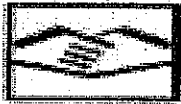


Code of Conduct for the Board of Directors of Mutual Trust Bank Ltd.



মিউচুয়াল ট্রাস্ট ব্যাংক লিমিটেড
Mutual Trust Bank Ltd.

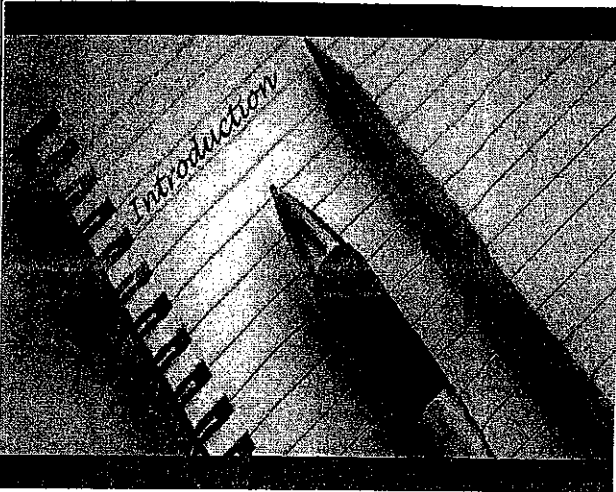
মুচুয়াল ট্রাস্ট ব্যাংক লিমিটেড

Mutual Trust Bank Ltd. (MTB)
Corporate Head Office
MTB Centre, 26 Gulshan Avenue
Plot 5, Block SE(D), Gulshan 1, Dhaka 1212

CODE OF CONDUCT AND CONFLICT OF INTEREST NORMS IN RESPECT OF BOARD OF DIRECTORS

FORMATION & RESPONSIBILITIES OF BOARD OF DIRECTORS

I. INTRODUCTION

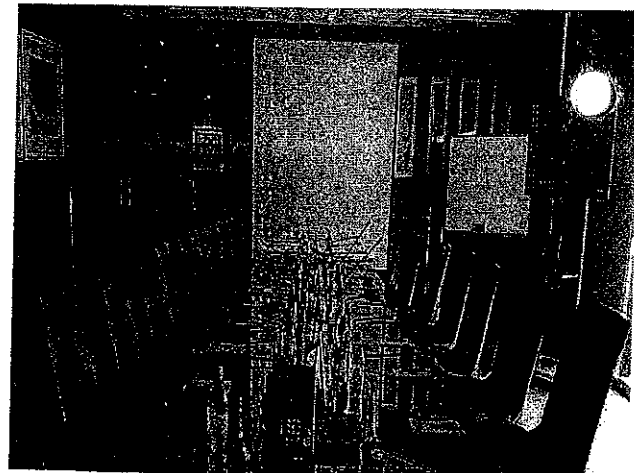


The Board of Directors of Mutual Trust Bank Limited (MTB) comprises with competent and professionally skilled persons with a view to formulating policy-guidelines and supervising business activities of the bank efficiently as well as ensuring good governance in the bank management. The responsibilities of the board of directors of the bank are more important than those of other companies; because banks are mainly run with the depositors' money for which it is essential to earn and maintain confidence of the depositors.

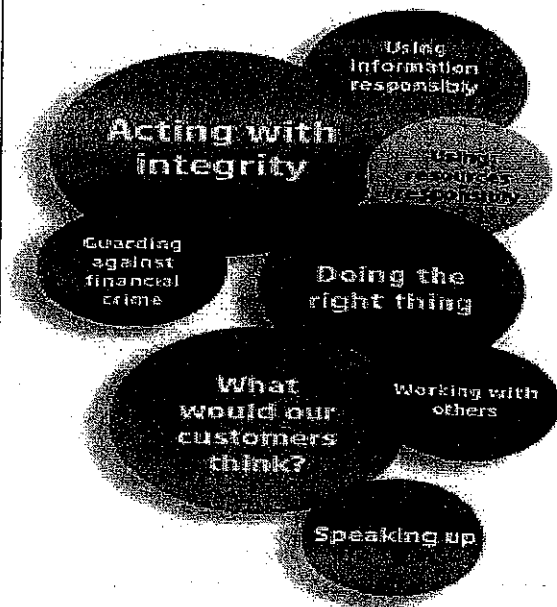
MTB is committed to maintaining the highest standards of ethical conduct. This Code of Business Conduct and Ethics for the Board reflects the business practices and principles of behavior that support this commitment. MTB Board of Directors (MTBBoD) is responsible for setting the standards of conduct contained in the Code and for updating these standards as and when appropriate, to reflect legal and regulatory developments.

II. THE REPRESENTATIVE

Directors are not only representatives of shareholders, but also, in a sense, representatives of the depositors. Their position is one of a trusteeship, since, unlike other businesses, financial institutions operate not only on stockholders' funds but also on funds of persons other than the stockholders. Accordingly, a special fiduciary relationship of directors to the public is created, and special precautions are needed so the directors conduct themselves in a manner that is above reproach.



Code of Conduct for the Board of Directors of Mutual Trust Bank Ltd.



III. CODE MEANS

This Code of Conduct is a statement of Mutual Trust Bank Limited's (MTB's) commitment to integrity and high ethical standards in all that we do.

MTB believes the best way to build and to maintain trust is to conduct every element of our business according to the highest standards of integrity.

The bank maintains a Code of Business Conduct and Ethics, supplemented by both our Business Principles and compendium of internal policies, to inform and guide our people in their roles.

We recognize, however, that a formal Code or policy cannot cover every situation. In a fast-paced and complex industry and an inherently innovative business,

it is impossible to predict the various different unique circumstances our people will face during their careers. As such, the policies outlined in this Code should be viewed as the baseline of expected behavior at the firm.

While ethical behavior requires us to comply fully with all laws and regulations, "compliance" with the law is the minimum standard to which we hold ourselves. Those who work with us honor not just the letter of existing laws, but the spirit that underpins and informs them. We recognize that over time what is considered acceptable today may be viewed differently tomorrow. Thus, we do not look to prevailing "market practices" as an indication of appropriate behavior.

We base our decisions on legal and regulatory rules, our Code, our Business Principles and our values.

For the Directors of MTB, ethical behavior is inseparable from integrity and good judgment. Every person at MTB is a steward to our heritage of client service and our reputation as an ethical company. Our success has been and will continue to be dependent on the trust that our clients and shareholders place in us.

Everything we do — every piece of advice we give, every transaction we execute, every taka we manage, every interaction in which we take part — must serve to strengthen that trust.

While covering a wide range of business practices and procedures, these standards cannot and do not cover every issue that may arise, or every situation where ethical decisions must be made, but rather set forth key guiding principles that represent the Bank's policies and establish conditions for employment at the Bank.

Code of Conduct for the Board of Directors of Mutual Trust Bank Ltd.

IV. FAIR PRACTICES

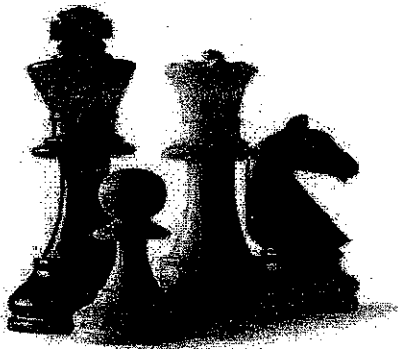
We consider Fair Practice as a conduct that is practiced with utmost care and without malafide intention. We believe that the members of the MTB BoD shall confirm to the accepted professional standards of conduct and not have conflict of actual or apparent interest between personal and professional relationships.



V. FORMATION OF THE BOARD OF DIRECTORS

1. BOARD'S SIZE

The number of the board members of the company shall not be less than 7 (seven) and more than 20 (twenty).



2. CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals. The Chairman of the company shall be elected from among the directors of the company.

3. THE DIRECTORS' REPORT TO SHAREHOLDERS

The Directors' Report to be prepared, complying with The Companies Act, 1994, The Bank Company Act, Securities & Exchange Commission's rules/ regulations and other laws/ regulations, as applicable.



4. APPOINTMENT OF NEW DIRECTORS

The bank takes prior approval from the regulators for appointing/re-appointing directors, independent directors furnishing such documents, time to time required by the regulators.

5. INDEPENDENT DIRECTORS

MTB Board shall appoint/re-appoint Independent Directors, upon fulfillment of the certain terms and conditions, having such qualifications, time to time notified by the regulators, for the effective representation of independent directors on the Board of Directors so that the Board, as a group, includes core competencies considered relevant in the context of each company.

The independent director(s) shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting (AGM). The post of independent director(s) cannot remain vacant for more than 90 (ninety) days. The tenure of office of an independent director shall be for a period(s), time-to-time determines by the regulators.

