

Directors' Report to the Shareholders



Dear Valued Shareholders,

On behalf of the Board of Directors, I take this opportunity to welcome you all to the 22nd Annual General Meeting (AGM) of Mutual Trust Bank Limited. In line with the requirements of Section 184 of the Companies Act, 1994, stock exchange regulations and Bangladesh Securities and Exchange Commission Order no. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018, I have the pleasure to place before you the Directors' Report for your consideration. The report briefly presents the overall performance of the Bank in a year of very competitive and eventful Banking industry environment.

Global Economy

The heavy toll on global economy due to COVID 19 seems to fade away slowly at the end of 2020 as recent vaccine approvals have raised hopes of turnaround. However, renewed waves and new variants of the virus pose concerns for the outlook and setbacks in containing the pandemic or other adverse events may derail the recovery. IMF projected that amid exceptional uncertainty, the global economy will grow 5.5 percent in 2021 and 4.2 percent in 2022. On the other hand, World Bank states that global economic output is expected to expand 4 percent in 2021, yet the output remain more than 5 percent below its pre-pandemic trend. Growth in emerging market and developing economies (EMDEs) is envisioned to be 5 percent in 2021, but EMDE output is also expected to remain well below its pre-pandemic projection similar to global economy. The global financial system experienced great pressure due to measures to contain the virus and slow economic activities. Debt level has reached historic highs and the pandemic has exacerbated the risks associated with a decade-long wave of global debt accumulation making global economy particularly vulnerable to financial market stress. The pandemic has

put development prospects backwards, undermining improvements for poverty reduction. Experts stress on the roles of the policy makers in raising the likelihood of better growth outcomes. Regulators around the world must prioritize the challenges which are to be addressed, such as preventing the spread of the virus, establishing policies to aid the vulnerable and suffers, and ensuring fast roll out of the vaccines to the mass. Not all countries can afford the supportive measure with weak fiscal positions, still emphasis on vigorous reforms is required to ensure strong, sustainable and equitable growth around the world. Global cooperation is critical in addressing many of these challenges and international development organizations can play critical roles in distributing resources evenly.

Bangladesh Economy

The economy of Bangladesh was already on focus of the world media as one of the fastest growing economies around the world. However, the momentum slowed down as the economy has been hit hard on arrival of COVID-19, which was first identified in the country during March, 2020. The export industry was being affected by the cancellation or postponement of several billion US dollars in orders from major retailers in importing countries. Government took several measures to contain the spread of virus and due to those measures economy was severely impacted in the year 2020. Eventually, Government relaxed the lockdown, and announced bail-out and stimulus packages for recovery, such as a revised budget for FY20 was issued by the Ministry of Finance allocating additional resources to fund the Ministry of Health's COVID-19 Preparedness and Response Plan and expanding existing transfer Programmes that benefit the poor. On March 31, the Ministry of Finance announced a BDT 50 billion stimulus package for exporting industries for meeting working capital requirements, which channeled through Bangladesh Bank operated refinance scheme. On April

15th, the Prime Minister announced the allocation of BDT 21.3 billion under a housing scheme for the homeless, BDT 7.6 billion for poor people having lost their jobs as a result of the pandemic, BDT 7.5 billion to provide health insurance for government employees most at risk, and a BDT 1 billion bonus payment for government doctors and health workers treating COVID-19 patients. Also, the government would cover BDT 20 billion in interest payments on behalf of 13.8 million loan recipients negatively impacted by the national shutdown.

The responses and initiatives taken by Bangladesh Government kept the economy rolling, though not at the previous pace. While many countries in the world including the developed ones experienced negative growth due to COVID-19 global pandemic, Bangladesh had positive growth of 3.8 percent that becomes a matter of celebration for Bangladesh. The economy is forecasted to pick up to 5 percent in 2021 and 7.5 percent in 2022, according to the updated IMF forecasts. The post-pandemic global economic recovery and the private consumption boosted by strong remittance flows from the Bangladeshi immigrants around the world are expected to be the key drivers of growth in 2021. However, the country's most immediate challenge is related to the economic, social and public health impacts of the COVID-19 pandemic.

Banking Industry

As COVID-19 wrecks the year 2020, Bangladesh experiences worst case of economic whiplash. The already suffering industry from high level of NPL, now faces new challenges. The Central Bank, in March 2020, issued a circular not to change the classification status of the borrowers up to September 2020 and later extended the directive till June 2021. Under such circumstances, the credit worthiness of the existing borrower is likely to deteriorate which, in turn, might block the possibility of repayment of the loan. In addition, the 9% lending cap rolled out from April, 2020, creating stress for the Banks to keep up profit level. The Government declared different stimulus packages for the business entities for the survival of different industries of the country and the entire fund is channeled through the Banking sector. Also to ensure that there is adequate liquidity in the financial system and to support the operations of financial institutions, Bangladesh Bank announced to buy treasury bonds and bills from Banks. The repo rate was lowered from 5.25 percent to 4.75 percent and reverse repo was cut from 4.75 percent to 4 percent at the end of July 2020. In addition, Bank rate also

cut to 4 percent from 5 percent, which was unchanged for previous 17 years. The CRR was initially reduced from 5 percent to 4.5 percent (daily-basis) and from 5.5 percent to 5 percent (bi-weekly basis), with a further reduction to 3.5 percent and 4 percent, respectively, from April 15, 2020. Advance-Deposit Ratio (ADR) for all the conventional Banks was increased from 85 per cent to 87 per cent, effective from April 15, 2020.

