

MUTUAL TRUST BANK LTD
DIVIDEND DISTRIBUTION POLICY

1. Preface

Mutual Trust Bank Ltd (MTB) always believes in optimizing shareholders wealth while considering the regulatory directives, Capital to Risk-weighted Asset Ratio (CRAR) requirements and other subsequent effects. This policy is designed to lay down guidelines on dividend distribution that serves multiple objectives of appropriately rewarding shareholders through dividends, minimizing tax burden effects and retaining healthy capital adequacy ratio to support future growth within regulatory framework.

MTB Dividend Distribution Policy will provide guidelines in the matter while Board of Directors (BOD) may consider following internal and external factors while recommending the dividend -

- i) Current & prospective financial performance
- ii) Past dividend payouts
- iii) Growth & investment opportunities
- iv) Asset quality considering Bank's non-performing loans (NPL) ratio
- v) Current and prospective Capital ratios including future regulatory as well as growth requirements.
- vi) Other macro & micro economic factors
- vii) Regulatory requirements
- viii) Cost of raising capital
- ix) Tax implications including dividend distribution tax
- x) Such other factors/ events that the bank's Board of Directors may consider

2. Regulatory Framework

Though the dividend decision would be guided by current and prospective financial performance, it needs to be within the regulatory framework defined by underlying regulators and also ensure compliance with following laws and regulatory bodies-

- i) Bank Company Act, 1991 and amended thereon,
- ii) Companies Act, 1994,
- iii) Bangladesh Bank circulars,
- iv) Bangladesh Securities and Exchange ordinance 1969, Bangladesh Securities and Exchange Rules 1987, Bangladesh Securities and Exchange Act 1993 and Bangladesh Securities and Exchange Commission (Public Issue) Rules 2015, and other orders,
- v) The Income Tax Ordinance, 1984 and amendment thereon

Shareholders' approval to be sought on dividend proposal at Annual General Meeting. The ratio to be computed without considering tax payable on dividend payouts. Few guiding financial parameters in dividend recommendation will be as follows:

- i) Cash dividend is preferred at least once in consecutive 2 years to avoid the bank to be shifted or transferred to the "Z-category" as per BSEC Order vide letter no SEC/CMRRCD/ 2009-193/08, dated September 01,2020.
- ii) Cash dividend ratio will be higher or equal to the stock dividend ratio to avoid excess tax expenditure as per section 16(F) of ITO 1984.
- iii) Maximum dividend payout ratio will be 30% to avoid excess tax expenditure as per section 16(G) of ITO 1984.

- iv) The dividend payout ratio and process will be followed by the guideline given by Bangladesh Bank time to time

In the event of a conflict between the policy and the regulatory guidelines, the guidelines of the primary regulator, Bangladesh Bank, will be enforced. However, the Board of Directors of the Bank will have the discretion to declare dividend considering the bank's need of capital, future growth plan and sustainability.

3. Internal Policy of MTB

Dividend Distribution Policy of Mutual Trust Bank Ltd is developed considering the long, medium and short term impacts on shareholders' value, stock price, and local legislation and so on. The primary focus areas are as follows-

- i) Capital Adequacy: Stock dividend enhances the Capital Base and strengthens bank's capacity. MTB pursues a policy of continued enhancements of its Capital Base.
- ii) Retained Earnings: The reserve will help to increase the capital adequacy ratio and to ensure the Bank's balance sheet growth or such other purposes the Board of Directors may deem fit in the interest of the Bank and its stakeholders.
- iii) Liquidity: Stock dividend is a good source of fund and as such one of the most potential sources of liquidity.
- iv) Dilution of EPS: The bank will prioritize the balance between issuance of stock and cash dividends to maintain a steady growth of EPS. Stock dividend enhances number of shares which results in dilution of EPS, thus barring the growth of EPS. Such factors will be considered while determining dividend declaration.
- v) Shareholder Expectations: Shareholders often prefer cash payout than stock dividends. Cash dividends generate higher return on investment than stock dividends if the market value and face value of the shares are similar or close. Although, the dividend will be declared considering other factors like bank's capital need and regulatory requirements.

4. Dividend Distribution:

Decisions regarding dividend distribution of the bank will be guided by regulatory rules and directives. Dividend is approved by the shareholders at an Annual General Meeting (AGM) on the basis of recommendation of the board. MTB shall pay off the dividend to its shareholders within thirty days of approval subject to the clearance of the regulatory requirement, if any.

5. Unpaid/Unclaimed dividend

The bank will maintain detailed information of unpaid or unclaimed dividend and rationale thereof. Unpaid or unclaimed or unsettled dividends, cash or stock, shall be settled as per procedure set by the Bangladesh Securities and Exchange Commission (BSEC), Bangladesh Bank and other regulatory authority from time to time.

6. Conclusion

MTB will adopt appropriate dividend policy, i.e. regular and mix dividend policy in compliance with the circulars/notifications/directives of regulatory framework.

