

Directors' Report to the Shareholders

Dear Valued Shareholders,

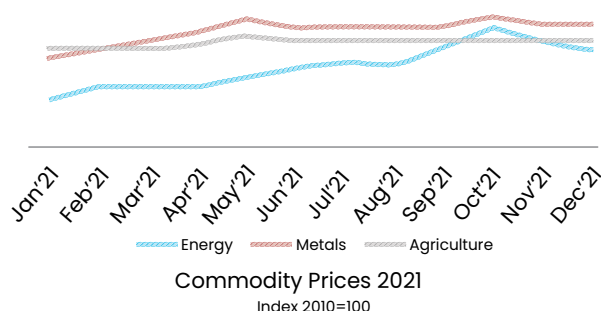
On behalf of the Board of Directors, I take this opportunity to welcome you all to the 23rd Annual General Meeting (AGM) of Mutual Trust Bank Limited. In line with the requirements of Section 184 of the Companies Act, 1994, stock exchange regulations and Bangladesh Securities and Exchange Commission 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

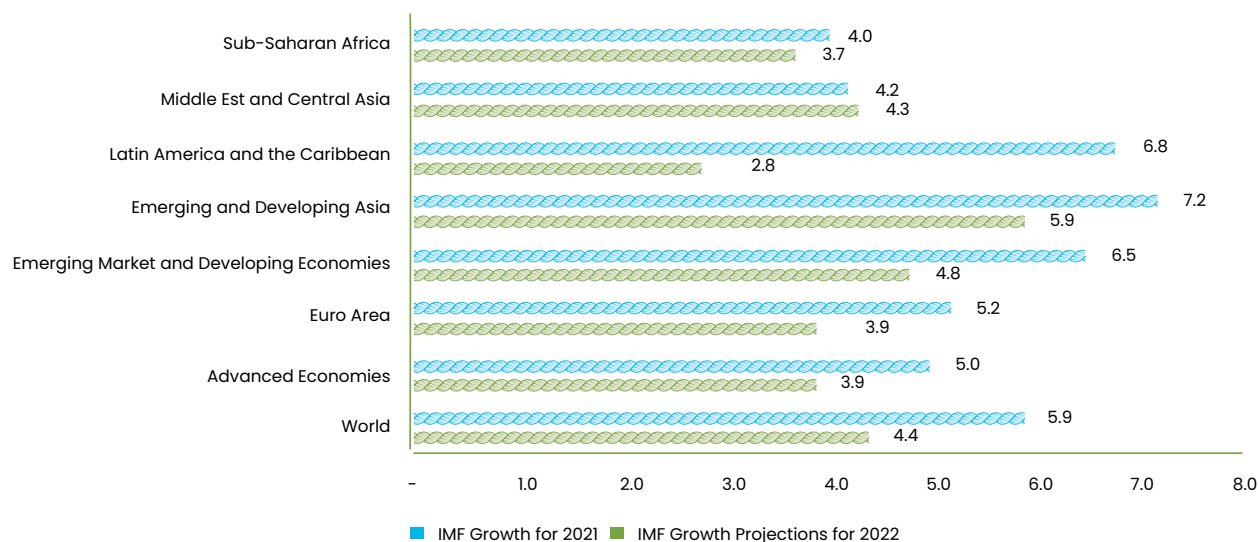
As the world enters the third year of the COVID-19 crisis, economic developments have been both encouraging and troubling, clouded by many risks and considerable uncertainty. When the new Omicron COVID-19 variant started to spread, countries re-imposed mobility restrictions. Rising energy prices and supply disruptions have resulted in higher and more broad-based inflation than anticipated, notably in the United States and many emerging market and developing economies. Now with the initiation of Russia and Ukraine conflict, the global economy enters 2022 in a weaker position than previously expected.

In an estimation made by IMF, global growth in 2021 is 5.9 percent, and expected to decelerate even lower in 2022. The forecast is conditional on adverse health outcomes, declining to low levels in most countries by end-2022, assuming vaccination rates improve worldwide and therapies become more effective. Added with the uncertainties of COVID-19, the conflict between Russia and Ukraine will affect the global economy via three main channels: financial sanctions, commodities prices and supply-chain disruptions. On the other hand, elevated inflation is expected to persist with ongoing supply chain disruptions and high energy prices continuing in 2022.