Banking sector is the heart of an economy, strong policies and recovery plans for post-pandemic period can ensure sustainability of the industry. However the scope of profitability is shrinking with tightening competition, implementation of single digit rate and reducing yield on government securities. After the economic downturn on account of COVID 19, new investments have decreased and less amount of loans are being disbursed from Banks. With the surplus liquidity, the Banks usually resort to government securities, and yield on the securities has reduced drastically over the year 2020. At December 2020, the yield on 91 days, 182 days and 364 days T-bills was 0.59 percent, 1.23 percent and 1.87 percent, drastic downfall from yield rates at previous year end, i.e 7.50 percent, 7.83 percent and 8.20 percent. On the other hand, yield on 2 years T. Bond, 5 years T. Bond and 10 years T. Bond settled at 3.49 percent, 4.64 percent and 5.77 percent in December 2020. A year ago, the rates were 8.33 percent, 8.97 percent and 9.23 percent.

The NPL of the Banking sector eased slightly to 8.06 percent of the total outstanding loans of BDT 14,485.4 billion at the end of December 2020 mainly due to the moratorium facility. At the end of December 2020, the number of Banks non-compliant with the minimum capital to risk-weighted assets ratio (CRAR) was 10 out of 59. Banking sector's aggregate CRAR at the end of December 2020 was 11.64 percent, which was reported to be 11.57 percent at the end of December 2019.

Total deposit of the scheduled Banks was reported to be BDT 12,904.72 billion at the end of December 2020, increased by BDT 1,534.93 billion or 13.50 percent from BDT 11,369.79 billion of December 2019. Advances by Banks recorded an increase of BDT 1,601.10 billion or 12.43 percent to be BDT 14,485.41 billion at the end of December 2020 compared to BDT 12,884.31 billion of December 2018. The spread between weighted average advances and deposit rates came down to 2.98 percent in December 2020 from 3.98 percent of December 2019 on account of bringing the interest rates to single digit from April 2020 as per directions of Bangladesh Bank (BB).

MTB at a Glance

During 2020, MTB gained 7.46 percent and -0.43 percent growth over 2019 in risk assets and customers liabilities, respectively. Despite a stiff environment, the Bank ended the year with a credit-deposit ratio of 83.90 percent. In 2020, the number of branches across the country reached 118, number of sub branches extended to 27, agent Banking centers expanded to 164, and the reach as well as the number of MTB 24/7 ATM, POS devices, kiosks, Internet Banking and SMS Banking services also increased. In January, 2021 MTB opened its fourth Air Lounge at Cox's Bazar Airport (CXB), Cox's Bazar.

The Bank is moving towards centralization and to execute the process liability and assets is being centralized in the very first phase. The Bank is also opening agent Banking centers as a part of guidelines given by central Bank. Moreover, operation of Islamic Banking wing will be initiated from 2021.

Business Goal

MTB's vision, mission, corporate core values, strategic priorities and outlook for 2020 have been given at the beginning of the report. The Bank has established the highest level of ethical standards in order to achieve MTB3V:

- i) To be One of the Best Performing Banks in Bangladesh
- ii) To be the Bank of Choice, and
- iii) To be a Truly World-Class Bank

Brief History of MTB

MTB was incorporated as a public limited company in 1999, under the Companies Act, 1994, with an authorized share capital of BDT 1,000,000,000 divided into 10,000,000 ordinary shares of BDT 100 each. At present, the Bank's authorized share capital is BDT 10,000,000,000 divided into 1,000,000,000 ordinary shares of BDT 10 each.

The company was issued Certificate for Commencement of Business on October 5, 1999, and on the same day, Bangladesh Bank granted it a license under the Banking Companies Act, 1991. MTB started its Banking operation on October 24, 1999. As envisaged in the memorandum of association, and, as licensed by Bangladesh Bank under the provisions of the Banking Companies Act, 1991, the company started its Banking operation to progressively carry out its Banking businesses, such as wholesale, retail, international trade financing, SME Banking, NRB Banking,

off-shore Banking, privilege Banking, agent Banking etc. The Bank operates through its corporate head office located at MTB Centre, Gulshan 1, Dhaka 1212. The Bank carries out international business through a global network of over four hundred foreign correspondent Banks.

Currently, the Bank has a network of 118 branches, which includes SME/Agri branches and 27 sub-branches, 164 agent-Banking centers across the country, and three wholly-owned subsidiary companies - MTB Securities Ltd. (MTBSL), MTB Capital Ltd. (MTBCL) and MTB Exchange (UK) Ltd.