Dividend Distribution Compliance Report

Under Clause (6) of the Directive No. BSEC/CMRRCD/2021-386/03, dated: 14/01/2021

Annexure-A

1	Name of the Issuer/Securities/Mutual Fund					
2	Particulars of Issuer DP					
3	Type of Dividend (Annual /Interim)	a) Annual <input type="checkbox"/>	b) Interim <input type="checkbox"/>			
	(Put tick mark (a) on the recommended option)					
4	Whether audited or not for Interim Dividend	a) Audited <input type="checkbox"/>	b) Unaudited <input type="checkbox"/>			
	(Put tick mark (a) on the recommended option)					
5	Date of recommendation of Dividend by the Board of Directors/Trustee: (Enclose copy of PSI)					
6	Whether Dividend recommended other than directors or sponsors or any other classes	a) Yes <input type="checkbox"/>	b) No <input type="checkbox"/>			
	(Put tick mark (a) on the recommended option)					
7	Record date for entitlement					
8	Rate of Dividend recommended by the Board of Directors/Trustee					
9	Dividend recommended-Type	a) Cash <input type="checkbox"/>	b) Stock <input type="checkbox"/>			
	(Put tick mark (a) on the recommended option)					
10	Securities/mutual fund traded under which categories	(a) A <input type="checkbox"/>	(b) B <input type="checkbox"/>	(c) G <input type="checkbox"/>	(d) N <input type="checkbox"/>	(e) Z <input type="checkbox"/>
	(Put tick mark (a) on the recommended option)					
11	Date of transfer to a separate bank account (Pls. mention bank details) or provisional credit of shares/units by CDBL					
12	Date of approval of Dividend at AGM					
13	Rate of Dividend approved at ACM- details at Annexure, (if any change)					
14	Date of commencement of disbursement of Cash and Stock Dividend					
15	Mode of disbursement of Cash Dividend	a) BEFTN <input type="checkbox"/>				
	(Put tick mark (a) on the recommended option)	b) Bank Transfer <input type="checkbox"/>				
16	Date of completion of disbursement of Cash Dividend and Stock Dividend [Enclose Bank statements and Corporate Action Processing Report (DP 70)]	c) MFS <input type="checkbox"/>				
		d) Dividend Warrant <input type="checkbox"/>				
17	Paid-up-capital of the issuer-before corporate action/entitlement	e) Any other mode <input type="checkbox"/>				
18	Numbers of securities/shares outstanding-before corporate action/entitlement:	TK- <input type="checkbox"/>				
19	Total cash in taka or stock (nos. shares) dividend as per corporate declaration					
20	Distribution/Disbursement details of Cash & Stock Dividend:	Cash (Tk)	Stock.(nos)	Annexures		
	A. Mode of Dividend payment/credit for the concerned year:					
	a) through BEFTN or directly credited to respective BO					
	b) through Bank Transfer other than entitled BO-Margin loan					
	c) through Bank Transfer					

	d) through Mobile Financial Service (MFS)			
	e) through any other mode as approved by Bangladesh Bank			
	f) through transfer to Suspense Account for dematerialized Shares (BO wise detailed with reason should be maintained and submitted)			
	g) through issuance of Dividend Warrant or issue of shares to Suspense Account for non-dematerialized securities			
21	Total Dividend paid/credited for the concerned year			
22	Total unpaid/undistributed Dividend/accrued during the period (20-21)			
23	Total unpaid/undistributed Dividend/accrued as on 1st day of Accounting year (as per Audited Accounts)			
24	Transfer to Suspense Account for Demate Shares or any other reasons during the concerned year			
	A. Mode of Dividend Receipts/payment/credit for the previous years:			
	a) through BEFTN or directly credited to respective BO			
	b) through Bank Transfer			
	e) through Mobile Financial Service (MFS)			
	d) through any other mode as approved by Bangladesh Bank			
	e) through transfer to/from Suspense Account for Demate Shares or any other reasons			
	1) through issuance of Dividend Warrant or issue of shares to Suspense Account for non-dematerialized securities/shares/units			
	g) transfer of cash or stocks to the Fund as prescribed or directed by Commission after 3 years or forfeit of share to Suspense Account for non-dematerialized securities			
25	Total Dividend paid/credited for previous years:			
26	Total unpaid/undistributed Dividend for previous years (23+24-25) Taka/Nos			
27	Grand Total of unpaid/undistributed Dividend (22+26)			
	Aging of grand Total of unpaid/undistributed Dividend for previous years:			
	More than 3 years; balance			
	More than 4 years; balance			
	More than 5 years & above; balance			
28	Total of unpaid/undistributed Dividend for previous years			
	(Supporting bank statements and balances of securities with the Depository)			
Note: Issuer shall maintain BO wise detailed information for all transfers/credit to suspended Accounts				
with reasons and submit along with bank statements and other supporting documents. The issuer shall fill up all the applicable fields.				