an ongoing structural basis. This is reflected in its Net Stable Funding Ratio (NSFR) of 100.85% in 2017 against regulatory standard of at least 100%.

MTB Risk Management Practice on Six Core Risk Areas

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



Credit Risk Management

Credit risk is the probability that, a bank's borrower or counterparty will fail to meet its obligations in accordance with agreed terms. To manage these risks, 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 (CRM) guidelines of Bangladesh Bank. MTB approves credit to the eligible clients through credit processing system. MTB's international trade service operations are conducted through its three offices under Mutual Trust Bank International Trade Services (MITS). In MTB, renewal and extension of any credit facility require completion of pertinent due diligence processes including, as applicable, stock verification, rigorous need assessment, insurance coverage of the insurable objects, judicious collateral coverage, cash flow supported repayment capacity, etc. MTB panel lawyers examine the security related documents to reduce the residual risks. Other than these, the mechanisms and tools, through which MTB manages credit risks, are as follows:

Exposure Ceilings

MTB has its lending cap for different business sectors, industries, and locations, which is strictly tried to be adhered to. Lending cap is constantly reviewed in order to remain reasonably aligned with the business needs. The bank never exceeds the Single Borrower Exposure Limit set by Bangladesh Bank (BB).

Prudent Credit Sanctioning Process

Credit initiation and approvals, in MTB, are done in a segregated manner. Each and every sanction is done through a very stringent evaluation process, which, in fine, ensures quality of assets and minimizes losses likely to arise from potential bad loans. In order to make credit operations judicious, quality and rewarding, MTB has a strict credit policy in place. The policy, among others, requires:

- Clean and up to date Credit Information Bureau (CIB) report of the Client and their allied concern
- Verification of the collaterals by the enlisted surveyors and obtaining legal opinion on acceptability of the collaterals and protecting the bank's interest
- Ascertaining credit worthiness and need of the borrower, purpose and sources of repayment
- Conducting lending operations complying with the underlying norms and regulations
- Emphasizing maintenance of rational loan deposit ratio; Avoiding directed and name lending

Credit Monitoring

MTB Credit Monitoring Department (CMD) monitors the asset (loan) portfolio of the bank continuously. MTB's credit monitoring system provides an early indication/ alert about the deterioration in the status of the loans that allows immediate launching of effective management actions in a rational manner to prevent them from turning into Non-Performing Loans (NPLs). Statements on early alert accounts, delinquent and special mentioned accounts are generated timely. MTB's

credit monitoring tools are effective to keep the overdue and SMA loans well below the industry average.

Portfolio Management

Credit concentration is against the spirit of diversification of portfolio in as much as it enhances credit risks. To avoid concentration, the principle of judicious credit diversification is followed in MTB, keeping in mind the essence of regional/ sectoral/ group concentration. Any exceptions in credit operations are considered for approval at appropriate level.

Review/Renewal

All credits approved on revolving basis are annually reviewed and renewed if found renewal worthy by the appropriate authority as per Credit Approval Discretion. Credits - continuous or term-based - are reviewed to ascertain the regularity in transaction and repayments as per covenants of the approvals.

Borrowers' Credit Rating

Under the Standardized Approach of Risk Based Capital Adequacy (RBCA) guidelines of Basel-III, prescribed by the Bangladesh Bank, rating of the borrowers is an effective and efficient tool to manage credit risks. Good rating (i. e. low risk weight) of the borrowers, which facilitates identification of the borrowers as quality/ rewarding one, also requires less capital. For achieving these, two fold objectives and also to comply with the requirements under Basel III, management has assigned priority on rating of all the eligible clients, by External Credit Assessment Institutions (ECAI).

In its constant effort to understand the risk intensity of the assets, extent of capital relief and also in order to be able to make appropriate choice in respect of selection of the borrowers, ECAI rating status is monitored every day at Risk Management Division. With laying of adequate importance on ECAI rating, the number of ECAI rated clients has increased significantly.

Non-performing Loans (NPLs) Management

Despite all out efforts by the Credit Monitoring Division (CMD), if any loan becomes classified, Special Asset Management Division (SAMD) takes immediate actions. SAMD operates independently to prepare and implement overall action plan and recovery strategies. The division works in coordination with the branches, concerned divisions and Legal Department of Corporate Head Office, and conducts door-to-door recovery drives for Non-Performing Loans (NPLs). The tools and strategies for NPL management as applied by SAMD are designed in a manner to keep the NPL much below the critical level as per recognized/ institutional standard.

Environmental Risk Management

Environmental risk is a facilitating element of credit risk arising from environmental issues. These can be due to environmental impacts caused by and / or due to the prevailing environmental conditions. These increase risks as they bring an element of uncertainty or possibility of loss in the context of a financing transaction.

The overall purpose of Environmental Risk Management is to understand and manage risks that arise from environmental concerns. This brings a focus on planning and implementation policies and procedures to mitigate environmental risks. The specific purposes are to:

- Examine the environmental issues and concerns associated with potential business activities proposed for financing
- Identify, evaluate and manage environmental risks and the associated financial implications arising from these issues and concerns
- Strengthen credit risk appraisal process

Based on different environmental risk levels, MTB considers the following approval level as ideal and appropriate.

- If the Environmental Risk Rating (EnvRR) is high, the proposal for financing qualifies for approval by the Board or Executive Committee within its authority
- If the EnvRR is low or moderate, the financing decision is taken on the basis of usual credit risk management guidelines
- If the EnvRR is unclear, then it is required for the Marketing/Relationship Management to collect more information from the borrower so as to have an understanding of the inherent risks and arrive at a high/moderate/low decision. Should a risk factor not be applicable, it may be excluded from the environment risk rating process.

Asset Liability Risk Management

Asset Liability Management (ALM) is a mechanism to address the risk faced by a bank due to mismatch between Assets and Liabilities either due to liquidity or changes in interest rates. A comprehensive ALM policy framework focuses on the bank's profitability and long-term viability by targeting the net interest margin (NIM) ratio and Net Economic Value (NEV), subject to balance sheet constraints. Significant among these constraints are maintaining credit quality, meeting liquidity needs and obtaining sufficient capital. As per Bangladesh Bank (BB) guideline, MTB has a fully functional Asset Liability Committee (ALCO) headed by the Managing Director & Chief Executive Officer as the Chairman of the committee for prudent Balance Sheet Risk Management. Moreover, ALM Desk of MTB has developed an Asset Liability Risk Management Manual in the light of the BB guidelines on ALM risk management which is approved by the Board of Directors of the bank and reviewed annually. ALM desk of MTB Treasury prepares Asset Liability Committee (ALCO) paper at least once a month and conducts meeting accordingly.

Foreign Exchange Risk Management

Foreign Exchange Risk arises due to the adverse fluctuation in the exchange rates. In order to manage and mitigate Foreign Exchange Risk, MTB has developed a Foreign Exchange Risk Management Manual in the light of Foreign Exchange Risk management guidelines

of Bangladesh Bank, which is approved by the Board of Directors of the bank. Moreover, MTB has Board approved different risk limits for meticulous Foreign Exchange dealing operations within regulatory framework. MTB has in place a well-defined internal approval and reporting procedures to report Foreign Exchange business activities on a regular basis to the senior management. In addition to different risk management practices, Net Open Position (NOP) limit assigned by Bangladesh Bank for conducting MTB's day to day Foreign Exchange business activities is strictly maintained.

Internal Control and Compliance Risk Management

MTB has an Internal Control and Compliance (ICC) Department which ensures internal control structure in the bank with appropriate assignment, accountability of the personnel and delegation of authorities to functional management to exercise control and create a compliance culture within the organization under the active guidance and supervision of the Senior Management and the Board of Directors. ICC Department has the following three distinct divisions, headed by a senior level executive:

- Audit and Inspection Division
- Compliance Division
- Monitoring Division

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

The Compliance and Monitoring Divisions of the ICC Department ensure timely and proper compliance with the 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 divisions assess the operational risks and take appropriate measures to mitigate the same for smooth operation of the bank.