Commodity Prices 2021



Source: World Bank Commodity Price Data, 2022



Source: IMF World Economic Outlook January, 2022

Effective global health strategy has become more salient now with the pandemic continuing to maintain its grip. Worldwide access to vaccines, tests, and treatments is essential to reduce the risk of further dangerous COVID-19 variants. This requires increased production of supplies, as well as better in-country delivery systems and fairer international distribution. Monetary policy in many countries will need to continue on a tightening path to curb inflation pressures, while fiscal policy—operating with more limited space than earlier in the pandemic—will need to prioritize health and social spending while focusing support on the worst affected. In this context, international cooperation will be essential to preserve access to liquidity and expedite orderly debt restructurings where needed. Investing in climate policies remains imperative to reduce the risk of catastrophic climate change.

Bangladesh Economy

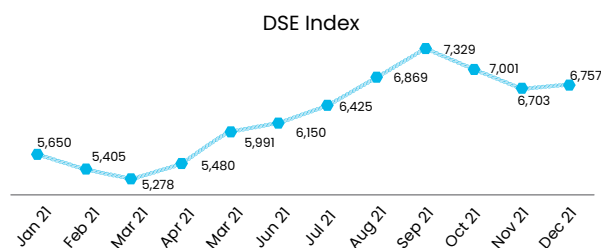
The economy of Bangladesh was already on focus of the world media as one of the fastest growing economies around the world. However, the momentum slowed down as the economy has been hit hard on arrival of COVID-19, which was first identified in the country during March, 2020. Still the country managed to maintain its positive growth trajectory while majority of the countries worldwide, including many neighboring countries, did not achieve any economic growth.

However, recently the third wave of Cov-Sars-3 in its new incarnation as Omicron has placed the Bangladesh economy in anxious position, threatening to derail the economic recovery. On the bright side, forecasts made by multi-lateral institutions (MLI) i.e. World Bank, IMF etc., sound promising. The most cheerful estimate about the growth of Bangladesh economy in the midst of the insidious pandemic has been made by International Monetary Fund (IMF), the traditionally conservative MLI. According to its finding and calculation the Bangladesh economy's resilience in turning around has been so steady and robust that it has crossed the USD 1.0 trillion dollar mark in value, a landmark event without any doubt. In its serial estimates the size of Bangladesh economy was USD 267.99 billion dollar in FY 2006, USD 540.42 billion in FY14, USD 966.48 billion in 2019 and has become USD 1,061.57 billion recently in 2022 crossing the trillion dollar mark (Bonik Barta, January 14, 2022). It has been estimated that on this trend Bangladesh economy's size will be USD 1.5 trillion by 2026.

Capital Market

The capital market in Bangladesh witnessed a robust performance in 2021. The prime index (DSEX) gained 25.06% during the year, closing at 6,756 points. DSEX broke above an important psychological threshold level of 7,000 but slightly retraced below 7,000 to close the year. DSEX reached 7,368 points in October 2021, the highest since its inception in 2013. Market witnessed a turnover of BDT 2,954 crore on 16 August 2021— the highest during the decade and market capitalization too reached its historical peak point of BDT

586,320 crore on 9 September 2021. However, during the last quarter of the year, market witnessed excessive volatility and price correction. As the economy reopened to almost full scale, and Central Bank took a cautionary position with regard to fund diversion into capital market, market activity took a pause— DSEX lost ~600 points from peak and daily turnover dropped to as low as BDT 700 crore.



Source: Dhaka Stock Exchange

As Private sector credit growth started to pick up with economic activity restoring at a fast pace, seasonal funds exited the market. Meanwhile commodity prices in the international market peaked up rapidly as economic activity across the global resumed, resulting in excessive pressure in the form of outward payments. Price of USD rose rapidly in the curb market, as high as to 93, resulting in a USD support from central Bank causing further monetary tightening. All these developments significantly dampened the outlook of the market, resulting in sell pressure from institutional investors.

Banking Industry

After spending a stressful and uncertain 2020, banking industry had another year, 2021, for mixed consequences, while the Central Bank allowed loan relaxation, creating reservations regarding quality of the lenders and future repayment capacity. In addition, the 9% lending cap rolled out from April, 2020 to bring down the cost of doing business and improving efficiency of doing banking business. However, the lending cap is creating stress for the banks to keep up profit level, leaving no other alternative but to efficiently handle customer deposit, cash management to maintain a reasonably good spread. From 2020, the Government declared different stimulus packages for the business entities for the survival of different industries of the country and the entire fund is being channeled through the banking sector.