Code of Conduct for the Board of Directors of Mutual Trust Bank Ltd.

6. VACATION OF OFFICE OF DIRECTOR

- (a) The office of director is vacated according to the provisions of the Companies Act, 1994. Besides, when a bank director becomes defaulter and does not repay the loan within two months after getting a notice under the provision of the Bank Company Act, 1991 (or amended time to time); provides false statement at the time of appointment; or fails to fulfill the minimum eligibility criteria, the office of the director will be vacated;
- (b) If the office of a director is vacated by a notice as stated, the person will not be eligible to become a director of the bank or any other bank or any financial institution for one year or up to such time, as determines time-to-time, from the date of repayment of the total amount due to the bank. It is mentionable here that the dues can be adjusted with the shares held by the director in that bank. When a director receives a notice under section 17 of BCA, 1991, he/she can't transfer his/her shares of that bank until he/she repays all the liabilities of the noticed bank or financial institution;
- (c) Besides, Bangladesh Bank can remove a Director or Chairman of a bank, for conducting any kind of activities that is detrimental to the interest of the banks depositors or against the public interest and can supersede the board of a banking company;
- (d) The office of Director shall be vacated if:
 - (i). she/he fails to obtain minimum number of shares, i.e. qualification shares, as time to time determines by the regulations, necessary for the appointment; or
 - (ii). she/he is found to be of unsound mind by a court of competent jurisdiction; or
 - (iii). she/he is adjudged an involvement; or
 - (iv). she/he or any firm of which he is a partner or any private company of which he is a Director without the sanction of the Company in general meeting accepts or holds any office of profit under the Company other than that of legal or technical adviser or banker; or
 - (v). she/he absents from three (3) consecutive meeting of the Directors or from all meetings of the Directors for a continuous period of three, (3) months, whichever is the longer, without leave of absence from the Board of Directors; or
 - (vi). she/he acts in contravention of section 105 of the Act; or
 - (vii). she/he suspends payment to or compounds with his creditors or
 - (viii). she/he resigns office by notice in writing addressed to the Company or to the Directors; or
 - (ix). if any nominated or appointed Director is removed for any reason by the Group of shareholders by whom he was nominated or appointed; or
 - (x). if she/he is a Director in any other banking company in Bangladesh without permission of the Bangladesh Bank.

7. REMOVAL OF DIRECTORS FROM OFFICE

According to the provision of the Companies Act, 1994, the Bank Company Act and the Articles of Association of the bank, with the prior approval of Bangladesh Bank, a bank director other than specialized banks can be removed from his office for the reason, as specified. For this purpose, the reason and ground of the dismissal/removal and copy of the decision of the board and list of directors should be submitted to Bangladesh Bank. In this case, the removal will be effective from the date of Bangladesh Bank's approval.

Code of Conduct for the Board of Directors of Mutual Trust Bank Ltd.

8. APPOINTMENT OF ALTERNATE DIRECTOR

Subject to the compliance of the Companies Act, 1994, Alternate Director is appointed to act for a director during his absence for a continuous period of not less than three months from Bangladesh. In this context, the following instructions are followed:

- a) Collect and properly maintain the documentary evidences relating to departure and arrival of the original director;
- b) Copy of the decision of the board regarding appointment of alternate director, with original director's probable returning date from abroad are sent to Bangladesh Bank within 7 (seven) days of taking the decision and the director's arrival date also intimated to Bangladesh Bank immediately after his/her return;
- c) Any loan defaulter or any person who is not eligible to become a director as per any rules & regulation not appointed as an alternate director;
- d) Such director not included in any kind of committee constituted by the board;
- e) While in the office, an alternate director or his/her affiliated organization not get any kind of loan facilities from the bank. In case of previous loan, enhancement of limit or extension of time or any kind of exemption or interest waiver not allowed;

Moreover, all restrictions applicable to directors according to the rules & regulations of Bangladesh Bank and Bangladesh Securities & Exchange Commission (BSEC) will also be applicable for the alternate director.

9. INFORMATION REGARDING DIRECTORS

Banks are advised to take the following steps regarding director information:

- a) Keep updated list of bank directors;
- b) Send directors' list to other banks or financial institutions immediately after the appointment or release of director;
- c) Displays the list of directors in the website and update it on a regular basis.

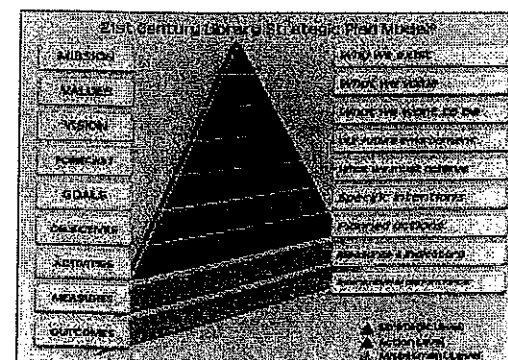
10. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

To ensure good governance in the bank management, MTB felt the essence of specific demarcation of responsibilities and authorities among controlling bodies, and establishes policies for risk management, internal controls, internal audit and compliance and for ensuring their implementation.

10.1 RESPONSIBILITIES AND AUTHORITIES OF THE BOARD OF DIRECTORS

A) WORK-PLANNING AND STRATEGIC MANAGEMENT:

The board determines objectives, goals, and chalk out strategies and work-plans on annual basis. It specially engages itself in the affairs of making strategies consistent with the determined objectives and goals and in the issues relating to structural change and reformation for enhancement of

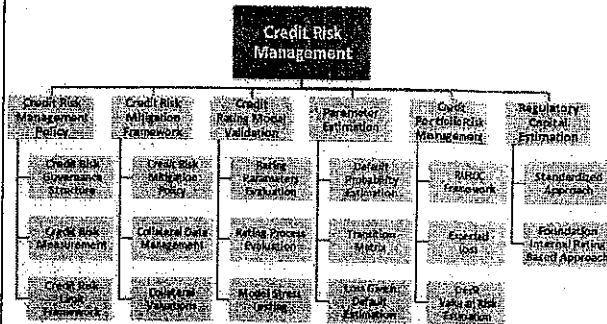


Code of Conduct for the Board of Directors of Mutual Trust Bank Ltd.

institutional efficiency and other relevant policy matters. It analyzes/monitors, at monthly rests, the development of implementation of the work-plans.

- i. The board incorporates analytical review in the Annual Report as regards to business and other targets as set out in its annual work-plan and apprises the members of its opinions/recommendations on plans and strategies. It sets the Key Performance Indicators (KPIs) for the CEO & officers immediate two tiers below the CEO, and evaluates from time to time.

B) CREDIT AND RISK MANAGEMENT



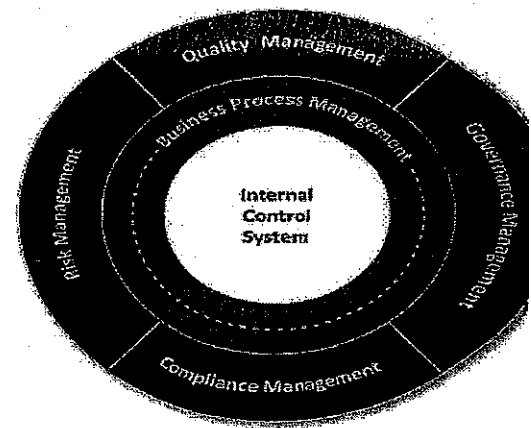
- ii. The policies, strategies, procedures etc. in respect of appraisal of loan/investment proposal, sanction, disbursement, recovery, reschedule and write-off are executed with the board's approval under the purview of the existing laws, rules and regulations. The board specifically distributes the power of sanction of loan/investment and such distribution desirably

makes among the CEO and his subordinate executives. No director, however, interferes, directly or indirectly, into the process of loan approval;

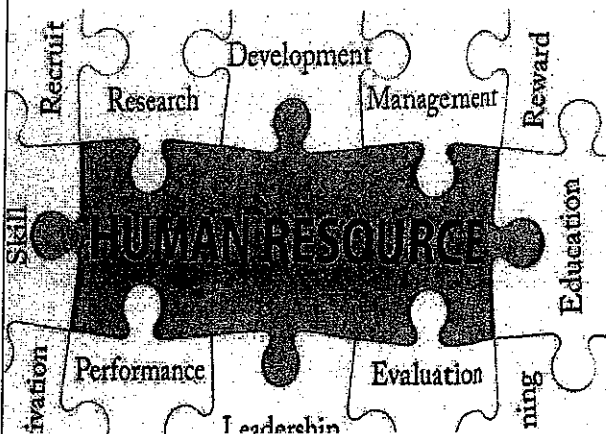
- iii. The board frames policies for risk management and get them complied with and monitors the compliance at quarterly rests and review the concerned report of the risk management team and compile in the minutes of the board meeting. The board monitors the compliance of the guidelines of Bangladesh Bank regarding key risk management.