Strategic Priorities

1. Managing financial capital and foresight to enhance shareholders' returns while ensuring sustainable growth
2. Maintenance of Core Banking Software (CBS) and keeping it up-to-date
3. Focusing more on smart Banking through increased digital customer experience
4. Reforming business model considering the current scenario and future outlook
5. Enhancing data analytics proficiencies
6. Focusing on controlling operating cost with a view to improving cost to income ratio
7. Utilizing digital avenues extensively to extend customer reach
8. Launching new and/or improved products and services
9. Improving the funding and liquidity position with the proviso of maintaining a high level of asset quality through portfolio diversification and lower provisioning
10. Ensuring that MTB's high compliance and governance standards are maintained at all times
11. Recruiting and retaining talent as well as motivating the existing human capital
12. Reviewing and improving business processes on a regular basis
13. Enhancing security and authentication system with specific focus on cyber security
14. Partnering with Fintech providers to face the new challenges of the market
15. Contributing to the progress of the economy and the people by continuing to work as a socially responsible organization

16. Ensuring appropriate use of latest technologies to improve the alternative delivery channels to provide access to the unBanked population as part of financial inclusion.

Corporate Governance

MTB has always strived to have good corporate governance practices put in place and to ensure that the highest standards of business integrity are regular part of its activities. The Bank adheres strictly to the regulatory guidelines on corporate governance. The disclosures on corporate governance are provided in the chapter on "Corporate Governance" of this Annual Report.

Risk Management

The prime objective of risk management is to appropriately balance the trade-off between risk and return. MTB carefully ensures optimum return on its assets and equities while streamlining a wide array of risks it faces during its day-to-day operation.

The main concern of the Bank is to manage risks, prudently and efficiently, to ensure profitability, capital adequacy and liquidity in a balanced manner. Strategically, MTB Board of Directors, through the Board Risk Management Committee (BRMC) and the senior management team, sets up risk governance structure and risk philosophy, endorses risk strategies and reviews and approves risk policies as well as the risk threshold in line with the Bank's risk appetite. These limits are continuously monitored by an experienced risk management team and overseen by BRMC. MTB has put in place a number of risk management policies, some of which are-

- Fraud Risk Management Policy
- MTB Security Policy
- MTB Fire Safety and Firefighting Policy
- Earthquake Emergency Procedure
- MTB Procurement Manual
- Business Continuity Plan
- COVID 19 Risk Management Policy.

Details of the policies and activities are given in the Risk Management chapter of this Annual Report.

Further discussion on internal and external risk factors, threat to sustainability and initiative to reducing negative impacts on environment is included under the section Sustainability Analysis and Management Discussion and

Analysis, also in chapters Operating Framework & Risk Management, Macroeconomic Features Affecting the Industry.

Developing Human Capital

MTB has been working persistently with a view to transforming MTBians into human capital through exposure to appropriate training courses and development Programmes, both at home and abroad. It has created a congenial environment, where employees enjoy coming to work. The MTB Code of Conduct, unveiled in 2010, is being strictly practiced in order to ensure complete transparency and integrity in all its operations.

Even during the pandemic like COVID-19, MTB continued on sharpening its human capital with utmost diligence. Virtual training platform was adopted and regular training was provided using digital amenities throughout the year. A total of 151 training Programmes were held and 1,933 employees were given training in different fields of Banking and management practices in 2020 and most of the trainings were conducted using the virtual platform.

Corporate Social Responsibility (CSR)

In respect of corporate sustainability, MTB has focused on a few key areas like extending support to the community and protection of the environment. The Bank has set up "Mutual Trust Bank Foundation" and contributes, as donation, a part of its profit to the foundation for undertaking various projects, particularly in the health and education sectors.

Apart from the CSR activities carried out by the foundation, the Bank also undertook various CSR activities, particularly focusing COVID 19 affected, during the year 2020, details of which are given in the "Corporate Social Responsibility" part of this Annual Report. A total amount of BDT 201 million was spent on purpose of CSR activities from MTB. Various initiatives were taken to fight the pandemic with immediate effect. In alignment with the government's strategies. The Bank created an emergency fund- MTB COVID-19 DONATION FUND- the total amount of which was BDT 13 million. The MTBians contributed their one-day salary amounting to BDT 10 million and also the distinguished members of the MTB Board also contributed a significant amount of their Honourarium. 40% of the MTB Foundation budget was also added to this special COVID-19 fund. Funds, redirected to COVID purpose, were donated for various noble activities, such as disinfectant

chamber To Kuwait- Maitree Government Hospital and Kurmitola General Hospital, emergency relief amongst the flood-affected people, distribution of iftar and sehri, distribution of staple food items etc.

Adequate Accounting Records

MTB maintains all books of accounts and other records in accordance with the prevailing rules and regulations - Section 181 of the Companies Act, 1994, the Bank Companies Act, 1991, (amended up to date), Tax Ordinance and Rules, VAT Act, BSEC and DSE rules and regulations and Bangladesh Bank guidelines.