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

Money Laundering Risk Management

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

Hence, MTB has its own anti-money laundering (AML) & Combating Financing of Terrorism (CFT) strategy, based on which a program has been designed considering the range of activities, complexity of operations and the nature and degree of money laundering and terrorist financing risks faced by the bank.

MTB has taken into cognizance the relevant laws, rules, Bangladesh Financial Intelligence Unit (BFIU) issued guidelines, circulars and instructions, international standards and the bank's own policy while designing the program. The bank applies risk-based Customer Due Diligence (CDD) measures, monitors business relationships and transactions pursuant to the national regulations and international standards.

Information and Communication Technology (ICT) Risk Management

MTB wants to grow by ensuring the total security of the customers and all other stakeholders. In the backdrop of an increased reliance on complex IT systems and operations in the financial sector, the risk of cyber-attacks and system disruptions is high and the same is increasing alarmingly. In this regard, MTB has been in constantly deepening its technology risk management capabilities by adopting strong "Information & Communication Technology (ICT) Security Policy". The underlying principles in this regard define responsibilities and requirements for protecting information assets (e.g. hardware, network, operating system, database, application, storage and related technologies), and their use in providing financial services.

Cyber Security Management

Constant change, unpredictability, and uncertainty have made cyber security everyone's responsibility. Continuous awareness programs for the employees, suppliers, and the clients, about cyber security goes round the year in MTB. The bank reminds the employees of security in every possible ways as a continuous process. Cyber security has become imperative to our business process. Practice in building walls to thwart attempts to block all malicious attacks, and making organization cyber-resilient is going on side by side. In practice, a handful of initiatives including network and host firewalls, web application firewall, intrusion-prevention, anti-malware, layered security, vulnerability and penetration testing is in place for preventive, detective and corrective measures against cyber-attacks.

State of the art Data Centre (DC)

As part of effective centralized management of banking operations, a full-fledged Data Centre (DC) was established at "MTB Centre" in 2009. This DC is equipped with sophisticated technology including data replication to manage operation, and continuation centrally for proper business functions all over the world. In today's digital economy, MTB has taken the challenges of rapid growth of IT infrastructure, including information security that meets regulatory compliance regulations and protect the information of its clients.

Disaster Recovery Site (DRS)

As part of business continuation, the bank has established Disaster Recovery Site (DRS) at MTB's own premises at "MTB Tower". This DRS is equipped to protect loss of customer sensitive information, and their transactions in case of failure of primary Data Centre due to any disaster.

MTB IT Security Department (MITSD)

Information Technology Security Department was established headed by Chief Information Security Officer (CISO) was established to align with Bangladesh Bank ICT Security Guidelines and industry standards. To administer the ICT security policy, manage the ICT risks, compliance, handle the incident management, conduct awareness-training programs round the year and to thwart the overall security issues of the bank are the prime responsibilities of the department. Apart from strengthening ICT infrastructure platform, the department also focuses on identifying its security risks by conducting vulnerability, and penetration testing on its existing services. In addition, the department is on its way to establish 24/7 Security Operation Centre (SOC).

System Audit Team

MTB has established dedicated System Audit Team under the Internal Control & Compliance Department (ICCD) in order to comply with the directives of the Bangladesh Bank's guidelines. The team audits the branches and various divisions, departments, units of Corporate Head Office including subsidiaries, and reports to the authority, and suggests necessary actions.

INFORMATION TECHNOLOGY

Information Technology being the business enabler, focused mostly on the use of technology for the benefit of our customers, communities and our people, delivering what matters to create the best value over the year of 2017. The aim of our efforts was to reduce cost, increase profitability, improve internal efficiencies, use alternate delivery channels where appropriate and, ultimately, improve the internal and external customer service experience.

Through the year of 2017, we invested in our technology to create new ways for our customers to interact with us, generate efficiencies, and protect ourselves and stakeholders from risks of threats that are constantly changing at a global level. A number of standout features were delivered across our digital ecosystem through the financial year.

Transformation of Core Banking Solution (CBS)

As a part of strategic decision and in pursuit of acquiring a modern CBS, the bank engaged OPTINOVO Business Consulting Private Limited, India for rendering consultancy services to steer forward the CBS project in 2016. The firm helped MTB in preparing a number of documents like AS-IS Study, TO-BE, RFP and finally the tender documents for selection of a very suitable CBS. The CBS is the heart of transaction system in a bank.

In May 2017, the bank floated the request for proposal (RFP) where 8 reputed bidders were participated. Considering the strategy and high worth of CBS Project, the bank appointed Bangladesh University of Engineering and Technology (BUET) as Technical Consultant for evaluation of the bids. Eight (8) groups of officials in certain functional areas and a number of committees had been engaged to evaluate the features of CBS and the bank finally selected TCS BaNCS, a product of Tata Consultancy System (TCS), which has had a number of big installations in reputed banks like Bank of China, State Bank of India, etc.

Improvements in Agent Banking Capacities

As part of the bank's vision to extend its services to the unbanked segments of the population and thereby helping the country towards its journey to become the most financially inclusive emerging economy, MTB Agent Banking was initiated in 2016 where Information Technology played an elemental role in transforming the processes of traditional banking into techno driven work flows. As of December 2017, a total of 50 Agent Banking Centres were inaugurated across the country. In order to bring more services of the main stream banking services to the doorsteps of the customers of the Agent Banking, the Agent Banking System or the ABS was beefed up with a number of functionalities like Issuance of Debit Card, Issuance of MICR Cheque Book, Internet Banking, School Fees Collection, REB Bill Collection, Payroll Banking and even RTGS payment services.

Information & Cyber Security at MTB

Information and Cyber Security is a set of stratagems for governing the people, processes, and technology indispensable to thwart, discover, document and counter threats to digital and non-digital information to ensure its Confidentiality, Integrity, and Availability (CIA). MTB IT Security Department (MITSD) encourages all respective stakeholders to bring into line with comprehensive, and verifiable information security management strategy in accordance with internationally recognized standards to protect the information of valued clients and information assets of MTB.

ICT Security Governance

To strengthen existing ICT security governance and accountability culture, MTB has already established "MTB IT Security Committee" to ensure the implementation of information security throughout the bank in achieving the organizational goals. In sequence, MTB updates its ICT security policy regularly to deal with evolving changes in the ICT environment, regulatory / legal requirements within the bank. Besides, MITSD is working closely to ensure that all users are aware, understand and perform their roles and responsibilities as stated in the policy.

ICT Risk Management

It is saying that, ICT risk is also a business risk which may lead to a failure in the CIA of an information system. To reduce the risk or be in an acceptable range, MTB is performing ICT Risk Assessment (RA) on people, process and technology especially before any new product (s) / service (s) go-live or any significant change on existing systems.

ICT Security Compliance

When MTB comes to retain regulatory compliance for ICT systems that follows the regulations set forth by Bangladesh Bank, it ensures continued compliance with the business objectives, regulatory and legal requirements related to Information and Cyber Security. Meanwhile, MTB aspires to obtain Payment Card Industry Data Security Standard (PCI DSS) certification to protect its entire Cardholder Data Environment (CDE). MITSD has kicked off the PCI DSS project by forming an implementation team and expects that MTB would become a PCI Compliant Bank, which might augment MTB's payment card business even higher and supports to go ahead as scratched. Ensuring SWIFT infrastructure security is another crucial part of Cyber Security program. This year, for the first time, MTB has submitted self-attestation report on SWIFT infrastructure security engagement.

Multi-Layered Security Approach

Multi-layered security approach is the keyword for cutting-edge security technology. By working in concert, these layers of security offers a better chance

of stopping intruders from breaching. Recently, MTB has adopted Web Application Firewall (WAF) for all public facing applications through MTB, which enhances secured transactions. Moreover, to face out Advanced Persistent Threat (APT) attacks, organizations need a range of security technologies to protect them from threats both known and unknown. To overcome such challenges, MTB is implementing Anti-APT solutions to analyze, understand, and take action on the threats those are undetected by conventional security measures.