Total deposit of the scheduled banks was reported to be BDT 14,093.43 billion at the end of December 2021, increased by BDT 1,188.70 billion or 9.21 percent from BDT 12,904.72 billion of December 2020. Advances by banks recorded an increase of BDT 1,779.53 billion or 12.28 percent to be BDT 14,485.41 billion at the end of December 2021 compared to BDT 14,485.41 billion of December 2020. The spread between weighted average advances and deposit rates stood at 3.08 percent in December 2021, increased from 2.98 percent at December 2020, despite the single digit cap effective from April 2020 as per directions of Bangladesh Bank (BB).

Money Market

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, which remained same during the year 2021. 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. Also Advance-Deposit Ratio (ADR) for all the conventional banks was increased from 85 per cent to 87 per cent, effective from April 15, 2020 and remained the same throughout the year 2021.

Banking sector is the heart of an economy, strong policies and recovery plans for post-pandemic period can ensure sustainability of the industry. Fixed income securities play significant role in a well-diversified financial system. In our country, treasury bonds are the available government debt instruments. Bangladesh Bank arranges auction for treasury bills and treasury bonds. Banks and financial institutions are the main participants of treasury bills and treasury bonds. As per the regulatory requirement, banks in Bangladesh need to meet minimum SLR of 13% of average demand and time liabilities. At December 2021, the yield on 91 days, 182 days and 364 days T-bills was 2.37 percent, 3.24 percent and 3.47 percent, increased yield rates from previous year end rates, i.e. 0.59 percent, 1.23 percent and 1.87 percent. On the other hand, yield on 2 years T. Bond, 5 years T. Bond and 10 years T. Bond settled at 4.73 percent, 6.50 percent and 7.40 percent in December 2021. A year ago, the rates were 3.49 percent, 4.64 percent and 5.77 percent.

Asset Quality

The NPL of the banking sector eased slightly to 7.93 percent of the total outstanding loans of BDT 16,264.94 billion at the end of December 2021 mainly due to the moratorium facility. At the end of December 2021, the number of banks non-compliant with the minimum capital to risk-weighted assets ratio (CRAR) was 10 out of 61. Banking sector's aggregate CRAR at the end of December 2021 was 11.08 percent, which was reported 11.64 percent at the end of December 2020.

MTB at a Glance

During 2021, MTB gained 10.93 percent and 12.21 percent growth over 2020 in loans and advances and customers deposits, respectively. Despite a stiff environment, the bank ended the year with a credit-deposit ratio of 82.42 percent. In 2021, the number of branches across the country reached 152, number of sub branches extended to 33, agent banking centers expanded to 201, 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. Later in February 2022, MTB inaugurated its fifth air lounge at the domestic terminal of Hazrat Shahjalal International Airport (HSIA).

The bank is moving towards centralization and to execute the process liability and assets has been 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 has been initiated from 2021.

Business Goal

MTB's vision, mission, corporate core values, strategic priorities and outlook for 2021 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 and recently launched Islamic Banking wing. 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 152 branches, which includes SME/Agri branches and 33 sub-branches, and 201 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 programs, 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 177 training programs were held and 2,079 employees were given training in different fields of banking and management practices in 2021 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, including focusing COVID 19 affected, during the year 2021, details of which are given in the "Corporate Social Responsibility" part of this Annual Report. A total amount of BDT 138.58 million was spent on purpose of CSR activities from MTB.

Adequate Accounting Records

MTB maintains all books of accounts and other records in accordance with the prevailing rules and regulations - 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 2021, 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 2021 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 Statements 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 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) compliance program. 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) as adopted by The Institute of Chartered Accountants of Bangladesh, 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 including guidelines published time to time.

The Directors of MTB, in conformance with the BSEC Notification No. SEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018, confirm compliance with the financial reporting framework for the following:

- The financial statements, prepared by the management of IDLC make a fair presentation of its activities, operational details and results, cash flow information and changes in equity structure.
- Proper books and accounts of the Company have been maintained.
- Appropriate accounting policies, including International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS)/ as applicable/ adopted in Bangladesh, have been consistently applied in preparation of the financial statements. Any change or deviation has been adequately disclosed.
- Accounting estimates are based on reasonable and prudent judgment.
- Internal control processes have been properly designed and effectively implemented and monitored.
- Minority shareholders have been duly protected as have effective means of redress.
- No significant doubt exists upon the Company's ability to continue as a going concern.
- Comparative analysis of significant deviations have been highlighted and reasons have been explained in the sections above.