Accounting Policy and Implementation of IAS/IFRS

The Board of Directors is responsible for ensuring good governance within the Bank and does supervise Management for the preparation and fair presentation of the Bank's annual financial statements, incorporating its Balance Sheet as at 31 December 2020, Profit and Loss Account, Statement of Cash Flow, Statement of Changes in Equity during the year along with the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 1994. IFRS 16: Leases has been incorporated in preparing Financial Statements of 2020 as adopted by ICAB.

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

Financial Statement Related Risk Mitigation

Financial statements are prepared to present a depiction of the activities of an organization to its stakeholders. Often the statements are used by both internal and external parties to evaluate the performance and make financial decisions. There are risks that the presented Financial Statement is not accurate and has material errors. Such risk can arise from various sources such as

i) Key processes of an organization are not defined ii) Finance staffs (Financial analysts) do not have clear idea on functions of the organization iii) Financial activities are not well differentiated iv) Unclear & inadequate policies and formal processes v) Database is not unified and use of manual, semi manual systems.

With the view to mitigate the risk of misrepresentation in the financial statements, MTB has clear defined operational and financial policies set to standardize the activities. Also the people working in the finance department are skilled enough and well aware about the operations and they have well defined segregation of responsibilities. The Bank is always concerned about making the system well integrated, customized and automated with monitoring access from the finance department.

Internal Control and Compliance (ICC) System

MTB Board of Directors has the responsibility to make significant policies to ensure compliance at all levels in the Bank's day-to-day activities. The ICC Division ensures internal control structure in the Bank with appropriate assignments, accountability of the personnel and delegation of authorities to functional management to create control and ensure a compliance culture within the organization under the active guidance and supervision of the Senior Management and the Board of Directors. The Bank Company Act, 1991, (amended 2013), requires some changes in the reporting line and organogram of the ICC Division. Meanwhile, the reporting line has been changed and the organogram revamped, to ensure that internal audit functions are dealt with independently from the ambit of management and its report is submitted to the Board Audit Committee of the Bank.

Money Laundering Risk Management

Money laundering and terrorist financing 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 Programme 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) compliance Programme. It 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. Certainly, it is designed as per the prevailing laws i.e., The Money Laundering Prevention Act, 2012 (Amended 2015), The Anti-Terrorism Act, 2009 (Amended 2013), relevant rules i.e., The Money Laundering Prevention Rules, 2013, The Anti-Terrorism Rules, 2013, Bangladesh Financial Intelligence Unit (BFIU) guidelines i.e., Money Laundering and Terrorist Financing Risk Management Guidelines, Money Laundering and Terrorist Financing Risk Assessment Guidelines, circulars and instructions and international standards. MTB applies risk-sensitive Customer Due Diligence (CDD) measures, monitors business relationships and suspicious transactions pursuant to the national regulations and international standards.

Standards of Reporting

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

Going Concern

Going concern is one of the fundamental assumptions in accounting, on the basis of which the financial statements are prepared. According to the going concern assumption, a business entity will continue to operate in the foreseeable future, without the need or intention on the part of its management to liquidate the entity or to significantly curtail its operational activities. Therefore, it is assumed that the entity will realize its assets and settle its obligations in the normal course of the business. It is the responsibility of the management of a company to determine whether the going concern assumption is appropriate in the preparation of financial statements. MTB has prepared its financial statements considering the going concern assumption.

Control Environment

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

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

Supplier Payment Policy

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

Core Banking Software (CBS) Transformation

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 Transformation Project in 2016. Eight (8) groups of officials in certain functional areas and a number of committees 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 reputable financial institutions including Bank of China and State Bank of India.

On 5 November, 2020, TCS Go-Live was successfully implemented and the Bank is currently operating on the cutting edge CBS system.

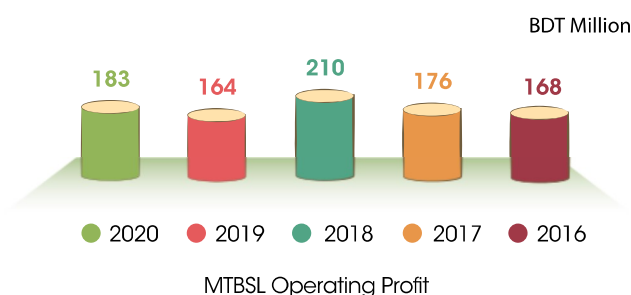
Review Report on MTB Operations, Products and Services

A review on the Bank's operational activities is given in detail in the later part of this Annual Report. Brief review reports of the Bank and its subsidiaries are as follows:

MTB Subsidiaries:

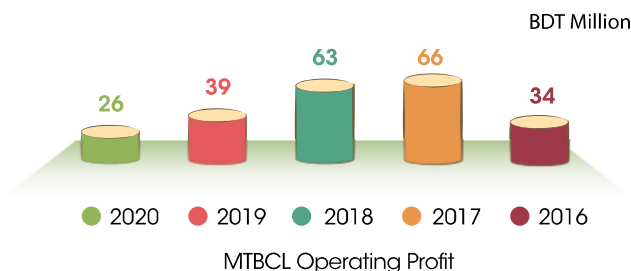
MTB Securities Ltd

Mutual Trust Bank Ltd. started its brokerage functions from June 2006 as a division of the Bank. Subsequently, as per directives of Bangladesh Bank and Bangladesh Securities Exchange Commission, the division emerged as MTB's subsidiary company, MTB Securities Limited (MTBSL). MTBSL is currently operating with 13 strategically located offices spread across the country. During the year 2020, the company made an operating profit of BDT 183.03 million as against BDT 164.07 million in 2019.



MTB Capital Ltd

MTB Capital Limited (MTBCL) is a wholly owned subsidiary of Mutual Trust Bank Limited and a full-fledged merchant Bank, licensed by the Bangladesh Securities and Exchange Commission (BSEC) in December 2010. MTBCL was incorporated to explore new markets and meet the demand for merchant Banking services. The company extends co-operation and value added services to its respected clients. During the year 2020, the company made an operating profit of BDT 26.16 million as against BDT 39.20 million in 2019.

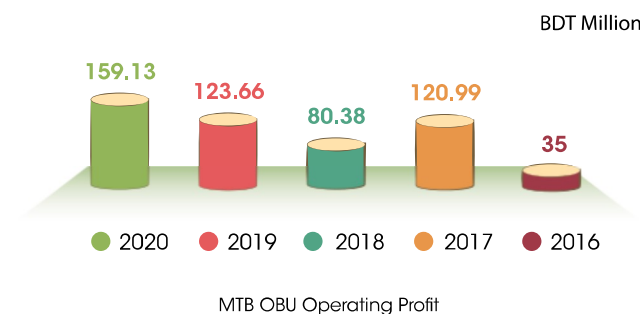


MTB Exchange (UK) Ltd.

MTB Exchange (UK) Limited (MTB UK) is one of the three wholly owned subsidiary companies of Mutual Trust Bank Limited (MTB) and started its operation from February 15, 2011. During the year 2020, the company made an operating loss of BDT 10.77 million as against operating profit of BDT 8.44 million in 2019.

Offshore Banking

MTB was permitted to operate an Offshore Banking Unit (OBU) by Bangladesh Bank in 2009. The total loans and advances of the OBU stood at USD 183.93 million in December 2020 compared to USD 145.43 million in 2019, with a growth of 26.47%. In 2020, the OBU's operating profit stood at USD 1.87 million, equivalent to BDT 159.13 million, as against USD 1.46 million, equivalent to BDT 123.66 million, in 2018.

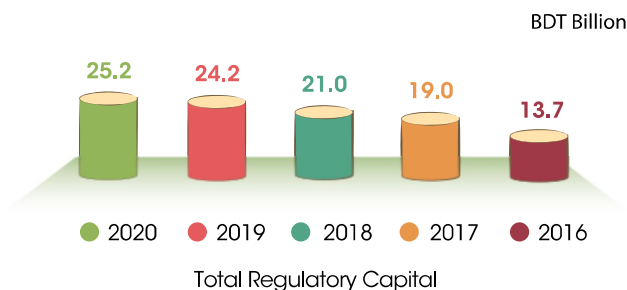


Capital Management

As per Bangladesh Bank's guideline, at the end of 2020, a Bank is required to maintain capital equal to at least 12.50% (Including Capital Conservation Buffer 2.50%) of its risk-weighted assets under the Base III guidelines. Bank's capital has two components, Tier-I and Tier-II. Tier-I capital should be minimum 6% of the total capital. Tier-I includes the paid-up capital, share premium, statutory reserve and retained earnings, and Tier-II includes general provision on unclassified loans and advances, revaluation reserves, unsecured subordinated debt and exchange equalization account. MTB's total capital registered an increase of BDT 1.04 billion and stood at BDT 25.23 billion in 2020. Tier-I capital grew by BDT 1.42 billion, and was recorded at BDT 15.96 billion in 2020. Total capital is now equivalent to 12.92% of total risk weighted assets.

To improve the Tier -I and strengthen the capital of the Bank, MTB initiated the process of issuing BDT 4 billion perpetual bond as Additional Tier I capital in 2019, which is in fact, the first time for the Bank issuing this type of financial instrument. In 2020, the Bank completed taking regulatory

permission for the perpetual bond and was able to collect BDT 650 million amid the uncertainties created on account of COVID 19. Rest of the fund is expected to be collected by June 2021. The details of capital adequacy and capital management are given in the "Market Discipline- Disclosures on Risk Based Capital (Basel-III)" chapter of this Annual Report.