Fostering an Awareness Culture

An Information and Cyber Security awareness program is a significant requirement for any organization that wishes to ensure privacy, legitimacy, effectiveness and availability of information assets. To ensure the business operation even more secured, MTB IT Security Department (MITSD) keeps conducting awareness training program on Information and Cyber Security for all employees. Such training programs help the employees in managing and protecting the valuable information using ICT systems. To make the employee more aware of the cyber security, MITSD publishes security Quizzes and circulates latest information security tips, techniques, and Security Bulletins regularly on MTB Corporate Intranet (MNet) portal.

Training and Awareness Programs

To develop skill and awareness on the latest technology trends, the core IT officials were introduced to various local and overseas training programs and conferences throughout the year. Apart from grooming up its own experts, computer related training was also imparted to the general users on an ongoing basis to empower them to handle the technology platforms. Trainings like Web Application Firewall, Digital Banking & Cyber Security, Information & Cyber Security are the few examples of such training programs that helped the bank users become aware of the risks of using digital technology and the new technology initiatives in the offing.

In-house Developments

Apart from outsourced solution, there have been a number of efforts from MTB's own development team that was elemental in augmenting bank's progress towards digitalization of services. Following are a few examples of such developments.

Money Exchange Software (MExchange)

The money exchange operations of MTB's 2 (two) booths at Hazrat Shahjalal International Airport were automated to ensure smooth customer service as well the monitoring of the operations of the said booths by the NRB Division.

Electronic Loan Documentation Check List (E-LDCL)

This work-flow based E-LDCL system was designed and developed in-house to expedite the process

of conveyance of the loan documentation check list electronically, narrowing down significantly the turnaround time of accomplishing the loan processing procedure. The archival system built within has proved to be the most efficient one to recover any document by the business units.

Maturity Alerts

Apart from sending regular SMS alerts on transactions, MTB took proactive initiative for its depositors in 2017 to send more SMS alerts like maturity of the deposit products like FD, Brick By Brick, Millionaire Plan etc. prior to the day of the maturity.

Open and Account Online (OAO)

This service was introduced to take the A/C opening service to the doorstep of the customers, who now do not need to reach out to MTB branches to collect the A/C Opening Form and fill them out manually. Using OAO, short for 'Open an A/C Online', the customers can now prepare the A/C opening forms Online and visit a branch with an E-Token and get the A/C opened immediately. The information preserved on the OAO profile can be reused every time a customer wants to open an A/C.

Bill Collection Solutions

In a bid to broaden its spectrum of avenues of Utility Bill Payment services, a number of developments have been made in-house to enable the customers to pay their bills comfortably using their Internet Banking or the Mobile Apps. The bill collection services include Karnafuli Gas Distribution Company Limited (KGDCL) and DPDC. Developments were also made in the branch collection module to receive Gas bill of Titas Gas Transmission and Distribution Company Limited (TGTDCL).

Missed Call Mobile Recharge

This innovative service was introduced this year for the MTB customers to recharge their mobile phone(s) at the ease of a missed call to a particular MTB number. The service was endeared by its users considering the convenience of recharging the mobiles of their own as well as of their near and dear ones. The registration process was also taken to the Internet banking so that the service can be easily availed.

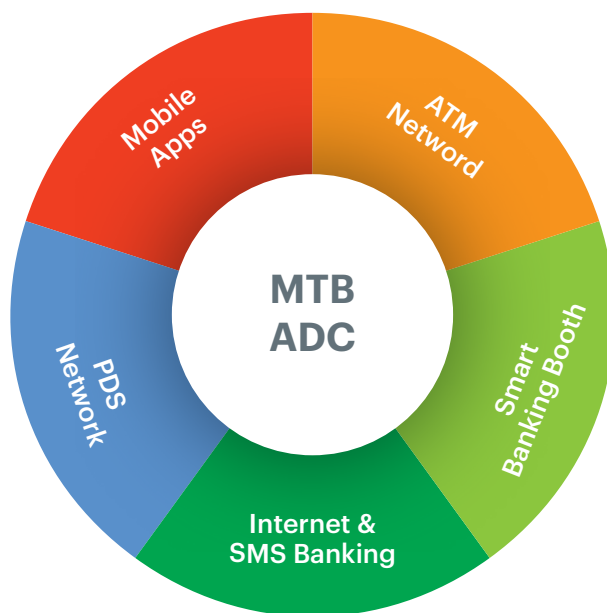
API Based Instant Remittance to bKash Wallet

As part of its continual effort towards expanding arms of remittance disbursement channels, MTB NRB Division has opened up a new avenue of remittance disbursement through bKash Wallets using API driven automated connectivity. The complete suit of technological development of the necessary APIS to connect with the Exchange Houses and bKash wallets was done by the in-house developers of MTB. Using this service, the hard earned remittances are being sent to beneficiary's bKash wallets in real times.

ALTERNATIVE DELIVERY CHANNEL

Alternate delivery channels are those channels that expand the reach of financial services beyond the traditional branches. MTB ADC have emerged as a result of innovations in information and communication technology and with the vision of the bank's top management to become a world class bank.

MTB Alternative Delivery Channel offers a broad range of options through which our valued customers can access the bank's financial services without visiting a branch. The channel of MTB ADC are:



Automated Teller Machine (ATM) Network:

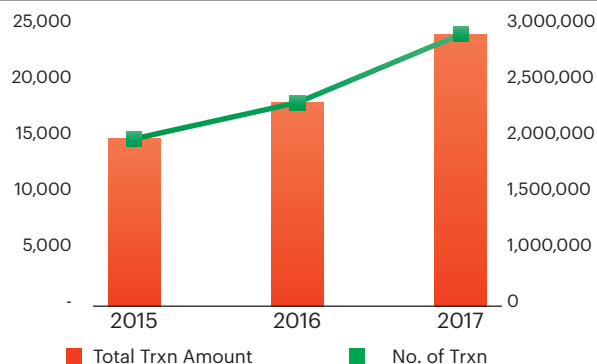
MTB's 1st ATM was introduced in the year 2011 with 24/7 automated cash withdrawal facility. Now, the Bank has 246 ATMs across the country in 201 strategic locations, making MTB as one of the top ATM service providing banks in the country. MTB ATMs also connected to the VISA, Mastercard and NPSB (National Payment System Bangladesh) channel to offer the facility to a wide range of cardholders including those of other banks as well. All our ATMs are complied with the EMV (Euro

Master Visa) regulations and equipped with Encrypted PIN Pad and CC TV surveillance. MTB ATMs are widely used for cash withdrawals. It also offers services like balance enquiry, fund transfer, PIN change, mobile top-ups, etc.

In the year 2017, MTB ATMs have been used for cash withdrawal amounting BDT 2.01 billion which is 27% more than that of the year 2016.

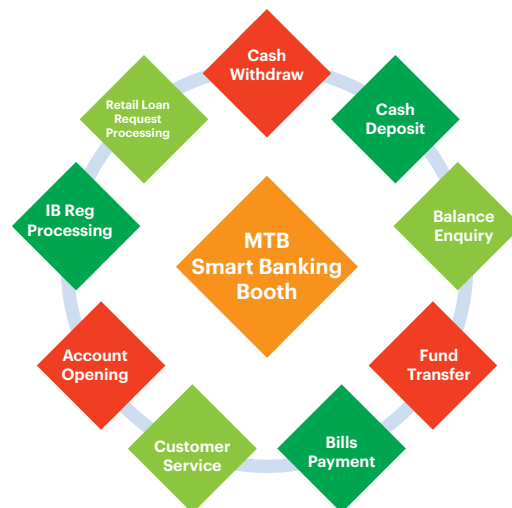
Year	Number of Transaction	Total Transaction Amount
2015	1,718,731	13,103,032,700
2016	1,998,374	16,504,356,816
2017	2,406,672	20,969,391,000

YoY Growth in MTB ATM Transaction



Smart Banking Booth:

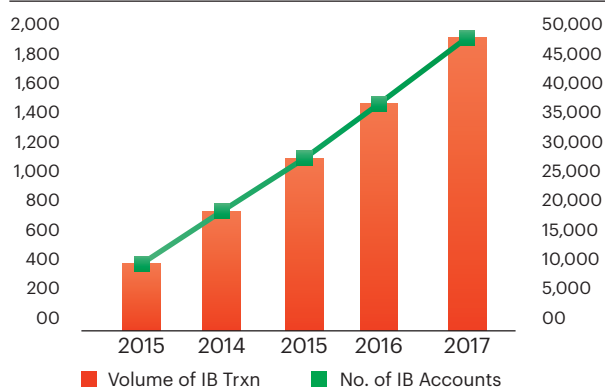
MTB Smart Banking Booth was introduced in 2012. Till 2017, MTB has 10 Smart Banking Booths with CDMs (Cash Deposit Machine) in 4 located major cities (Dhaka, Chittagong, Comilla and Barisal) making MTB as one of the early starter in offering banking service through Smart Banking Booths (KIOSK) among the banks in Bangladesh. MTB Smart Banking Booths are offering a wide range of services including cash withdrawal, cash deposit, balance enquiry, fund transfer, bills payment, customer service, account opening, retail loan processing, internet banking registration, etc outside the Bank's conventional branch network. It is the vision of the management to expand the MTB Smart Banking Booths at different prime locations across the country to offer more dynamic services from these booths.