C) INTERNAL CONTROL MANAGEMENT

The board is vigilant on the internal control system of the bank in order to attain and maintain satisfactory qualitative standard of its loan/investment portfolio. The board establishes such an internal control system so that the internal audit process can be conducted independently from the management. It reviews the reports submitted by the Board Audit Committee at quarterly rests regarding compliance of recommendations made in internal and external audit reports and the Bangladesh Bank inspection reports.



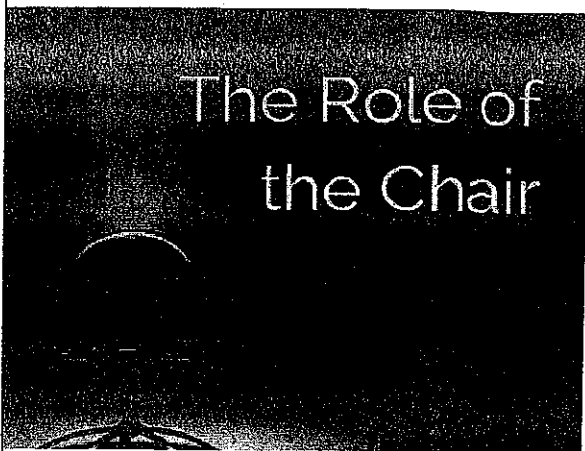
D) HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT



- i. Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, human resources development etc. and service rules are framed/ time-to-time up dated and approved by the board. The Chairman or the directors are not involved themselves, interfere into, or influence over any administrative affairs including recruitment, promotion, transfer and

Code of Conduct for the Board of Directors of Mutual Trust Bank Ltd.

12. RESPONSIBILITIES OF THE CHAIRMAN OF THE BOARD OF DIRECTORS:



a) As the chairman of the board of directors or chairman of any committee formed by the board or any director does not personally possess the jurisdiction to apply policy making or executive authority, he/she shall not participate in or interfere into the administrative or operational and routine affairs of the bank.

b) The chairman may conduct on-site inspection of any bank-branch or financing activities under the purview of the oversight responsibilities of the board. He may call for any information relating to bank's operation or ask for investigation into any such affairs; he may submit such information or

investigation report to the meeting of the board or the executive committee and if deemed necessary, with the approval of the board, he shall effect necessary action thereon in accordance with the set rules through the CEO. However, any complaint against the CEO shall have to be apprised to Bangladesh Bank through the board along with the statement of the CEO.

c) The chairman may be offered an office-room, a personal secretary/assistant, one peon/MLSS, one telephone at the office, one mobile phone to use inside the country and a vehicle in the business-interest of the bank subject to the approval of the board.

13. FORMATION OF COMMITTEES FROM THE BOARD OF DIRECTORS:

Each bank company can form 1 (one) Executive Committee, 1 (one) Audit Committee and 1 (one) Risk Management Committee with the directors. Board cannot form any other permanent, temporary or Sub-Committee except the above mentioned three committees.

13.1 EXECUTIVE COMMITTEE:

Executive Committee should be formed with the members of the board to continue the urgent and daily or routine works between the intervals of two board meetings. Executive Committee will perform according to their terms of reference determined by the board of directors.

A) ORGANIZATIONAL STRUCTURE:

- i. Members of the committee will be nominated by the board of directors from themselves;
- ii. The executive committee will comprise of maximum 07 (seven) members;
- iii. Members may be appointed for a 03 (three)-year term of office;
- iv. Chairman of the Board of Directors can be the chairman of Executive Committee;
- v. Company secretary of the bank will be the secretary of the executive committee;
- vi. The Committee to be formed with such directors who will not be the members of the Board's Audit Committee.

Code of Conduct for the Board of Directors of Mutual Trust Bank Ltd.

B) QUALIFICATIONS OF THE MEMBERS:

- i. Integrity, dedication, and opportunity to spare time in the functions of committee will have to be considered while nominating a director to the committee;
- ii. Each member should be capable of making valuable and effective contributions in the functioning of the committee;
- iii. To perform his or her role effectively each committee member should have adequate understanding of the detailed responsibilities of the committee membership as well as the bank's business, operations and its risks.

C) ROLES AND RESPONSIBILITIES OF THE EXECUTIVE COMMITTEE:

- i. The Committee can decide or can act in those cases as instructed by the Board of directors that are not specifically assigned on full board through the Bank Company Act, 1991 and other laws and regulations;
- ii. The Committee can take all necessary decision or can approve cases within power delegated by the board of directors;
- iii. All decisions taken in the Committee to be ratified in the next board meeting.

D) MEETINGS

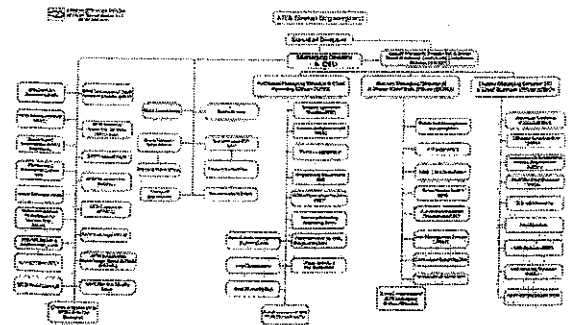
- i. The Committee can sit any time as it may deem fit.
- ii. The committee may invite Chief Executive Officer, Head of internal audit or any other Officer to its meetings, if it deems necessary;
- iii. To ensure active participation and contribution by the members, a detailed memorandum should be distributed to committee members well in advance before each meeting;
- iv. All decisions/observations of the committee should be noted in minutes.

13.2 AUDIT COMMITTEE:

The board will approve the objectives, strategies, overall business plans of the bank, and the audit committee will assist the board in fulfilling its oversight responsibilities. The committee will review the financial reporting process, the system of internal control and management of financial risks, the audit process, and the bank's process for monitoring compliance with laws and regulations and its own code of business conduct.

A) ORGANIZATIONAL STRUCTURE:

- i. The company shall have an Audit Committee as a sub-committee of the Board of Directors;
- ii. The Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business;
- iii. Members of the committee will be nominated by the board of directors from the directors;
- iv. The committee will comprise of at least 3 (three) members, but maximum 05 (five) members,



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- with minimum 2 (two) independent director;
- v. Audit committee will comprise with directors who are not executive committee members;
- vi. Members may be appointed for a 03 (three) year term of office; The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director;
- vii. Company secretary of the bank will be the secretary of the audit committee.
- viii. The Committee to be formed with such directors who will not be the members of Board's Executive Committee and Risk Management Committee.

B) QUALIFICATIONS OF THE MEMBER:

- i. Integrity, dedication, and opportunity to spare time in the functions of committee will have to be considered while nominating a director to the committee;
- ii. Each member should be capable of making valuable and effective contributions in the functioning of the committee;
- iii. To perform his or her role effectively each committee member should have adequate understanding of the detailed responsibilities of the committee membership as well as the bank's business, operations and its risks;
- iv. Professionally Experienced persons in banking/financial institutions specially having educational qualification in Finance, Banking, Management, Economics, Accounting will get preference in forming the committee;
- v. When the term of service of the Committee members expires or there is any circumstance causing any Committee member to be unable to hold office until expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board of Directors shall appoint the new Committee member(s) to fill up the vacancy(ies) immediately or not later than 1 (one) month from the date of vacancy(ies) in the Committee to ensure continuity of the performance of work of the Audit Committee.

C) CHAIRMAN OF THE AUDIT COMMITTEE

- (i) The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director;
- (ii) Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).

D) ROLES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

(I) ROLE OF AUDIT COMMITTEE

- (i). Oversee the financial reporting process;
- (ii). Monitor choice of accounting policies and principles;
- (iii). Monitor internal control risk management process;
- (iv). Oversee hiring and performance of external auditors;
- (v). Review along with the management, the annual financial statements before submission to the board for approval;
- (vi). Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval;
- (vii). Review the adequacy of internal audit function;

Code of Conduct for the Board of Directors of Mutual Trust Bank Ltd.

- (viii). Review statement of significant related party transactions submitted by the management;
- (ix). Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors;
- (x). When money is raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/ applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc.), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company prepares statement of funds utilized for the purposes other than those stated in the offer document/prospectus.