Financial Analysis

This section depicts performance and position for the year 2020. Explanation is provided, if there is any significant deviations from the last years operating results, which might arise due to any of the internal and external reasons. There has not been any significant change in the financial performance and position from quarterly financial performance.

A comparative analysis of key financial performance and position for current year and preceding four immediate years, with explanations, is available under Shareholder's Information (Pg. 368). Comparison for the performance and position with peer industry, future plan and projection is discussed under Managing Director and CEO's Statement (Pg. 69).

Total Assets

The consolidated assets of the Bank stood at BDT 269.27 billion in 2020 compared to BDT 256.91 billion in 2019. Total assets of MTB stood at BDT 267.91 billion in 2020 compared to BDT 256.06 billion in 2019, with a growth of 4.63%. MTB has been successful in marketing significant amount of loans and advances by launching new and innovative products in the market.

MTB's Consolidated Funds under Management

BDT Billion

Particulars	2020	2019	Growth
Deposits	190.12	190.95	-0.43%
Advances	203.89	189.73	7.46%
Funds Under Management (FUM)	394.01	380.68	3.50%

Cash and Balances with Bangladesh Bank and its Agent Bank(s)

MTB's consolidated cash and balances with Bangladesh Bank and its agents stood at BDT 11.78 billion in 2020 compared to BDT 14.56 billion in 2019 due to increase in balances in terms of both cash-in-hand and local and foreign currency with Bangladesh Bank.

Balances with Other Banks and Financial Institutions

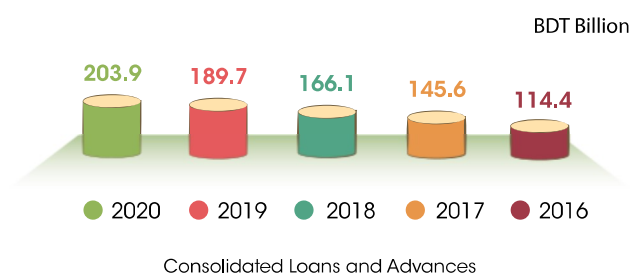
MTB's consolidated balance with other Banks and financial institutions including money at call and short notice stood at BDT 5.03 billion in 2020 compared to BDT 3.39 billion in 2019. This was BDT 4.66 billion in 2020 compared to BDT 3.24 billion in 2019 for MTB only.

Investments

MTB's consolidated investments increased during the year under review by BDT 2.46 billion to BDT 36.66 billion. The Bank purchased government treasury bills and bonds to cover the increased statutory liquidity requirement. MTB, as a primary dealer Bank, had to purchase and participate in government securities auctions set by Bangladesh Bank.

Risk Assets

MTB's consolidated loans and advances stood at BDT 203.89 billion in 2020. Outstanding loans and advances of off-shore Banking units was BDT 15.60 billion in 2020 compared to BDT 11.42 billion in 2019. Yield on loans and advances decreased to 8.13% in 2020 from 10.50% in 2019 due to decrease in lending rates. Details of credit are given in No. 7 of the Notes to the Accounts. The ratio of non-performing loans of MTB stood at 4.60%, which was much below the industry average of 8.06% in 2020.



Liabilities

The consolidated total liabilities of the Bank stood at BDT 252.26 billion in 2020 compared to BDT 240.62 billion in 2019. MTB's total liabilities rose to BDT 251.34 billion in 2019 from BDT 240.14 billion in 2018, with a growth of 4.67%. The increase in liability was mainly due to growth in deposits, other liabilities and borrowings.

Deposits and Other Accounts

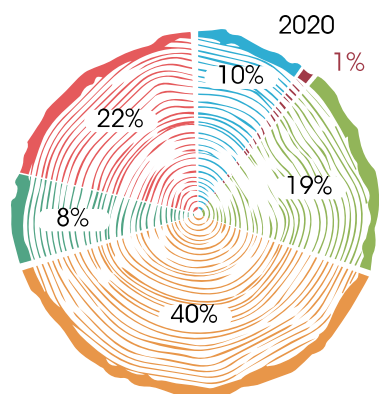
MTB's consolidated deposits decreased by 0.43% to BDT 190.12 billion in 2020. With 118 branches and 315 ATMs, MTB was able to acquire more low cost funds in 2020. Fixed deposits accounted for 40.32% of the total deposits. Cost of deposit decreased to 5.22% in 2020 compared to 6.54% in 2019.