CEO and CFO's Declaration

The CEO and CFO's declaration to the Board is appended on page no. 331

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.

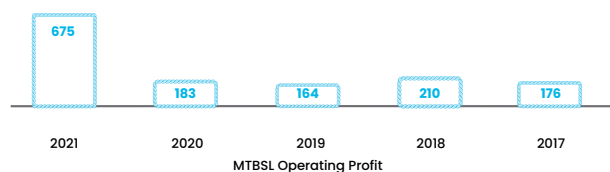
Review Report on MTB Operations, Products and Services

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:

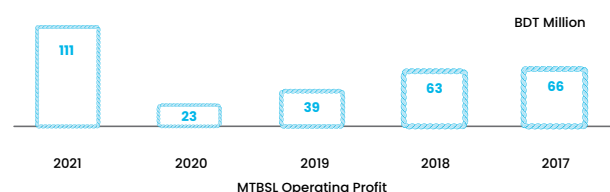
MTB Securities Ltd

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 14 strategically located offices spread across the country. During the year 2021, the company made an operating profit of BDT 674.95 million as against BDT 183.03 million in 2020.



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 2021, the company made an operating profit of BDT 110.74 million as against BDT 22.81 million in 2020.

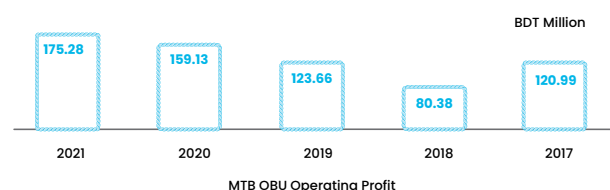


MTB Exchange (UK) Ltd.

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 2021, the company made an operating loss of BDT 1.07 million as against operating loss of BDT 10.77 million in 2020.

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 BDT 23.00 billion in December 2021 compared to BDT 15.60 billion in 2020, with a growth of 47.44%. In 2021, the OBU's operating profit stood at BDT equivalent 175.60 million, as against BDT equivalent 159.13 million, in 2020.



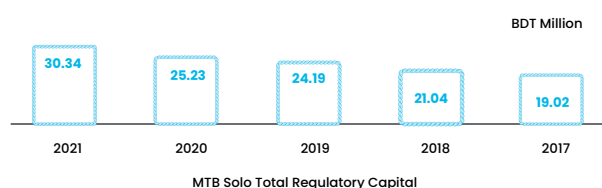
MTB Yaqeen Islamic Banking

MTB Yaqeen is the Islamic Banking Wing of Mutual Trust Bank Limited. May 12, 2021 marks the inception of MTB Yaqeen which aims to provide comprehensive shari'ah-based banking solutions. The total investments of the Islamic Banking stood at BDT 344.91 million in December 2021, just within 7 months of operation. As this is the first year of operation, the unit is yet to reach break-even. The operating loss stood at BDT (4.52) million.

Capital Management

As per Bangladesh Bank's guideline, at the end of 2021, 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 Basel-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. In consolidated basis, MTB's total capital registered an increase of BDT 5.18 billion and stood at BDT 30.34 billion in 2021. Tier-I capital grew by BDT 4.35 billion, and was recorded at BDT 20.31 billion in 2021. Total capital is now equivalent to 14.41% of total risk weighted assets. MTB standalone total capital stood at BDT 29.44 billion, tier-I capital was recorded at BDT 19.75 billion in 2021 and total capital was equivalent to 14.16% 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. Collection of rest of the fund was completed in 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 2021. 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 297). Comparison for the performance and position with peer industry, risks, future plan and projection is discussed under Managing Director and CEO's Statement (Pg 56).

Total Assets

The consolidated assets of the bank stood at BDT 306.50 billion in 2021 compared to BDT 269.26 billion in 2020. Total assets of MTB stood at BDT 304.74 billion in 2021 compared to BDT 267.91 billion in 2020, with a growth of 13.75%. 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	2021	2020	Growth
Deposits	211.78	188.73	12.21%
Advances	226.01	203.74	10.93%
Funds Under Management (FUM)	437.79	392.47	11.55%

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 14.82 billion in 2021 compared to BDT 11.78 billion in 2020 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

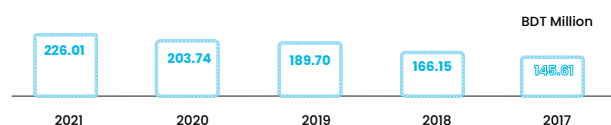
MTB's consolidated balance with other banks and financial institutions including money at call and short notice stood at BDT 3.96 billion in 2021 compared to BDT 5.03 billion in 2020. This was BDT 3.71 billion in 2021 compared to BDT 4.66 billion in 2020 for MTB only.