(II) INTERNAL CONTROL:

- (i). Evaluate whether management is setting the appropriate compliance culture by communicating the importance of internal control and the management of risk and ensuring that all employees have clear understanding of their roles and responsibilities;
- (ii). Review management's actions in building computerization of the bank and its applications and bank's Management Information System (MIS);
- (iii). Consider whether internal control strategies recommended by internal and external auditors have been implemented by the management;
- (iv). Consider reports relating to fraud, forgery, deficiencies in internal control or other similar issues detected by internal and external auditors and inspectors of the regulatory authority and place it before the board after reviewing whether necessary corrective measures have been taken by the management;

(II) REPORTING OF THE AUDIT COMMITTEE

A. REPORTING TO THE BOARD OF DIRECTORS

- (i) The Committee shall report on its activities to the Board of Directors;
- (ii) The Committee shall immediately report to the Board of Directors on the following findings, if any:
 - a) report on conflicts of interests;
 - b) suspected or presumed fraud or irregularity or material defect in the internal control system;
 - c) suspected infringement of laws, including securities related laws, rules and regulations;
 - d) any other matter which shall be disclosed to the Board of Directors immediately.

B. REPORTING TO THE AUTHORITIES

If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit

Code of Conduct for the Board of Directors of Mutual Trust Bank Ltd.

Committee shall report such finding to the Commission, upon reporting of such matters to the Board of Directors for three times or completion of a period of 6 (six) months from the date of first reporting to the Board of Directors, whichever is earlier.

C. REPORTING TO THE SHAREHOLDERS AND GENERAL INVESTORS

Report on activities carried out by the Committee, including any report made to the Board of Directors during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company.

13.2.1 FINANCIAL REPORTING:

- (i). Audit committee will check whether the financial statements reflect the complete and concrete information and determine whether the statements are prepared according to existing rules & regulations and standards enforced in the country and as per relevant prescribed accounting standards set by Bangladesh Bank;
- (ii). Discuss with management and the external auditors to review the financial statements before its finalization.

13.2.2 INTERNAL AUDIT:

- (i). Audit committee will monitor whether internal audit working independently from the management;
- (ii). Review the activities of the internal audit and the organizational structure and ensure that no unjustified restriction or limitation hinders the internal audit process;
- (iii). Examine the efficiency and effectiveness of internal audit function;
- (iv). Examine whether the findings and recommendations made by the internal auditors are duly considered by the management or not.

13.2.3 EXTERNAL AUDIT

- (a) Review the performance of the external auditors and their audit reports;
- (b) Examine whether the findings and recommendations made by the external auditors are duly considered by the management or not;
- (c) Make recommendations to the board regarding the appointment of the external auditors.

MTB does not engage its external/statutory auditors to perform the following services of the company; namely:

- (i) Appraisal or valuation services or fairness opinions;
- (ii) Financial information systems design and implementation;
- (iii) Book-keeping or other services related to the accounting records or financial statements;
- (iv) Broker-dealer services;
- (v) Actuarial services;
- (vi) Internal audit services;
- (vii) Any other service that the Audit Committee determines;

Code of Conduct for the Board of Directors of Mutual Trust Bank Ltd.

(viii) No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.

13.2.4 COMPLIANCE WITH EXISTING LAWS AND REGULATIONS:

Review whether the laws and regulations framed by the regulatory authorities (central bank and other bodies) and internal regulations approved by the board are being complied with.

13.2.5 ORGANIZATION STRUCTURE/ ORGANOGRAM OF INTERNAL CONTROL AND COMPLIANCE DEPARTMENT (ICCD):

For smooth functioning of internal control and compliance, the concerned department comprises of three major Divisions/Units (Annexure-A), which are as follows:

- a. Internal Audit/Inspection Division
- b. Compliance Division
- c. Monitoring Division

For the convenience of effective administration according to the business model of the bank, volume of work, no. of branches, (Rural, Urban, ADs, Corporates), risk assets portfolio, concentration of assets, risk involvement, the following are performed by the aforesaid divisions:

AUDIT & INSPECTION DIVISION:

1. Audit Unit-1: To carry out audit and inspection in all Authorized Dealer (AD) Branches, Branches under different divisions, Divisions/Departments of Corporate Head Office of the bank and its subsidiaries.
2. Audit Unit-2: To carryout audit and inspection on Non-AD and SME/Agri branches of the bank.
3. Audit Unit-3: To carry out specialized (Information Technology/Information System) and vigilance audit.

COMPLIANCE DIVISION:

4. Internal Audit Compliance Unit: To monitor compliance activities of the branches, departments/ divisions of Head offices and the subsidiaries of the bank.
5. External Audit/Inspection Compliance Unit: To monitor compliance activities of branches, Offices and sub-divisions under external audit/inspections (Bangladesh Bank's Inspection, External Audit /Statutory Audit and other regulatory authorities).

MONITORING DIVISION:

- i. To verify the internal control system and Operational activities by reviewing DCFCL (Departmental Control Function Checklist), QOR (Quarterly Operations Report), LDCL (Loan Documentation Checklist) of the branches.

Code of Conduct for the Board of Directors of Mutual Trust Bank Ltd.

- ii. To ensure follow-up and monitoring for timely submission of compliance reports of audit observations/ objections, including ICT Audit by System Auditors.
- iii. To Assist Internal Audit Division in conducting 'Risk Based Internal Audit' by assessing branch -wise risk factors (Off sight Analysis) .
- iv. To prepare and submit Self-Assessment of Anti-Fraud Internal Controls report and Bank's Health report to Bangladesh Bank.
- v. The Head of Monitoring Department reports directly to the Head of ICC Department. The ICC Department is equipped with requisite number of staff.

The Audit staff is a combination of business, professional and IT knowledge based personnel.

HEAD OF INTERNAL CONTROL AND COMPLIANCE DEPARTMENT (ICCD):

The Head of Internal Control and Compliance Department (ICCD) is responsible for total administration of Internal Control and Compliance (ICC) of the bank. The Head of ICC of the bank is in the rank of Deputy Managing Director.

The Head of ICC reports his activities and findings directly to the Managing Director of the bank. However, the Head of Audit, although being a part of Internal Control and Compliance (ICC) department administratively, reports directly to the Audit Committee of the Board (ACB), and is also responsible to the Audit Committee of the Board (ACB).

The following are the duties and responsibilities of the Head of ICC:

To create a compliant environment in the bank by empowering the audit staff to conduct independent audit and inspection. The independence and authority of compliance division is also indispensable, for creating a compliant environment. For independence and authority the following issues are considered:

- The compliance division has a separate status within the bank.
 - This is incorporated in the bank's compliance policy.
 - The compliance policy document is communicated to all the staff of the bank.
 - The roles and responsibilities of all divisions are well- defined.
 - The independence of the divisions has been ensured.
 - The relationship with other risk management units and the internal audit functions has been clearly specified.
-
- In cases where compliance requirements are carried out by staff of other departments, in such circumstances their responsibilities are clearly allocated.
 - The divisions have the rights of access to information necessary, and all staff should co-operate in supplying information.
 - If any breach of the compliance policy is found, the compliance division should have the power to suggest necessary action to the senior management.
 - The internal audit and inspection division exercises its right to express and disclose its findings freely to the Audit Committee of the Board and if necessary, to the full Board of Directors.

Code of Conduct for the Board of Directors of Mutual Trust Bank Ltd.

A) ORGANIZATIONAL STRUCTURE:

- (i). Members of the committee will be nominated by the board of directors from themselves;
- (ii). The Risk Management Committee will comprise of maximum 05 (five) members;
- (iii). Members may be appointed for a 03 (three) year term of office;
- (iv). Company secretary of the bank will be the secretary of the Risk Management Committee;
- (v). Risk Management Committee to be formed with such directors who would not the members of Board's Audit Committee.

B) QUALIFICATIONS OF THE MEMBER:

- (i). Integrity, dedication, and opportunity to spare time in the functions of committee will have to be considered while nominating a director to the committee;
- (ii). Each member should be capable of making valuable and effective contributions in the functioning of the committee;
- (iii). To perform his or her role effectively each committee member should have adequate understanding of the detailed responsibilities of the committee membership as well as the bank's business, operations and its risks.

C) ROLES AND RESPONSIBILITIES OF THE RISK MANAGEMENT COMMITTEE:

14.1 RISK IDENTIFICATION & CONTROL POLICY:

Formulation and implementation of appropriate strategies for risk assessment and its control is the responsibility of Risk Management Committee. The Committee will monitor risk management policies & methods and amend it, if necessary. The committee will review the risk management process to ensure effective prevention and control measures.