BDT Billion

Deposits and Other Accounts	2020	2019	Growth Over 2019
Current Deposit & Other Accounts	19.21	16.35	17.47%
Bills Payable	1.99	1.64	20.96%
Savings Deposit	36.21	29.88	21.18%
Fixed Deposit	76.66	91.06	-15.81%
Special Notice Deposit (SND)	15.37	12.93	18.84%
Deposit Products	40.68	39.07	4.11%
Total Deposits	190.12	190.95	-0.43%

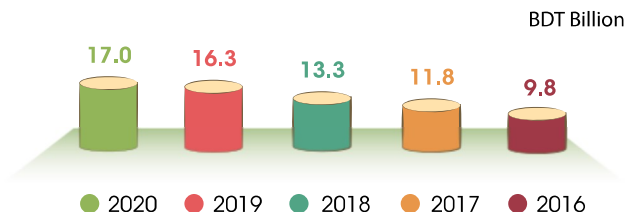
Shareholders' Equity

MTB's consolidated shareholders' equity increased by 4.43% to BDT 17.01 billion in 2020. Paid-up capital of the Bank increased by 5.00% to BDT 7.39 billion in 2020. Statutory reserves increased by 7.37% to BDT 5.04 billion during the year. Total distributable profit stood at BDT 740.22 million in 2020 after retaining of deferred tax assets of BDT 1038.97 million.



- Current Deposit & Other Accounts
- Bills Payable
- Savings Deposit
- Fixed Deposit
- Special Notice Deposit (SND)
- Deposit Products

Deposit Mix



Consolidated Total Shareholder's Equity

Analysis of Consolidated Income Statement of MTB

BDT Million

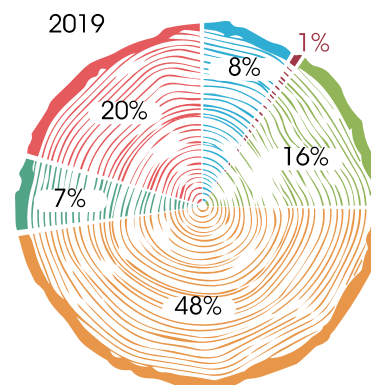
SL	Particulars	2020	2019	Growth over 2019
1	Interest Income	15,565	18,394	-15.38%
2	Interest Expenditure	11,675	12,964	-9.94%
3	Net Interest Margin (NIM)	3,890	5,430	-28.36%
4	Net Interest Margin (NIM) Ratio	2.00%	3.02%	-1.02%
5	Income from Investment, Commission, Brokerage & Others	6,066	5,777	5.00%
6	Total Net Income (Net Interest Income + Non Interest Income)	9,956	11,207	11.16%
7	Operating Expenditure	6,438	5,967	7.89%
8	Profit Before Provision	3,518	5,240	-32.85%
9	Net Profit after Tax	970	1,338	-27.47%

Interest Income

Interest income decreased by 15.38% to BDT 15.56 billion in 2020. The gross yield on advances stood at 8.13% in 2020 compared to 10.50% in 2019.

Interest Expense

Interest expenditure decreased by 9.94% to BDT 11.68 billion in 2020.



Net Interest Margin

Net Interest Margin (NIM) decreased by 28.36% to BDT 3.89 billion in 2020. The decrease in interest income contributed largely to the decrease of net interest margin. The net interest margin ratio stood at 2.00% in 2020 compared to 3.02% in 2019.

Income from Investment, Commission and Brokerage and Other Operating Activities

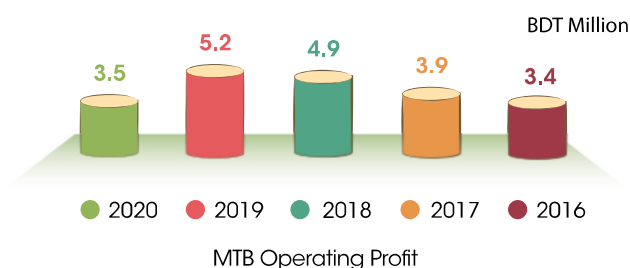
Income from investment, commission, brokerage & others increased to BDT 6.07 billion in 2020 compared to BDT 5.78 billion in 2019.

Total Operating Expense

Total operating expenses increased by 7.89% to BDT 6.44 billion in 2020 compared to BDT 5.97 billion in 2019.

Total Operating Profit

Total operating income decreased by 32.85% to BDT 3.52 billion during the year 2020 compared to BDT 5.24 billion in 2019.



Total provision against classified loans and advances stood at BDT 4.18 billion in 2020 compared to BDT 3.10 billion in 2019. Provision increased against classified loans by BDT 1.08 million in 2020. The non-performing loan ratio during the year is given below:

Year	2020	2019
Consolidated NPL Ratio	4.60%	5.39%

Profit before Tax

Profit before tax stood at BDT 1.83 billion in 2020 with a negative growth of 40.99% as against BDT 3.10 billion in 2019.

Provision for Income Tax

Due to decrease of operating profit provision for income tax stood at BDT 858.53 million in 2019 compared to BDT 1,761.67 million in 2020.

Net Profit after Tax

Net profit after tax registered a negative growth of 27.46% to BDT 0.97 billion in 2020 compared to BDT 1.34 billion in 2019. Basic earnings per share (EPS) decreased to BDT 1.31 in 2020 compared to BDT 1.81 in 2019 (Restated).

Statutory Reserves

As per the Bank Company Act, 1991, (as amended up to date), 20 percent of profit before tax is required to be transferred to statutory reserve. As such, an amount of BDT 345.57 million was transferred to statutory reserve in 2020.