Investments

MTB's consolidated investments increased during the year under review by BDT 10.76 billion to BDT 47.42 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.

Loans and Advances

MTB's consolidated loans and advances stood at BDT 226.01 billion in 2021. Outstanding loans and advances of off-shore banking units was BDT 23.00 billion in 2021 compared to BDT 15.60 billion in 2020. Yield on loans and advances decreased to 7.05% in 2021 from 8.13% in 2020 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 5.88%, which was much below the industry average of 7.93% in 2021.



Liabilities

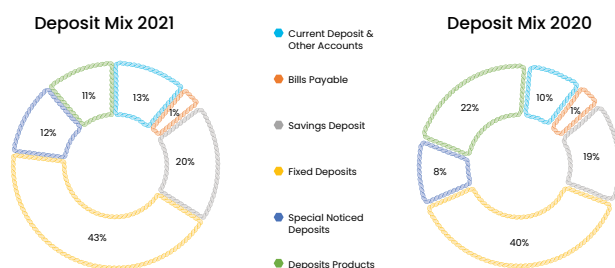
The consolidated total liabilities of the bank stood at BDT 286.85 billion in 2021 compared to BDT 252.26 billion in 2020. Only MTB's total liabilities rose to BDT 285.58 billion in 2021 from BDT 251.34 billion in 2020, with a growth of 13.62%. The increase in liability was mainly due to growth in deposits, other liabilities and borrowings.

Deposits and Other Accounts

MTB's consolidated deposits increased by 12.21% to BDT 211.78 billion in 2021. With 152 branches-sub branches and 310 ATMs, MTB was able to acquire more low cost funds in 2021. High cost deposits accounted for 54.65% of the total deposits. Cost of deposit decreased to 3.80% in 2021 compared to 5.22% in 2020.

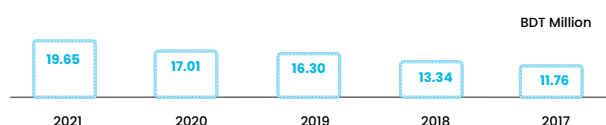
BDT Billion

Deposits and Other Accounts	2021	2020	Growth Over 2020
Current Deposit & Other Accounts	26.91	19.21	40.08%
Bills Payable	1.98	1.99	-0.65%
Savings Deposit	42.59	36.21	17.61%
Fixed Deposit	91.53	75.32	21.52%
Special Notice Deposit (SND)	25.16	15.36	63.74%
Deposit Products	23.62	40.63	-41.88%
Total Deposits	211.78	188.73	12.21%



Shareholders' Equity

MTB's consolidated shareholders' equity increased by 15.54% to BDT 19.65 billion in 2021. Paid-up capital of the bank increased by 10.00% to BDT 8.12 billion in 2021. Statutory reserves increased by 13.08% to BDT 5.69 billion during the year.



Analysis of Consolidated Income Statement of MTB

SL	Particulars	2021	2020	Growth over 2020
1	Interest Income	14,562	15,565	-6.44%
2	Interest Expenditure	8,815	11,620	-24.13%
3	Net Interest Margin (NIM)	5,747	3,945	45.67%
4	Net Interest Margin (NIM) Ratio	2.70%	2.03%	
5	Income from Investment, Commission, Brokerage & Others	7,057	6,042	16.80%
6	Total Net Income (Net Interest Income + Non Interest Income)	12,804	9,987	28.21%
7	Operating Expenditure	7,143	6,469	10.43%
8	Profit Before Provision	5,661	3,518	60.89%
9	Net Profit after Tax	2,973	970	206.39%

Interest Income

Interest income decreased by 6.44% to BDT 14.56 billion in 2021. The gross yield on advances stood at 7.05% in 2021 compared to 8.13% in 2020.

Interest Expense

Interest expenditure decreased by 24.13% to BDT 8.82 billion in 2021.

Net Interest Margin

Net Interest Margin (NIM) increased by 45.67% to BDT 5,75 billion in 2021. The decrease in interest expense contributed largely to the increase of net interest margin. The net interest margin ratio stood at 2.70% in 2021 compared to 2.03% in 2020.