Internet and SMS Banking:

MTB Internet Banking is another electronic payment channel that offers facility to conduct a range of financial transactions through the Bank's website. Starting its journey back in the year 2012, MTB Internet Banking is going through a phase of continuous improvement to offer dynamism and convenience to valued customers of the bank in getting services through this channel. This service offers 2(two) factor authentication to secure the online transaction as per international standard. MTB Internet Banking is currently offering services like balance enquiry, fund transfer to other MTB account or other bank's account, mobile top-up, bills payment, transaction summary check, account statement check etc. In the year 2017, MTB customers have made account transfer of BDT 1,835 million through the MTB Internet Banking channel.

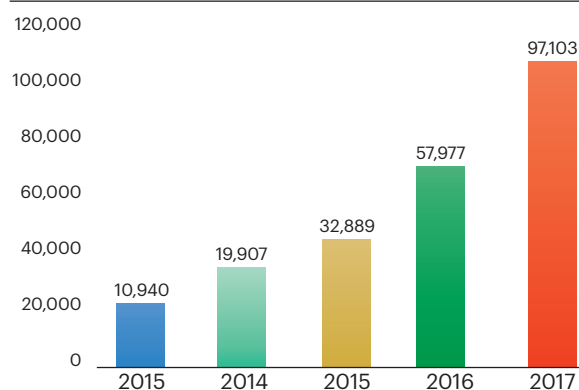
YoY Growth in Internet Banking Users & Trxns



MTB SMS Banking facilitates the customers by sending instant transaction alert with transaction details. MTB customers can also check their last 5 transactions

Year	No. of IB Accounts	No. of IB Trxn	Volume of IB Trxn
2012	4,986	2,810	26,490,935.16
2013	13,520	97,866	282,414,622.58
2014	22,073	171,300	587,082,036.94
2015	31,020	235,894	1,013,407,354.81
2016	37,891	268,583	1,282,005,349.59
2017	46,425	331,148	1,834,926,206.50

YoY Growth in SMS Banking Accounts

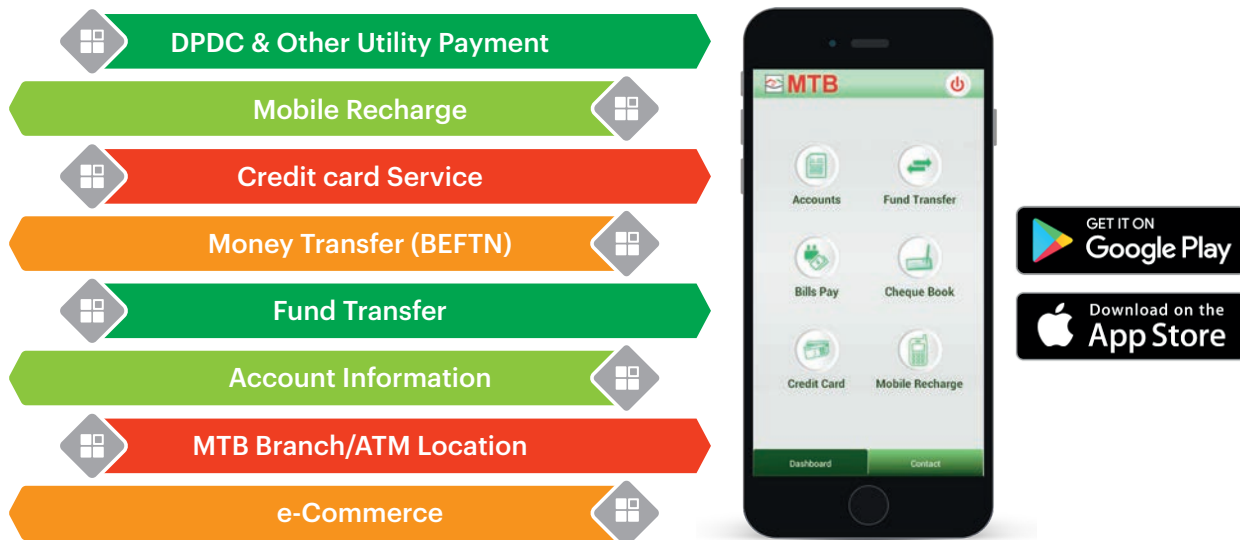


through the SMS option. Starting its journey in 2013, MTB SMS Banking service has been marked as a unique service for the account holders of the bank.

MTB Mobile Apps:

Mobile Apps is an extended platform of MTB Internet Banking which offers one touch window of the internet banking services through a pre-installed mobile app in the customer's cell phone. MTB offers this mobile app

for both Android and IOS mobile handsets. Services offered through MTB Internet Banking can also be accessed by MTB Mobile Apps.

**Point of Sales (POS) Network:**

MTB also offers card acquiring service through its POS Network covering a wide range of merchants across the country. MTB started its POS acquiring service in the year 2011 and till the end of 2017 has installed around 3,000 POS terminals at many major merchant points all over the country. MTB POS are capable to accept EMV Chip based VISA, MasterCard and cards accepted through NPSB channel. MTB's POS network is spread at over 60 districts facilitating cashless transaction at different merchant points.



HUMAN RESOURCES

MTB ensures the right number of people and right kind of people, at the right place, at the right time with the right skills set for doing the right things that are aligned with its mission, vision, and strategy.

At MTB Group Human Resources (GHR), we believe that, successful organizations are made up of passionate leaders who can articulate vision; gain understanding for specific business initiatives; and energize those whom they lead. We know that, delivering our best to MTB's customers takes men and women who give us their best every day. To that end, MTB's Human Resource philosophies and policies are an integral part of MTB's overall business strategies. Here, we pay special attention to managing people as our most important resources and important stakeholders. MTB Human Resources are the critical channel for expressing its brand to its customers and prospects alike.

MTB GHR serves as regular forums to communicate and implement policies, processes and other activities across MTB, from top to bottom. It oversees all activities that impact hiring talent, entry, mid and late career training and professional development in the search of excellence. It emphasises performance evaluation, establishes benchmarks for competitive compensation, allocation of right human resources, career development and succession planning.

Empowering MTBians to Protect & Surge Ahead

The implementation of 2017's strategy titled "Protect & Surge" entails far-reaching changes in the Bank. GHR is supporting this in its activities by providing professional advice and assistance to its management and employees. Through the value-oriented and binding guidelines on management conduct in the Bank, GHR is creating a uniform standard for fair interactions between employees and managers. The vision "MTB3V" and the "Code of Conduct" on which MTB's corporate culture is based, mean all are well positioned to successfully implement the Bank's change process.

GHR also plays a key role in implementing compliance measures. These range from the recruitment process to compliance training and the long-term anchoring of its Code of Conduct, thus helping to forge a "culture of integrity" in the Bank.

In 2017, MTB took capacity development efforts to the next level. MTB arranged a large number of high value internal awareness campaigns, seminars and workshops on integrity, professional values, moral ethics and beliefs. Last year, MTB also arranged training programs in divisional cities to reach the MTBians working at the outskirts of the city. The topics include

basic banking, MTB Code of Conduct, MTB business ethics, Anti-Money Laundering and Combating the Financing of Terrorism (AML & CFT).