14.2 CONSTRUCTION OF ORGANIZATIONAL STRUCTURE:

The responsibility of Risk Management Committee is to ensure an adequate organizational structure for managing risk within the bank. The Risk Management Committee will supervise formation of separate management level committees and monitor their activities for the compliance of instructions of lending risk, foreign exchange transaction risk, internal control & compliance risk, money laundering risk, information & communication risk including other risk related guidelines.

14.3 CHIEF RISK OFFICER (CRO):

The Chief Risk Officer (CRO) is responsible for ensuring intense and effective risk management across the organization. The CRO will work to ensure that the bank is compliant with rules, regulations, and reviews factors that could negatively affect the bank's objectives. According to the Basel Committee on Banking Supervision, CRO has been referred as an independent senior executive with distinct responsibility for the risk management function and the institution's comprehensive risk management framework across the entire organization.

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14.4 ROLE OF THE CHIEF RISK OFFICER (CRO):

To bring better transparency, synergy and prudence into risk management structure in the bank, the role and responsibilities of the CRO is of paramount significance. CRO will act as the head of Risk Management Department. Appointment, dismissal and other changes to the CRO position should be approved by the board or its risk management committee. If the CRO is removed from his position, this should be disclosed publicly. The CRO leading the independent risk management department shall have sufficient stature, authority and seniority. He/she shall have direct access to the board of directors and make direct reports to the board or its Risk Management Committee. He is to be directly supervised by the Board Risk Management Committee (BRMC). The position of the CRO should be one grade higher than or at-least equal to the heads of other departments for effective risk management. CRO should not have any reporting relationships with business verticals of the bank and should not be given any business targets. CRO shall provide all the key risk issues prevailing in the bank to BRMC meetings and a copy to the CEO for acknowledgement. The CRO must have access to any information necessary for performing his/her duties. In this context board and CEO/MD will provide full support to him/her.

CRO shall undertake the following responsibilities, but not limited to, in order to ensure transparency in managing risks at all levels:

To oversee the development and implementation of the bank's risk management functions as a primary role; To support the Board of Directors/Board's Risk Management Committee in its development of the bank's risk appetite and for translating the risk appetite into a risk limits structure; To actively engage with the management in the process of setting risk appetite and limits for the various business lines with a view to achieve bank's overall strategic planning and monitoring their performance relative to risk-taking and limit adherence; To contribute and participate in key decision-making processes (i.e. strategic planning, capital and liquidity planning, new products and services, compensation design and operation); To manage the implementation of all aspects of the risk function, including implementation of processes, tools and systems to identify, measure, manage, monitor and report risks; To assist in the development of and manage processes to identify and evaluate business risks and control them; To manage the process for developing risk management policies and procedures, risk limits and approval authorities;

To monitor major and critical risk issues independently with full empowerment; To communicate views of the board and senior management throughout the bank; To adopt proper financial protection measures through risk transfer, risk avoidance, and risk retention programs; To provide opinion regarding extent of risk in case of credit proposal for big amounts before submission to EC/board for sanctioning; To monitor portfolio health and ensure good quality asset growth; To ensure proper compliance of BB's recommendations regarding risk issues including all core risks; To provide a methodology to identify and analyze the financial impact of loss to the organization, employees, the public, and the environment; To disseminate information and strategies to personnel regarding emerging risk issues and industry specific risks; To implement environmental and social (E&S) safeguard for the asset portfolio; To oversee the information security aspects for the bank; To ensure arrangement of ERM meeting on monthly basis wherein top management team shall address, discuss and resolve risk issues across the bank; To ensure proper disclosure of key performance indicators of the bank via Pillar III of Basel III accords; To remain aligned and acquainted with other countries' economic and financial positions; To organize Annual Risk Conference (at-least one day-long)

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with the participation of all the branch managers and deputy branch managers including the officials related to risk issues; Ensuring adequate internal and external training on risk management issues for increasing efficiency of RMD officials.

It is to be mentioned that CRO should not be given dual responsibility, more specifically the responsibility of Chief Operating Officer, Chief Financial Officer, and Chief of the internal audit function or any other function.

14.5 ANALYSIS AND APPROVAL OF RISK MANAGEMENT POLICY:

Risk management policies & guidelines of the bank should be reviewed annually by the committee. The committee will propose amendments if necessary and send it to the Board of Directors for their approval. Besides, other limits including lending limit should be reviewed at least once annually and should be amended, if necessary.

14.6 STORAGE OF DATA & REPORTING SYSTEM:

Adequate record keeping & reporting system developed by the bank management will be approved by the committee. The committee will ensure proper use of the system. The committee will minute its proposal, suggestions & summary in a specific format & inform the Board of Directors.

14.7 MONITORING THE IMPLEMENTATION OF OVERALL RISK MANAGEMENT POLICY:

Risk Management Committee will monitor proper implementation of overall risk management policies. They will monitor whether proper steps have been taken to mitigate all risks including lending risk, market risk, and management risk.

14.8 OTHER RESPONSIBILITIES:

- (i). Committee's decision and suggestions should be submitted to the Board of Directors quarterly in short form;
- (ii). Comply instructions issued time to time by the controlling body;
- (iii). Internal & external auditor will submit respective evaluation report whenever required by the committee.

14.8.1 MEETINGS:

- (i). The committee should hold at least 4 meetings in a year and it can sit any time as it may deems fit;
- (ii). The committee may invite Chief Executive Officer, Chief Risk Officer and any other Officer to its meetings, if it deems necessary;
- (iii). To ensure active participation and contribution by the members, a detailed memorandum should be distributed to committee members well in advance before each meeting;
- (iv). All decisions/observations of the committee should be noted in minutes.

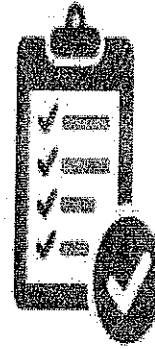
15. TRAINING FOR THE DIRECTORS:

The directors shall make themselves fully aware of the banking laws and other related rules and regulations for performing his duties properly.

Code of Conduct for the Board of Directors of Mutual Trust Bank Ltd.

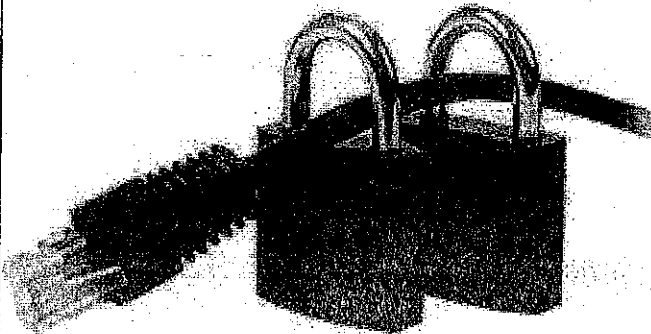
VI. DISCLOSURES

Key personnel shall make utmost efforts to comply with all the applicable Compliance and Accounting Disclosures. Further, they shall also provide true and fair information or data to the public at large in their communications. The public communications of the Bank shall include full, fair, accurate, timely and understandable disclosure. In order to achieve this goal, the Bank expects the Key personnel to exercise due diligence and care and provide prompt and accurate answers to inquiries related to the Bank's public disclosure requirements. Further, no single individual or entity must be given preference while disclosing any information pertaining to the Bank.



DISCLOSURE

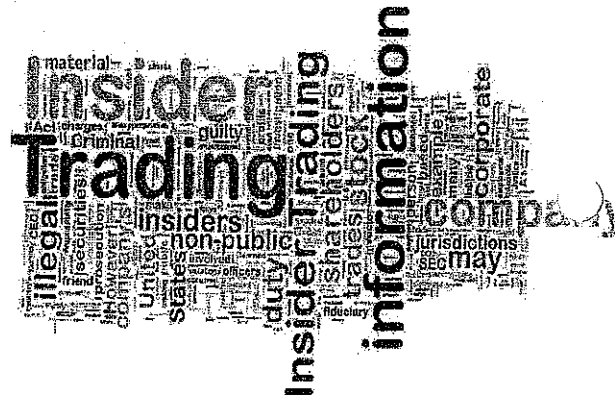
VII. CONFIDENTIALITY



Confidential proprietary information generated and gathered in our business is a valuable asset. All key personnel must maintain the confidentiality of confidential information entrusted to them by the bank, except when the bank authorizes disclosure or the same is required to be disclosed by laws, regulations, or legal proceedings. The term "confidential information" includes, but is not limited to, non-public information that might be of use to competitors of the Bank, or harmful to the bank or its customers if disclosed.