Dividends

Management of Mutual Trust Bank Ltd (MTB) takes initiative to formulate a Dividend Distribution Policy that serves as guiding principal to decide on Bank's dividend while complying with prevailing regulatory requirement, keeping the internal and external matters in consideration. This policy has been adopted and published in compliance with the comprehensive directive issued by Bangladesh Securities and Exchange Commission (BSEC) vide directive no. BSEC/CMRRCD/2021-386/03, dated 14 January 2021. The Dividend Distribution Policy was approved in 260th meeting of the Board of the Directors held on 29 April, 2021 and is published in annual report as well as on official websites of MTB so that shareholders can have avail the policy.

The fund available for distribution is BDT 740.22 million in 2020 after retaining of deferred tax assets of BDT 1,038.97 million. In order to maintain a satisfactory capital adequacy ratio of the Bank, the Board has decided to recommend 10 % stock dividend for the year 2020. Mentionable that, during the year 2020, no interim dividend was declared by the Board.

Management's Discussion and Analysis

Detailed analysis of the company's position and operation can be found in Managing Director & CEO's Statement (Pg. 60), Management Discussion & Analysis (Pg. 248) & Shareholders' Information (Pg. 348).

Remuneration of Directors

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

The statement of 'remuneration paid to the directors including independent directors' is available at page 178 under 'Corporate Governance Report'.

Shareholding Pattern:

A report on the pattern of shareholding disclosing the aggregate number of shares is available at page 195 under 'Corporate Governance Report'.

'Details of Directors, Chief Executive Officer, and Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children' are available at page 196 of 'Corporate Governance Report' as well as under the 'Related Party Transaction'. Details of the executives are stated at page 196 under the same Report.

Appointment or Reappointment of a Director

In 2020, Mr. Daniel Donald de Lange was elected as Director Representing NORFUND in place of Mr. Herbert Ludwig Jaeger in the Board of Directors of MTB. Besides, Mr. Md. Manirul Islam, Director, (Representing Pioneer Insurance Company Ltd.) retired from Directorship and Mr. Tarik Ur Rahman appointed as new Director. Mr. M. Mokammel Haque, retired from Independent Director, and Mr. Faruq Ahmad Siddiqi appointed as new Independent Director, in his place. Besides, as per companies act 1994, 1/3 of the directors of the Board of MTB retired by rotation and subsequently reappointed during the year 2020.

Board of Directors' Profile

Brief profile depicting the nature of expertise in specific functional areas of all the directors is available at page 38 under 'Board of Directors' Profile'

A statement detailing 'the name of companies in which the directors of the Bank have interest' is available at page 464 under the segment 'Financial Statements'

Declaration (certification) by the CEO and CFO has been published in the page 379 under corporate governance report.

Contribution to National Exchequer

MTB made significant contribution to the government in boosting its revenue collection which will help in developing the society and the country as a whole. As per the prevailing law of the country, the Bank being a corporate citizen pays tax and VAT on its own income. Besides, the Bank collects tax, VAT and excise duty at source from clients, deposits and suppliers. All the collected amounts are deposited to the national exchequer in due time. During the year 2020, the Bank contributed BDT 4.14 billion to national exchequer as against BDT 3.61 billion in the previous year.

Related Party Transaction

The details of transactions of related parties of the company have been given in Note 47 of the Financial Statements.

Shareholders' Value

MTB remains fully committed to delivering higher shareholder value. The high profitability track record underpins the value the shareholders derived from investing in the shares of the Bank. The Earnings Per Share (EPS) stood at BDT 1.31 and return on average equity stood at 5.83% during 2020. Market capitalization of MTB stood at BDT 17.80 billion as at December 31, 2020.

MTB keeps full caution in terms of maintaining that interest of minority shareholders is protected against any direct and indirect abusive effect arising from actions taken by the Bank. The Bank encourages participation of every shareholders in the AGMs so that they can raise any concern regarding reserving their rights.

Meeting of the Board of Directors of MTB

14 meetings of the Board of Directors of MTB were held in 2019. Total number of meetings attended and the amount of remuneration received by board members are stated at page- 83 & 84 under corporate governance report.

Appointment of Auditors

The Board of Directors' of the Bank in its 21st Annual General Meeting held on August 27, 2020 appointed M.J. Abedin & Co., Chartered Accountants as External Auditor of the Bank for the year 2020.

Annual General Meeting

The Virtual Meeting of Mutual Trust Bank Ltd Annual General Meeting (AGM) will be held on Thursday, June 24, 2021 at 3.00 p.m. using digital platform. The financial statements were approved at 261st meeting of the Board of Directors of MTB, held on May 04, 2021 for presentation to the shareholders.

Compliance of Corporate Governance Checklist:

MTB has complied with corporate governance conditions in line with the Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank (BB).

I would like to thank all our shareholders, board members, regulators, depositors, clients and the authorities for helping us in our journey.

Thank you.

On behalf of the Board of Directors



Md. Wakiluddin
Chairman