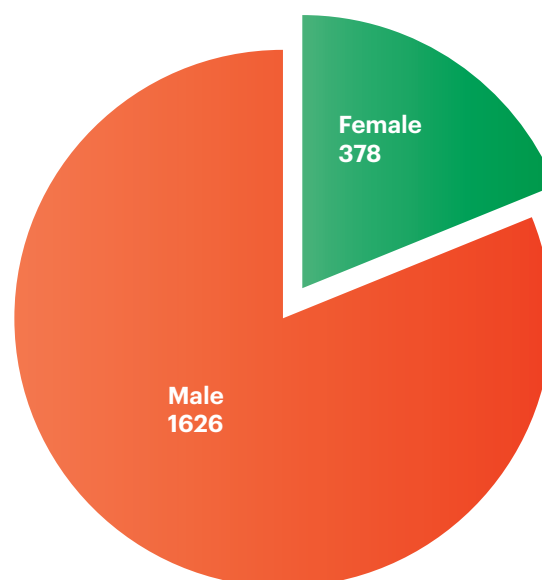
A Working Environment Free of Prejudice

Diversity is the cornerstone of our corporate culture and an integral component of our HR work. We encourage the diversity and individual development of our employees, as we firmly believe that, this also benefits us as a company. We want to maintain our clear position on these issues and anchor them even more strongly among our managers and employees.

Women in Management Positions

In the previous year, putting women in management positions was a key target for MTB in 2017. The Bank was able to employ more women in management positions in compare to the year 2016. Our aim is to increase the further proportion of women in management positions. We therefore, pursue an approach whereby a position should be filled solely on the basis of an employee's qualifications and expertise.

The work force of MTB Group stood at 2004 by the end of 2017. Gender-wise position of MTBians as on December 31, 2017:



Male employees represented 81% of total MTB workforce, the rest represented by the female counterparts.

The female employees have diversified ranks ranging from Officer categories to Executive Level. The breakdown of female employees is shown as follows:

Particulars	No. of Male Staffs	No. of Female Staffs	Total Staffs	Composition in %
Executive	238	18	256	13%
Mid-level Officer	498	75	573	29%
Junior Level Officer	872	283	1155	58%
Non-Officer	18	2	20	1%
Total	1,626	378	2,004	100%

Though the percentage of female employees remained unchanged, the number of female staff grew by 22% in 2017 compared to that of 2016, while the number of

male employees grew by 93. The composition as on December 31, 2017 is shown as follows:

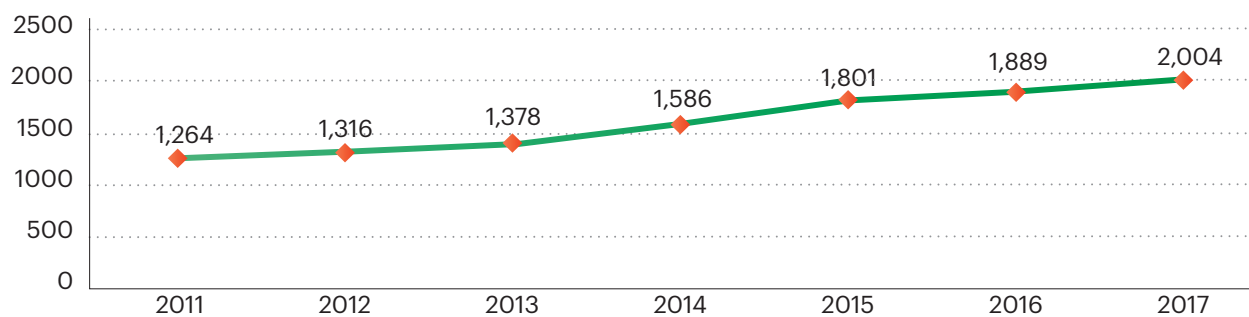
Deployment of Manpower

The size of manpower is raised every year to match the increase in the volume of operations. MTB had

1264 employees back in 2011. As on December 31, 2017, MTB family has 2004 members.

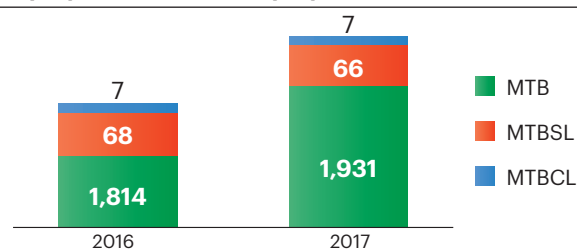
Trend in manpower size from 2011 to 2017

Trend of Total Workforce



Out of 2004 employees, 1931 are serving MTB, 66 MTBSL, and rest 7 are contributing to MTBCL. As illustrated by the year on year position, MTB raised its employment by 115.

Deployment of Total Employees



Employees' length of Service at MTB

MTB group has a strong team of experienced young bankers. This young pack is guided and supervised by very renowned, well qualified, diversified, experienced, seasoned bankers who act as pillars of the organization. This allows MTB to streamline the succession planning.

Employee's length of Service at MTB as on December 31, 2017:

Particulars	No of Employees	Composition in %
Below 1 Year	256	13%
1 Year to 5 Years	729	36%
5 Years to 10 Years	705	35%
10 Years to 15 Years	260	13%
Above 15 Years	54	3%
Total	2,004	100%

MTB's Employee Governance

GHR reiterates its employee governance by ensuring merit-based hiring practices for all target groups. The employee governance policy of MTB has improved further and paved the opportunities to control the hiring, appointment, compensation and retention of MTBians. GHR remains vigilant to mitigate the risk associated with human factors. It also makes excellent effort to comply with the regulatory requirements.

Performance Management Process

Our newly redesigned performance management model aims to be transparent and understandable, objective in its measurement, and a driver to align efforts of the network with the MTB's strategic objectives and encourage cooperation within and between teams. The performance of each MTBian is judged based on self-declared objectives which are SMART (Stretching, Measurable, Agreed, Realistic, Time bound). These SMART objectives are set and scripted on the corporate intranet portal (MNet) at the very beginning of the year and reviewed twice a year; one in mid-year and the other at the end of the year. The appraisal process has been worked out taking into account four key elements: ongoing job requirements, operational efficiency, business development, cost deduction, system redesigning to simplify any service, contribution in projects and assignments, people development and self-development. Evaluation of each element has two parts, self-assessment and assessment by the reporting boss or line manager. MTB GHR, with assistance of MTBTI, promotes continuous in-house training opportunities for capacity development. In addition, MTB supports the professional certification for being self-driven, which can render valuable addition to the Performance Management System (PMS).

Our Approach to Hunt Talent

MTB has adopted a balanced approach to talent acquisition. It relies both on leveraging the skills and experience, already available within the organization, while bringing in the necessary capabilities that will help position the Bank for long-term sustainable performance.

MTB has transparent selection process which is free from any influence. The pool of talent is attracted to MTB via circulars for the purpose of filling entry level posts. After the filtering applications, the potential candidates are asked to sit for the exam. Toppers are then interviewed by the top management who finalize the selection.

MTB, however, does not solely rely on entry levels. It also focus on the grooming existing MTBians who are sufficiently skilled and experienced to take more responsibilities. The existing MTBians are facilitated with career mobility and job rotation, which in turn, help MTB to attain sustainable operating performance.

Identifying and utilizing potentials

The changing and challenging banking sector having an effect on the work environment. Life-long learning

is the key to long-term success. In an industry marked by upheaval, we need employees who continuously review and expand their skills. With development-oriented procedures and individually customized training, GHR has been applying new approaches to the selection, appointment and development of managers and divisional heads. It has created uniform Bank-wide standards for employee training and development in the form of a dialogue. Each employee meets with her/his line manager to consider the employee's specific competencies. This enables to determine training and development needs at an early stage for developing and expanding the competencies required by employees. GHR thus lays the foundations for identifying and promoting potential in the best possible way.