VIII. USE INSIDER INFORMATION

The Bank considers that using non-public information to trade in securities, or providing a family member, friend or any other person with a "tip", is illegal. All nonpublic information should be considered inside information and should never be used for personal gain. All key personnel are required to familiarize themselves and comply with the bank's Code of Conduct for Prevention of Insider Trading. A summary of such information are also quoted hereunder, from the regulations/ notifications/ circulars of the Bangladesh Securities & Exchange Commission (BSEC), time to time brought forward, in this respect:



BSEC vide its Circular SEC/CMRRCD/2001-26/332 dated 11th July 2004 amended the SEC (Prohibition of Insider Trading) Regulations' 1995, under the provision of Section 24 of the SEC Regulation, 1993 (Regulation 15 of 1993), which are as follows:

Code of Conduct for the Board of Directors of Mutual Trust Bank Ltd.

The BSEC vide Notification SEC/CMRRCD/2001-26/32/Admin/.. dated March 23, 2010, under the provision of Section 24 (1) of the SEC Regulation, 1993 (Regulation 15 of 1993) has provided following instructions:

The sponsors, directors, employees, external auditors or persons relating to such audit works, consultants or legal advisor, or the beneficial owner as mentioned under section 12 of the Securities and Exchange Ordinance, 1969 (XVII of 1969), cannot transfer, buy/ sale, etc., the shares of the company, two months before closing of financial year (as per Gregorian calendar) until adoption of the final accounts of the company at the Board of Directors meeting..

Here, Section 12 of the Securities and Exchange Ordinance, 1969 (XVII of 1969) describes the beneficial owners, as follows:

"12. Submission of statements of beneficial owners of listed equity securities.- Every director or **officer of an issuer** who is or has been the beneficial owner of any class of its listed equity securities and every person who is directly or indirectly the beneficial owner of more than ten percent of any class of such securities shall submit to the Commission such returns pertaining to the beneficial ownership of such securities in such form and at such times or at such intervals as may be prescribed".

Section 14 of the Securities and Exchange Ordinance, 1969 (XVII of 1969) describes the trading of shares by the directors, officers and principal shareholders as follows:

14. Trading by directors, officers and principal shareholders- (1) Where any director or **officer of an issuer** of a listed equity security or any person who is directly or indirectly the beneficial owner of not less than ten percent of such securities makes any gain by the purchase and sale, or the sale and purchase, of any such security within a period of less than six months, such director or officer or beneficial owner shall make a report and tender the amount of such gain to the issuer.

Provided that nothing in this sub-section shall apply to a security acquired in good faith in satisfaction of a debt previously contracted.

(2) Where a director, officer or beneficial owner fails or neglects to tender, or the issuer fails to recover, any such gain as is mentioned in sub-section (1) within a period of six months after its accrual, or within sixty days of a demand therefore, whichever is later, such gain shall vest in the Commission, which may recover the same as an arrear of land revenue.

Definition/brief of insider, insider trading and buying/selling of shares by the sponsors are also provided here:

Insider:

Insider means the persons who came in to possession of material inside information, before its public release are considered insiders for the purpose of the Exchanges disclosure policies. Such persons include controlling shareholders, directors, officers and employees and frequently also include outside attorneys, accountants, investment bankers, public relation advisers, advertising agencies, consultants and other independent contractors. The husbands, wives, immediate families and those under the control of insiders may also be regarded as insiders. Where acquisition or other negotiations are concerned, the above relationships apply to the other parties to the negotiations as well.

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As per Section (2) of the Securities & Exchange Commission (Prohibition of Insider Trading) Regulations, 1995:

(Umo) "Insider" means such person/s who:

(a) are company's directors, prime shareholder, managing agent, banker, auditors, advisor, employees.

(b) any other person/s having relationship with the persons of point (a) may know or have the chance to know about the company's price sensitive information.

(d) "Price Sensitive Information (PSI)": PSI is such information, if it discloses, may influence the price of the share and is included following definition:

- 1) Information relating to the company's financial statements,
- 2) Information relating to the payment of dividend,
- 3) Information relating to the decision of issuing rights share, bonus share, or any such decision,
- 4) Information relating to the decision of buying/selling company's fixed assets,
- 5) Information relating to the decision of BMRE or erecting of new unit,
- 6) Information relating to the decision of company's fundamental changes (such as – production, planning, implementation or policy in this regard, etc.),
- 7) Any other information as mentioned in the Gazette Notification.


Insider Trading:

Insiders should not trade on the basis of material information, which is not known to the investing public. Moreover, insiders should refrain from trading, even, after material information has been released to the press and other media, for a period at least 5 market days to permit through public dissemination and evaluation of the information.

As per Section (2) of the Securities & Exchange Commission (Prohibition of Insider Trading) Regulations, 1995:

(cha) "Insider Trading" means buying or selling of share by an insider on the basis of price sensitive information.

IX. COMPLIANCE WITH APPLICABLE STATUES



The key personnel must comply with all of the laws, rules, and regulations applicable to the Bank from time to time. Key personnel must acquire appropriate knowledge of the legal requirements relating to their duties sufficient to enable them to recognize potential dangers.

The Bank shall devote the necessary resources to establish such procedures as may be reasonably

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necessary to create a culture of accountability and facilitate compliance with this code.

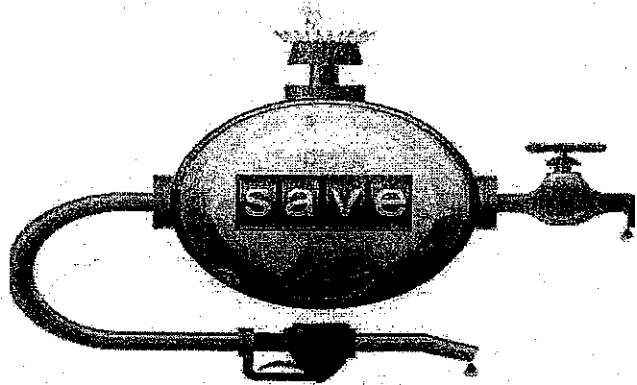
This Code does not summarize all laws, rules, and regulations applicable to the bank.

SOME AREAS OF THE CONSIDERATION FOR A DIRECTOR

1. The director must be capable of making sound, independent decisions based on facts and not on prejudices or personal interests.
2. The director must have a genuine interest in the office, regularly attend all meetings and keep well informed as to the affairs of the institution at all times.
3. The director must gain and maintain a thorough knowledge of the duties and responsibilities of his/her office.
4. The director must be capable of retaining confidences. Confidential information gained through the position is not to be divulged.
5. The director must give undivided loyalty to the financial institution charter over the owner and not have interests adverse to the institution.
6. The director must not use his/her office for personal benefit through information gained by virtue of his/her position.
7. The director must be capable of distinguishing between policy matters and management matters and be willing to refrain from unwarranted involvement in management functions.
8. The director must not lose sight of his/her primary responsibility, which is to safeguard the interests of the shareholders and depositors of that institution.

X. EFFICIENT USE OF RESOURCES

All key personnel should perform their duties in a manner that protects the Bank's assets and other resources and ensures their efficient/optimum use. All resources provided by the Bank should be used for legitimate business purposes only. The sole purpose of the Bank's equipment, vehicles, supplies and electronic resources (including, hardware, software and the data thereon) is the conduct of its business. They may only be used for the Bank's business, consistent with the Bank's guidelines.



XI. PREVENTIVE MEASURES

The Board Audit Committee (BAC) of the Boards of Directors is responsible for establishing internal processes and controls for the efficient functioning of the Bank. Key personnel should bring to the attention of the BAC any concerns or issues regarding internal process and control as well as report any deviations observed for remedial measures.

XII. COMMITMENTS

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In the context of the relationships and business environment in which MTB operates, key personnel in discharge of their services shall also complement the responsibility of the Bank in meeting its commitments towards various stakeholders such as Employees, Customers, Shareholders, Business Partners, Community, Environment and last, but not the least Competitors.

XIII. AMENDMENTS OF THE CODE

This Code is subject to review, revision, alteration or modification.

1. BOARD MEETING ATTENDANCE

It is incumbent upon each member of the board to attend board meetings on a regular basis. It is necessary that such meetings be held as frequently as conditions warrant. Although not recommended, it may be permissible for members to participate by electronic means, if so not prohibited by the law of the land.

2. BOARD MINUTES

Minutes are the institution's records reflecting the business conducted by the institution, showing the action taken by the board with respect to the loans and advances as well as other matters. They represent the supervision extended by the board on these matters. Members must protect themselves by insisting upon full and complete minutes. This includes documentation of discussions and decisions made and attachments, if any are used, during the discussion.

3. BOARD AGENDA

The board agenda should take the form that the directors are accustomed to in other organizations: Confirmation of the Minutes of previous meetings (including ratification of the Minutes of the Committees, Subsidiaries and other reports. However, unlike the minutes of other boards, there are a number of topics that must be considered by the board at least annually, half-yearly, quarterly and monthly.