Income from Investment, Commission and Brokerage and Other Operating Activities

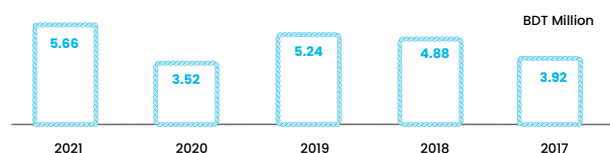
Income from investment, commission, brokerage & others increased to BDT 7.06 billion in 2021 compared to BDT 6.04 billion in 2020.

Total Operating Expense

Total operating expenses increased by 10.43% to BDT 7.14 billion in 2021 compared to BDT 6.47 billion in 2020.

Total Operating Profit

Total operating income increased by 60.89% to BDT 5.66 billion during the year 2021 compared to BDT 3.52 billion in 2020.



Total provision against classified loans and advances stood at BDT 5.95 billion in 2021 compared to BDT 4.18 billion in 2020. Provision increased against classified loans by BDT 1.78 billion in 2021. The non-performing loan ratio during the year is given below:

Year	2021	2020
Consolidated NPL Ratio	5.80%	4.61%
Solo NPL Ratio	5.88%	4.67%

Profit before Tax

Profit before tax stood at BDT 3.54 billion in 2021 with a positive growth of 93.44% as against BDT 1.83 billion in 2020.

Tax Expenditure

Due to increase in profit before tax, provision for current tax expenses stood at BDT 1.45 billion in 2021 compared to BDT 0.86 billion in 2020.

Net Profit after Tax

Net profit after tax registered a positive growth of 206.39% to BDT 2.97 billion in 2021 compared to BDT 0.97 billion in 2020. Basic earnings per share (EPS) increased to BDT 3.66 in 2021 compared to BDT 1.19 in 2020 (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 658.83 million was transferred to statutory reserve in 2021.

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/CMRCD/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.

In order to maintain a satisfactory capital adequacy ratio of the bank, in 2021, the Board has decided to recommend 10 % stock dividend for the year 2021. Mentionable that, during the year 2021, 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. 56), Management Discussion & Analysis (Pg. 215) & Shareholders' Information (Pg. 297)

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 152 under 'Corporate Governance Report'

Shareholding Pattern:

A report on the pattern of shareholding disclosing the aggregate number of shares' is available at page 181 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 182 of 'Corporate Governance Report' as well as under the 'Related Party Transaction'. Details of the executives are stated at page 182 under the same Report.

Appointment or Reappointment of a Director

As per the Companies Act, each year one-third of the Directors retire from office at the Annual General Meeting (AGM), except Independent Directors, and, if eligible, as per the bank company act, may offer themselves for re-election by shareholders at the AGM.

In 2022, Mr. Md. Wakiluddin, Chairman, Mr. Syed Manzur Elahi, Director (Founding Chairman), Mr. Rashed Ahmed Chowdhury, Director (Representing Associated Builders Corporation Ltd.) and Ms. Anika Chowdhury, Director (Representing ASTRAS Ltd.) will retire and eligible for re-election. As per Corporate Governance Code issued by the Bangladesh Securities and Exchange Commission (BSEC), the proposal for re-appointment of .Ms. Nasreen Sattar, Independent Director, will be placed at the ensuing AGM for confirmation.

Board of Directors' Profile

Brief profile depicting the nature of expertise in specific functional areas of all the directors is available at page -34 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 404 under the segment 'Financial Statements'

Declaration (certification) by the CEO and CFO has been published in the page 331 under financial statements.

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 2021, the bank contributed BDT 4.44 billion to national exchequer as against BDT 4.14 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.

Insider Trading

The members of the board of MTB, or its sub-committee, or its senior management and their family members did not involve in any insider trading and did not violate the provision with regard to insider trading.

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 3.66 and return on average equity stood at 16.22% during 2021. Market capitalization of MTB stood at BDT 15.93 billion as at December 31, 2021.

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 shareholder 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 2021. Total number of meetings attended and the amount of remuneration received by board members are stated at page 179 and 180 under corporate governance report.

Appointment of Auditors

The Board of Directors' of the bank in its 22nd Annual General Meeting held on June 24, 2021 appointed M.J. Abedin & Co., Chartered Accountants as External Auditor of the bank for the year 2021.

Annual General Meeting

The Virtual Meeting of Mutual Trust Bank Ltd Annual General Meeting (AGM) will be held on Wednesday, June 15, 2022 at 11.30 a.m. using digital platform. The financial statements were approved at 274th meeting of the Board of Directors of MTB, held on April 25, 2022 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