Nurturing Future Leaders

The success in the service industry is much more dependent on the people associated to providing the service. Believing and holding this in heart, MTB puts its employees first! MTB aims to attract a pool of latent talents for all its entry to top level positions. The talents are further sharpened in on-the-job, off-the-job, in-house and outsourced training opportunities.

MTB offers a fast track career avenue under "MTB Management Trainee (MMT)" program. It is an "Acceleration Program for individuals who have the potential to be future leaders, preparing them for the next stage of their development and ensuring the amalgamation of the right skills and experience to accelerate their careers. Upon successful completion of one year's rigorous training, management trainees absorb the workforce as Junior Assistant Vice President (JAVP). The MMT program consists of in-house training at MTB Training Institute (MTBTI), job rotation at branches and different divisions/departments of Corporate Head Office. All these mold the MMTs arsenal full of confidence, operation exposure, adaptability and leading capabilities.

Training and Development

The management put an emphasis on training in the development of the employees. The most taught subject matter remained foundation of banking, cyber security, AML and CFT issues, regulatory compliance issues and banking operations as their importance is soaring. The number of total training rose to 281 in 2017 from 263 in 2016, registering a growth of 6.84%. The number of participant also increased significantly this year. By the end of 2017, the number of training participants stood 1786 against 1626 in the previous year, marking a remarkable growth at 9.84%, compared to 6.27% in 2016.

The Bank maintained an admirable schedule of 114 in house training programs, all of which were delivered in an impressive learning environment at MTB's own state-of-the-art training institute.

The number of training programs held from 2012-2017 is as follows:

(Yearly Number of Training)

Training Type	2012	2013	2014	2015	2016	2017
In House Training	52	70	74	131	113	114
Local/Outsourced Training	33	66	70	80	140	132
Foreign Training	06	03	13	18	10	35
Total Training	91	139	157	229	263	281

Year-wise number of participants in the training programs is listed below:

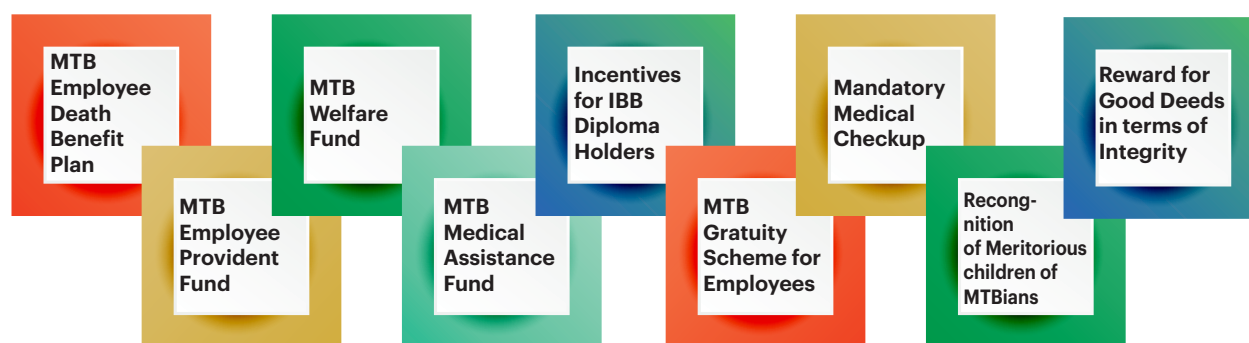
(Yearly Number of Training)

Year	2012	2013	2014	2015	2016	2017
Number	858	1,187	1,467	1,530	1,626	1,786

MTB HR Benefits

Attraction and retention of the most capable MTBians are central to the MTB's compensation strategy. With that in mind, MTB sponsors a number of post-employment benefit and contribution plans

on behalf of its employees. The plans consist of good compensation packages, fringe benefits and perquisites. MTB follows its own policies regarding the compensation and benefits for its employees. Benefits other than remuneration to MTBians includes but are not confined to the following:



Towards Achieving MTV3V!

MTB GHR has taken an action plan and accordingly set priorities to target the achievements of MTV3V!

The strategic priorities include but not confined to the following:



In fine, GHR would like to thank all MTBians for all their hard work in 2017. They showed exceptional commitment in a difficult market environment and under conditions those were not always easy. We, the

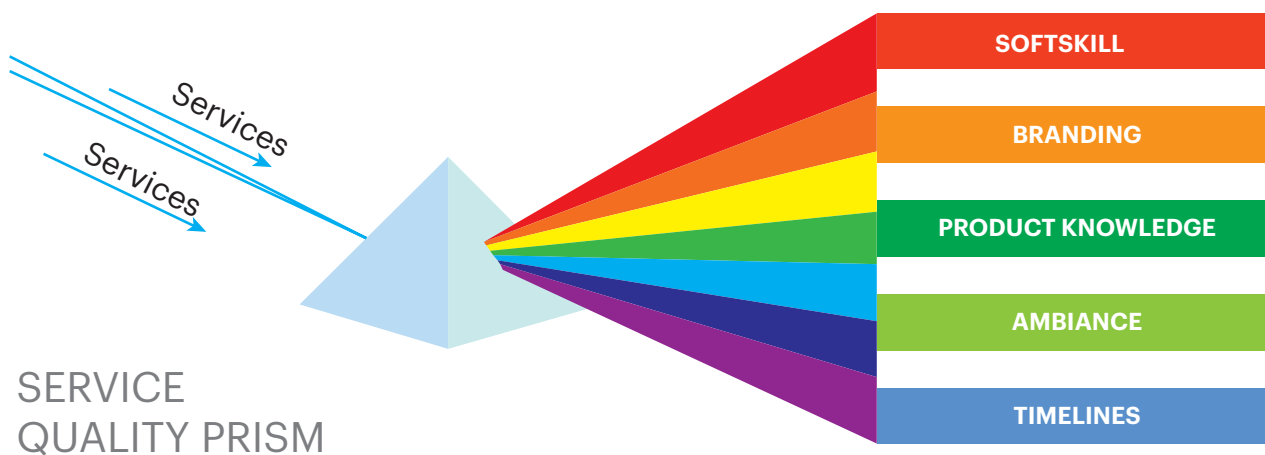
Team HR express our gratitude to all staff, managers, heads of all divisions/ departments/units and other representatives who assisted in HR initiatives in 2017 in a trusting and constructive manner.

SERVICE QUALITY

SUPERIOR SERVICE -THE KEY to tie it all together

In a service industry, customer service is what differentiates us from other players. New technology, excellent products and innovations are important attractors for customers but superior service is the key to tie it all together. There has been a high correlation between customer satisfaction and profitability in a range of industries. Customer satisfaction is still one of the single strongest predictors of customer retention.

“QUALITY IN A SERVICE OR PRODUCT IS NOT WHAT YOU PUT INTO IT. IT IS WHAT THE CUSTOMER GETS OUT OF IT.” - PETER DRUCKER



Mystery Survey on Branches and Contact Center:

Mystery surveys are being conducted in different branches by MTB SQD employees on a monthly basis. These surveys mainly focus on measuring employee soft skills (service etiquette), product knowledge as well as overall ambience such as cleanliness, dress code and branding of the customer touch points. The department also plans to engage third-party surveyors from time to time to perform such mystery surveys to get comparative views.

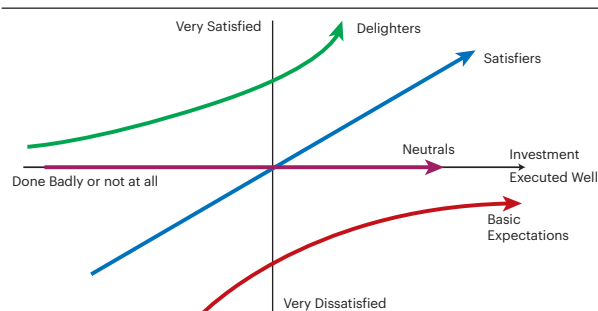
Customer Satisfaction Survey: This survey is being done over the phone. Customers who recently availed

Customers' perception of service and quality of product determines the success of the product or service in the market. With better understanding of customers' perceptions, organizations can determine the actions required to meet the customers' needs. Having this belief in heart, MTB Service Quality Department (SQD) has been formed with a view to elevating the already superior service-standard of the bank to a height, where MTB's service quality would be considered the benchmark in the entire financial services industry. In line with that, MTB SQD is working towards further improving and upholding the overall customer service standard of the Bank. Developing a customer-centric workforce is one of the key strategies of this department. To attain the MTB3V, the philosophy upon which the vision of the bank is based, MTB SQD has sketched a roadmap – the scope of work.