It is the directors' responsibility to insure that management and the board follow those policies. The institution's shareholders or members have provided articles of incorporation/association and bylaws that set forth an additional set of requirements the board must follow.

4. SUPERVISION BY DIRECTORS

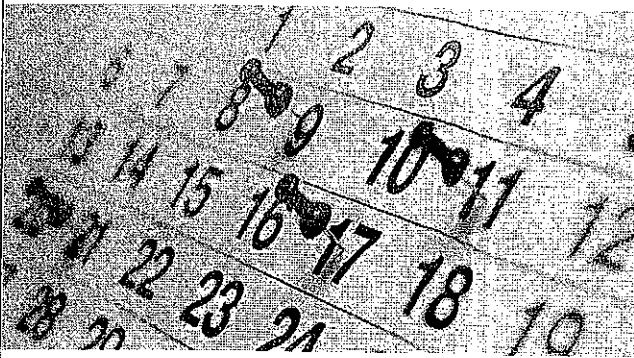
A director must exercise reasonable care, inform himself/herself of the institution's activities, and act in good judgment based upon that information. The board must delegate the day-to-day routine of conducting the financial institution's business to its officers.

5. MANAGEMENT EVALUATION

The board periodically appraises the performance of management.

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6. PLANNING



All successful businesses take the time to plan and budget. There are many ways to accomplish this task. Some employ consultants and spend several days at a retreat. Others sit down with senior management and the board to discuss an agenda of alternative courses the bank might follow. Roles of the Directors are to encourage management to provide these planning sessions and to participate in them.

All institutions must have an annual financial budget and compare projections at least quarterly to actual results. Significant deviations must be explained.

The Relationship between the Board and Financial Institution Management

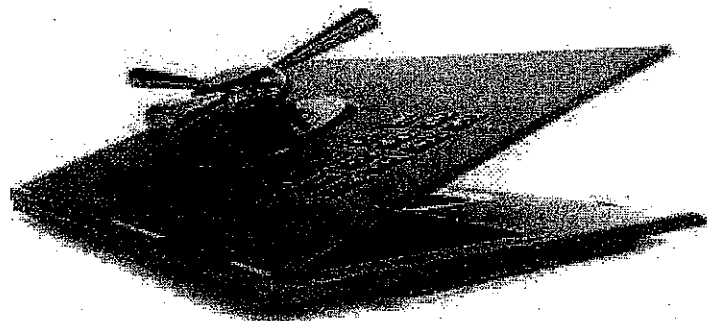
- The director's job is to ensure that bank management is following the direction of board approved policies and goals.
- Insist upon regular compliance reports that evaluate compliance with the policies and regulations.
- Management information reports must be accurate and understandable.
- Understand the decisions being made. Do not get lost in charts or complex presentation. Insist on simple explanations.
- Know the management of the bank, including their personalities, tendencies, thoroughness and honesty.

7. ESTABLISHING COMMITTEES

Depending upon the size and complexity of the institution and its operations, the board may consider establishing committees to carry out certain functions required of the board. When committees are established, the minutes of directors' meetings should indicate cognizance and approval of action taken by such committees in exercising delegated authority ordinarily exercised by the board as a whole. The delegation of authority shall not operate to relieve the board of directors, or any member thereof, of any responsibility imposed by law.

8. ELECTRONIC BANKING

In today's world, a bank must consider how their customers will have access to their bank account information. Whether access is via ATMs, point of sales, cell phones or the Web, periodic discussions as to the electronic delivery of services, access to funds and use of private or public networks deserves

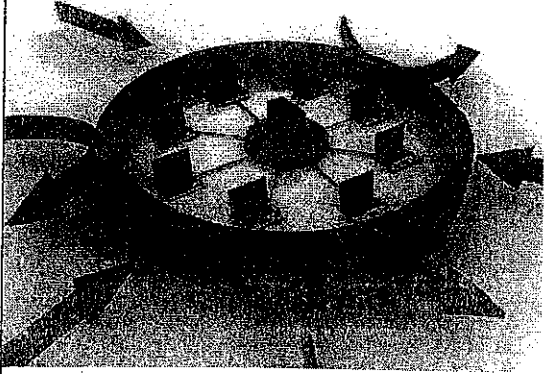


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attention. Simply because a bank does not have an electronic offering, does not eliminate the losses due to electronic fraud.

XIV. INFORMATION SECURITY

Information Security is well defined for a bank with various overlapping guidance documents.



A. INVOLVE THE BOARD OF DIRECTORS

- a. The Board shall: Approve the bank's written information security program and:
- b. Oversee the development, implementation, and maintenance of the bank's information security program, including assigning specific responsibility for its implementation and reviewing reports from management.

B. ASSESS RISK

- a. Bank shall: Identify reasonably foreseeable internal and external threats that could result in unauthorized disclosure, misuse, alteration, or destruction of customer information or information systems;
- b. Assess the likelihood and potential damage of these threats, taking into consideration the sensitivity of customer information;
- c. Assess the sufficiency of policies, procedures, customer information systems, and other arrangements in place to control risks.

C. MANAGE AND CONTROL RISK:

- a. Design its information security program to control the identified risks, commensurate with the sensitivity of the information as well as the complexity and scope of the bank's activities;
- b. Implement access controls on customer information systems, including controls to authenticate and permit access only to authorized individuals and controls to prevent employees from providing customer information to unauthorized individuals who may seek to obtain this information through fraudulent means;
- c. Implement access restrictions at physical locations containing customer information, such as buildings, computer facilities, and records storage facilities to permit access only to authorized individuals;
- d. Provide encryption of electronic customer information, including while in transit or in storage on networks or systems to which unauthorized individuals may have access;
- e. Have procedures designed to ensure that customer information system modifications are consistent with the bank's information security program;
- f. Have dual control procedures, segregation of duties, and employee background checks for employees with responsibilities for or access to customer information;
- g. Develop monitoring systems and procedures to detect actual and attempted attacks on or intrusions into customer information systems;

Code of Conduct for the Board of Directors of Mutual Trust Bank Ltd.

- h. Include response programs that specify actions to be taken when the bank suspects or detects that unauthorized individuals have gained access to customer information systems, including appropriate reports to regulatory and law enforcement agencies;
- i. Implement measures to protect against destruction, loss, or damage of customer information due to potential environmental hazards, such as fire and water damage or technological failures;
- j. Train staff to implement the bank's information security program;
- k. Regularly test the key controls, systems and procedures of the information security program. The frequency and nature of such tests should be determined by the bank's risk assessment. Tests should be conducted or reviewed;
- l. Develop, implement, and maintain, as part of its information security program, appropriate measures to properly dispose of customer information and consumer information as required.

XV. CONFLICTS OF INTEREST

A conflict of interest exists when a person with a fiduciary responsibility is in a situation where his own self-interest and the interests of the organization might be in conflict. Conflict of Interest vis a vis the BoD of the Bank may be defined as a transaction or relationship or situation that presents or may present an existing or perceived conflict between a Board Member's obligations to the Bank and their personal, business or other interests.

The duty of the key personnel to the Bank demands that they avoid and disclose actual and apparent conflicts of interest.

All conflicts of interest are not necessarily prohibited or harmful to the Bank. However, full disclosure of all actual and potential conflicts, a determination by the disinterested Board members, with the interested Board member(s) refusing themselves from participating in deliberations and voting on the matter is required.

Maintain the confidentiality of information obtained by virtue of their directorship in the Bank and would not allow the use of such information for direct or indirect commercial gains.

XVI. TRANSACTIONS WITH BANK-RELATED PERSONS

To ensure proper utilization of bank's fund and to acquire and maintain confidence of the depositors, transactions with bank-related persons need to be conducted in a transparent manner in accordance with explicit policies. A number of provisions relating to such transactions are incorporated the Bank Company Ain, 1991 (updated upto 2013). In addition, banks are advised to abide by the following instructions while transacting with bank related persons:

1. GENERAL REGULATIONS FOR TRANSACTIONS WITH BANK-RELATED PERSONS:

- (i) bank will enter into a transaction with or for the benefit of a bank related person, if such transaction would be entered into on less favorable terms and conditions than would be agreed if the counterparty were not related to the bank;

Code of Conduct for the Board of Directors of Mutual Trust Bank Ltd.