To deliver superior quality customer service, continuous monitoring is essential in identifying the flaws and gaps so that corrective measures can be taken accordingly. MTB SQD has adopted in-house mystery shopping survey as an effective tool to measure the current service standard of the Bank, as a part of its scope of work.

services from MTB touch points, are contacted by MTB SQD and requested to evaluate the services and rate the same from 0 to 10, where 0 being the lowest and 10 being the highest score. Finally, an elaborate report derived from the collected feedback is submitted to the management for yearly performance appraisal.

Benchmark Survey: Leading competitors' services will be evaluated through this survey, which will be conducted by MTB SQD. An elaborate report will be presented to the management to adopt the best practices from the competitors.

Customer Satisfaction

Training on Product Knowledge and Service Excellence: This is a comprehensive learning and development framework to build an appropriate and long-term mindset about delivering superior service excellence.

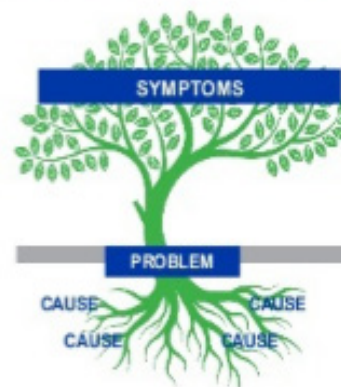
MTB SQD has been conducting workshops for the employees so that they follow the service standard, mentioned in MTB Winning, an in-house guideline for etiquette and service excellence.

This training program intends to create the right mindset and to build the competency of the frontline employees who serve the customers face-to-face to ensure superior customer experience through their day to day activities. Our goal is to make our customer interactions consistently professional, efficient and productive. MTB is committed to investing in every employee in order to help them develop the skills they need and hone those skills so that they can consistently deliver the best-in-class service.

An e-learning module is underway for the frontline employees where all types of information such as product detail, FAQ, policies, processes, SLA (service level agreement) will be available. There will be a web based quiz module, where every frontline employee will appear in the quiz on monthly basis to update and enhance their product knowledge.

Complaint Management System: Having a structured complaint management system is of paramount importance for addressing complaints with specific emphasis on resolving such complaints fairly and expeditiously.

The complaint management is a series of activities such as facilitating complaint lodgment, developing complaint recording system, complaint resolution process, root cause analysis of the complaints raised and necessary policy formulation. MTB SQD has a separate wing to handle and manage all types of complaints received through different channels. The complaint management team follows a systematic procedure to settle the complaints against any product or service of the Bank. As per Bangladesh Bank (BB) guidelines, our Complaint Resolution Process (as showed in Figure 4) consists of five stages.

Root Cause Analysis and Policy Formulation:**ROOT CAUSE ANALYSIS**

Customers' feedback, information and complaints actually reveal the flaws or gaps in existing products, policies, system and services of a bank. On this stance, effective root cause analysis can be an important tool to identify the problem areas and need for improvement.

MTB SQD is constantly working on identifying the loopholes through in-depth root cause analysis from the complaints' data mining and places those findings to the management for taking remedial actions.

Future turns positive when effort is given to create it. We put our best efforts in 2017 and will continue to do so in the coming years to establish a culture, where people will move around with a mindset and purpose of delivery that will reflect the established culture. Our dream will be shaped up with the creation of a culture of accountability, and, SQD, with the assistance of other departments and guidance from the senior management, will put all sincere efforts to build the culture to make our customers as repeat customers with full satisfaction, always!

As part of our commitment to differentiate ourselves from other competitors, we designate 2018 as the "Year of Action". We have empowered our team of experts to not only create strong relationships with our customers, but also to find new ways to act on feedback in order to enhance the customer experience.

Your suggestions, comments and criticisms are what will help us better understand the areas in which we can act in order to truly bring you the best-in-class level of support and service.

ANTI-MONEY LAUNDERING (AML) & COMBATING FINANCING OF TERRORISM (CFT)

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

Hence, MTB has its own anti-money laundering (AML) & combating financing of terrorism (CFT) strategy, based on which a program has been designed considering the range of activities, complexity of operations and the nature and degree of money laundering and terrorist financing risks faced by the bank.

MTB has taken into cognizance the relevant laws, rules, Bangladesh Financial Intelligence Unit (BFIU) issued guidelines, circulars and instructions, international standards and the bank's own policy while designing the program. The bank applies risk-based Customer Due Diligence (CDD) measures, monitors business relationships and transactions pursuant to the national regulations and international standards.

Some of the highlights of 2017, as part of the bank's AML & CFT program, are as follows:

- A Central Compliance Committee (CCC) has been formed as per regulatory requirement. A number of senior executives, who are heads of different divisions/departments are the members of the committee headed by the Chief Anti Money Laundering Compliance Officer (CAMLCO).
- The former Central Compliance Unit has been renamed as MTB Anti Money Laundering and Combating Financing of Terrorism Division (AML & CFT Division) in line with regulatory instruction. The division has a total of 11 employees.
- Every year, the Managing Director & CEO of the bank issues a statement of commitment in writing to all the employees of the bank. The statement clearly sets forth MTB's policy against money laundering, terrorist financing and proliferation financing of weapons of mass destruction. In 2017, the Managing Director & CEO issued his statement of commitment regarding strategy, action plan, compliance and consequence of non-compliance.
- MTB revised its policy guideline in line with the laws of the land, guidelines, circulars and instructions issued by BFIU and international standard. The revised guideline includes updated MTB Customer Acceptance Policy and MTB ML & TF Risk Assessment Guideline.

- MTB introduced revised account opening form in line with BFIU instruction.
- AML & CFT Division conducted inspection on AML & CFT compliance status of 31 (thirty one) MTB branches.
- MTB further accelerated its monitoring endeavors with system-based monitoring tools, available at all the branches and the head office.
- MTB continued its screening process with the help of automated tools against United Nations Security Council Resolution (UNSCR), Office of Foreign Assets Control (OFAC), adverse media and domestic sanction lists.
- As part of Know Your Employee (KYE) program, MTB performed reference check and background check in the process of employee screening.
- MTB conducts daylong AML & CFT workshops throughout the year, with the support of the Group Human Resource Division, and state-of-the-art MTB Training Institute to train the staff members of the bank irrespective of their functional areas.

In 2017, MTB arranged a total of 25 workshops/training programs, out of which 15 workshops were on ML & TF Risk Management, where a total of 1070 MTBians participated to enrich their knowledge on AML & CFT measures.

In February 2017, MTB arranged a BAMLCO Conference, which is a congregation of the Branch Anti Money Laundering Compliance Officers, heads of divisions/departments/units and senior management to discuss the achievement in terms of AML & CFT compliance during the past year and strategies to overcome the challenges in future.

5 workshops on ML & TF Risk Management as well as on AML & CFT were arranged for MTB agents. 96 participants, mainly agents and agent employees from across the country attended the workshops.

5 workshops were arranged on "Account Opening & Operating Procedure", where 416 account opening officials of MTB were present.

Apart from the above, MTB, under the guidance and overall supervision of BFIU, coordinated a lead bank training program in Sylhet, where a total of 60 participants from scheduled commercial banks operating in Sylhet participated.

CSR REPORT

A business can only become sustainable when it conducts its operations keeping in mind the development of the environment and the community in which it operates. Corporate Social Responsibility (CSR) is a way towards sustainable business by creating long-term value for the stakeholders, the environment and the community as a whole. MTB believes that a responsible and sustainable business organization is one that does its business responsibly by keeping in mind the interests of its stakeholders - both internal and external. We believe our conscious choice of protecting the environment today will lead to a better and sustainable tomorrow.

MTB's priority sectors for initiative are education, healthcare, environment and disaster management. Our CSR strategies are based on the fundamental conviction of sustainable business that integrates good governance and social priorities with a view to enhancing community empowerment in a sustainable manner.

MTB CSR in 2017:

"Swapno Sarathi" (The Dream Chariot): MTB's Free Bicycle Distribution Program for Underprivileged Meritorious Students (Female and Male)

In accordance with the bank's policy to nurture the primary education sector in the rural hard-to-reach areas, MTB launched a special campaign titled "Swapno Sarathi" in 2015. The campaign aims at motivating students (mainly female) with the motto, "School-e jete durotto jeno badha na hoy" by providing them with bicycles with a view to facilitating their movement to and from school. Till date, almost 1,581 bicycles have been distributed in different regions of the country, namely, Panchagar, Bogra, Dhorkora Bazar, Dinajpur, Joypurhat, Kadair Bazar, Ramchandrapur Bazar, Rangpur, Sirajganj, Thakurgaon, Lalmonirhat, Tangail, Comilla, Ishwardi and Feni in addition to different former enclaves of Bangladesh.

MTB "Bravery & Courage" Award:

The bank had presented "Bravery & Courage" award in 2012 and since then, has been recognizing different acts of bravery.

MTB, with a view to recognizing acts of bravery and rewarding selfless individuals and their families, provides financial support to self-sacrificing individuals and / or their family members. In 2017, following act of courageousness has been recognized.

■ LATE BADAL MIA

Saved a five-year-old girl and her mother from being hit by a fast-approaching train near Kuril Biswa Road in Dhaka on Friday, January 27, 2017.

■ LATE NABI HOSSAIN

Saved most of his community people by alerting them about the landslides in Rangamati. Unfortunately, he could not save him and his family during the landslides.

■ HOSSAIN ALAMGIR

For displaying exemplary bravery and courage in saving Gaia Guarnotta, a 25-year old Italian female photographer from indecent attacks by a group of unruly men in Florence, Italy in October 2017.

The Mangrove Children:

This CSR activity aims at creating awareness among children about the importance of mangrove forest. Also, educating them about the impacts of climate change, disaster management and giving vocational training and developing them to be involved in making conscious in the community. This ground-breaking project aims at raising awareness amongst the secondary level students of Kolbari Nekjania High School in Munshiganj under Shyamnagar upazila in Satkhira district who reside near the world's largest mangrove forest, the Sundarbans, to conserve and sustain this natural habitat, and mitigate the challenges faced due to climate changes. An Eco-Library has also been set up at the school in addition to solar-powered teaching aids like laptop, multimedia projector, etc. The library, the first of its kind and the only one in the area, will feature books and publications related to ecology, biodiversity, etc.

"Shobuj Ishkool Gori" (সবুজ ইশকুল গড়ি):

MTB is the first bank to partner with 'Poriborton Chai' and launch the "Shobuj Ishkool Gori" campaign in the city. MTB's unique CSR campaign aims to bring about an environmental makeover at schools through active participation of the students and teachers by educating them about waste management, making organic compost, the use of dustbins and greening of their playing fields. MTB inaugurated the project with Pallabi Majedul Islam Model High School in Mirpur. The project will be implemented in three (3) other schools across the country in upcoming days.

Livelihood Program for the women and health clinic for the community of Char Patila at Char Kukri Mukri of Bhola:

This project is initiated to provide livelihood and health care services to the people living in the offshore areas of the country. MTB is providing fund for setting up a women's training cum health centre at Char Patila of Char Fashion, Bhola. Through this project, women of the remote villages will be provided training on sewing and stitching through the training centre, so that they can contribute to the well-being of their families. The health care centre will provide primary

services including knowledge about safe motherhood practices to the villagers. The centre will also be linked with Char Fashion Upazilla health complex for referral services.

MTB presents Ambulance to Dr. Zahed Memorial Child Hospital, Faridpur:

MTB, as part of its CSR program, has recently presented an ambulance to Dr. Zahed Memorial Child Hospital, a Maternity and Child Welfare Hospital located in Faridpur.

MTB hands over cheque of BDT 30 million to the Prime Minister's Relief Fund:

MTB Chairman M. A. Rouf, JP and Director Md. Wakiluddin handed over a cheque of BDT 30 million to the Honorable Prime Minister of Bangladesh, Sheikh Hasina, for the Prime Minister's Relief Fund to support the flood-affected people of the country.

MTB hands over cheque of BDT 40 million to the Prime Minister of Bangladesh:

MTB Chairman M. A. Rouf, JP and Vice Chairman Md. Hedayetullah handed over a cheque of BDT 40 million to the Honorable Prime Minister of Bangladesh, Sheikh Hasina, for the "Prime Minister's Education Assistance Trust" and the "Jatir Janak Bangabandhu Sheikh Mujibur Rahman Memorial Trust" at a simple ceremony held at Gonobhaban in Dhaka.

MTB establishes Girls' Rights to Education by supporting the "Girls Not Brides" Campaign of Action Aid International Bangladesh:

The education sector of the country has always been a priority for MTB's initiatives related to CSR. MTB and Action Aid International Bangladesh (AAIB) recently signed a Memorandum of Understanding (MoU) to bear the expenses for education and vocational training of vulnerable girls residing in the "Happy Homes" hostel supervised by AAIB. Farah Kabir, Executive Director, AAIB and Anis A. Khan, Managing Director & CEO, MTB signed the MoU on behalf of their respective organizations. As part of the MoU, MTB will be engaging in participatory development and empowerment of women in Bangladesh through quality education.

School for Intellectual Disabled at Tarash (Chalanbil Area), Sirajganj:

MTB is supporting autistic children ensuring their access to the education in a remote area like Tarash (Chalanbil Area), Sirajganj through School for Intellectual Disabled. MTB is providing School for Intellectual Disabled with financial aid for purchasing various supportive medical and education items for the autistic children.

Annual Contribution to two families of Martyred Army Officers killed in BDR carnage:

MTB has been providing two families affected by BDR tragedy namely, Mrs. Kamrun Nahar Maksum, widow of Shaheed Major Mohammad Maksum UI Karim, and Mrs. Shirin Akhter Mukta, widow of Shaheed Major Md. Khalid Hossain with an annual contribution of BDT 9,60,000.00 since 2010 through Bangladesh Association of Banks (BAB).

MTB donated BDT 50 million for the incoming Rohingya refugees to the Prime Minister's Relief Fund

MTB Chairman, M. A. Rouf, JP, and Managing Director & CEO, Anis A. Khan, have handed over a cheque of BDT 50 million to the Honorable Prime Minister of Bangladesh, Sheikh Hasina, for the Prime Minister's Relief Fund as donation for the Rohingya refugees, at a simple ceremony, held at Gonobhaban in Dhaka on November 9, 2017.

MTB distributes Scholarships amongst Students of Kushtia through MEDHA:

MTB, as a part of the bank's CSR activities, has been supporting the underprivileged meritorious students of Kushtia for the last couple of years. The bank distributed scholarships of BDT 200,000 among the underprivileged meritorious students of Kushtia through MEDHA focusing on the participatory development in the society.

MTB distributes blankets to the Cold-affected People:

As part of its CSR Program, MTB, like previous years, distributed blankets amongst the cold-affected people of various regions of the country.

MTB supports Rohingya Refugees through Jhenidah Ex-Cadets Association (JEXCA) and Old Faujians Association (OFA):

MTB has recently distributed relief items at different Rohingya refugee camps situated mainly at the country's Cox's Bazar region through Jhenidah Ex-Cadets Association (JEXCA) and Old Faujians Association (OFA). The bank, as part of its CSR initiatives, provided financial support for distribution of food items and drinking water in addition to providing health support to expectant Rohingya mothers.

MTB supports students through Faridpur Muslim Mission:

MTB, as a part of the bank's CSR activities, has been supporting the underprivileged meritorious students of Faridpur for the last couple of years. The bank handed over an amount of BDT 1,200,000 to Faridpur Muslim Mission for one year starting from July, 2016 to June, 2017.