- (ii) All financial transactions conducted by the bank with or for the benefit of a bank-related person are subject to the prior approval of the majority of the Board of Directors;
- (iii) Aggregate amount outstanding on all funded exposure to, or for the benefit of, bank related persons not to be in excess of 10% of the bank's Tier-1 capital. For the funded facilities which are backed by cash or encashable securities, actual exposure will be determined by deducting such collaterals;

2. GENERAL REGULATIONS FOR DIRECTOR' LOANS:

Following directives are to be complied with in addition to relevant provisions of the Banking Company Act, 1991 when providing loans & advances and other financial facilities to the bank directors, their relatives & their affiliated entities:

A) LOAN LIMIT:

- (i) Total amount of loan & advances, guarantees and other credit facilities provided to a bank director, his/her sole proprietorship firms, his/her partnership firms, any private or public company where he/she is acting as a director should not exceed 50% of the face value of shares of the bank held in director's own name;

In case of public company's exposure, a director's exposure will be proportionate to his/her shareholding in that company.

- (ii) If the total amount of loan & advances, guarantee and other credit facilities provided to a director or his/her such affiliates exceeds 50% of the face value of shares of the bank held in director's name, it should be immediately placed before the board of directors and Bangladesh Bank. The excess amount should be repaid within the time determined by BB. Under no circumstances, renewal or extension of time of loan & advances, guarantee & other financial facilities in excess of that 50% can be made.

B) LOAN APPROVAL:

- (i) Any loan & advances, guarantee and other credit facilities provided to a bank director, his/her sole proprietorship firms, his/her partnership firms, any private or public company where he/she is acting as a director, any person or entity for whom he/she stands as a guarantor, and to his/her spouse, father, mother, son, daughter, brother, sister and dependents should be approved by the majority member of the board of directors;
- (ii) All loan & advances, guarantees and other financial transactions conducted by a bank with bank-directors, their aforesaid relatives, dependents and affiliated entities must be approved in the Annual General Meeting and separately disclosed in the audited financial statements of the bank.

C) CONDITIONS OF LOAN:

- (i) Personal guarantee of the director concerned should be obtained when extending any loan & advances to a bank director, his/her sole proprietorship firms, his/her partnership

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firms, any private company where he/she is acting as a director, and to his/her spouse, father, mother, son, daughter, brother, sister and dependents.

Mortgages against such loan & advances should be registered in favor of the bank;

- (ii) No loan facilities wherein the borrower is exempted fully or partially from bearing the loss, can be provided to any bank director or his/her such relatives and his/her affiliated entities.

D) PRIOR APPROVAL OF BANGLADESH BANK:

- (i) Prior approval of Bangladesh Bank will be required for providing funded facilities amounting to BDT 5.00 million or above, and composite facilities comprising funded & non-funded facilities amounting to BDT 10.00 million or above to a bank director, his/her sole proprietorship firms, his/her partnership firms, any private or public company where he/she is acting as a director, and to his/her spouse, father, mother, son, daughter, brother, sister and dependents. Banks should apply for prior approval from BB using the attached form duly signed by the Managing Director enclosing related minutes of the Board meeting and attested copy of the loan proposal;

- (ii) In case of any alteration/cancellation/return of collateral, securities, personal guarantee, etc. provided against loan & advances and guarantee; or, in case of any alteration of any condition of loans & advances, guarantee and any other credit facilities of a director/ex-director, his/her such relatives & dependents and affiliated entities, prior approval from Bangladesh Bank will have to be taken. In this regard, a copy of the sanction letter (enumerating the terms and condition) should be attached with the application.

E) WAIVER OF LOAN/INTEREST:

- (i) Waiver of any loan or part of loan and interest thereof that has been transferred to income account of the bank cannot be allowed to a director/ex-director, his/her sole proprietorship firms, his/her partnership firms, private or public company where he/she is acting as a director, any person or entity for whom he/she stands as a guarantor, and his/her spouse, father, mother, son, daughter, brother, sister and dependents;
- (ii) Prior approval of Bangladesh Bank will be required in case of waiving accrued interest or part thereof arising from loans to director/ex-director, his/her aforesaid relatives, dependents and affiliated entities. But, in case of ex-directors who are at present not holding any share of the bank, and if such loans were availed before or after their directorship in the bank, waiver of interest can be granted by the Board of Directors without prior approval of Bangladesh Bank.

3. REGULATIONS FOR INDEPENDENT DIRECTORS:

Neither loan facilities can be provided to, nor other financial transactions can be conducted with an independent director engaged in the bank, his/her sole proprietorship firms, his/her partnership firms, private or public company where he/she is acting as a director or holds more than 5% share of equity, any person or entity for whom he/she stands as a guarantor, and his/her spouse, father, mother, son, daughter, brother, sister and dependents.

Code of Conduct for the Board of Directors of Mutual Trust Bank Ltd.

(I) REGULATIONS FOR REPRESENTATIVE DIRECTORS:

In addition to general instruction for Director' loans as mentioned, following instructions are to be complied with for loans to a director who represents institutional shareholder of the bank:

- (i) Approval and guarantee of the board of the shareholder institution/ organization/trust should be obtained for providing any loan and advances or any kind of financial facilities to a representative director, his/her relatives & dependants, and affiliated entities;
- (ii) To determine credit limit of the representative director, face value of the shares held by the institution/organization/trust would be considered. Total amount of loan & advances, guarantees and other credit facilities provided to representative director or directors, their relatives & dependants and affiliated entities should not exceed 50% of the face value of shares of the bank held in institution/organization/trust's name;
- (iii) For providing loan & advances, guarantee & other financial facilities to representative directors, copy of approval of the board of the shareholder institution/organization/trust should be submitted to Bangladesh Bank along with the application for approval.

(II) REGULATIONS FOR ALTERNATE DIRECTORS' LOAN:

No loan facility can be provided to an alternate director, his/her sole proprietorship firm, his/her partnership firm, private or public company, where he/she is acting as a director, any person or entity for whom he/she stands as a guarantor, and his/her spouse, father, mother, son, daughter, brother, sister and dependents; tenure or credit limit of facilities provided earlier cannot be extended or enhanced, interest waiver cannot be allowed or charging of interest cannot be withheld.

(III) SPECIAL REGULATIONS FOR GOVERNMENT NOMINATED DIRECTORS' LOAN:

- (i) No new loan and advances, guarantee, surety or any other financial facility can be provided to a Government nominated director, his/her sole proprietorship firms, his/her partnership firms, private or public company, where he/she is acting as a director, his/her spouse, father, mother, son, daughter, brother, sister and dependents; and, limit of credit facilities provided earlier cannot be enhanced;
- (ii) Waiver of any accrued interest or requisites for rescheduling, or changes in the conditions of any existing facilities to such director, his/her relatives & dependants and affiliated entities, cannot be allowed, even if those facilities were extended before the commencement of his/her tenure as a director. In case of renewing existing loan and other facilities, all applicable regulations should be followed;
- (iii) In the event of default of any existing facilities to such director, his/her relatives & dependants and affiliated entities, prompt legal action for recovery has to be initiated; and, among other measures, Bangladesh Bank and Bank & Financial Institutions Department (Ministry of Finance) have to be notified on an urgent basis.

4. ADDITIONAL REGULATIONS FOR MANAGING DIRECTOR/CEO'S LOAN:

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- (i) During his/her tenure at the bank, no new loan and advances, guarantee, surety or any other financial facility can be provided to the Managing Director/CEO, his/her sole proprietorship firms, his/her partnership firms, private or public company, where he/she holds more than 5% share of equity; and, limit of credit facilities provided earlier cannot be enhanced. In case of renewing existing loan and other facilities, all applicable regulations should be followed;
- (ii) No loan & advances, or guarantee or other facilities can be provided to MD/CEO's spouse, father, mother, son, daughter, brother, sister and dependents without any security. Such credit facilities should be approved by the majority member of the board of directors, and mortgage securities thereof should be registered in favor of the bank. Credit facilities exceeding BDT 10.00 million should be reported to Bangladesh Bank after the approval of the board of directors;
- (iii) Waiver of any loan or part of loan and interest thereof that has been transferred to income account of the bank cannot be allowed to the MD/CEO, his/her relatives & dependants and affiliated entities. Prior approval of Bangladesh Bank will be required in case of waiving accrued interest or part thereof arising from such loans;

5. ADDITIONAL REGULATIONS FOR SIGNIFICANT SHAREHOLDERS' LOAN:

- (i) Loans & advances, guarantee and financial facilities exceeding BDT 10.00 million extended to a significant shareholder of the bank, his/her spouse, private or public company where he/she is acting as a director or holds more than 5% share of equity, should be reported to Bangladesh Bank after the approval of the board of directors;
- (ii) Waiver of any loan or part of loan and interest thereof that has been transferred to income account of the bank cannot be allowed to a significant shareholder, his/her spouse and aforesaid affiliated entities. Prior approval of Bangladesh Bank will be required in case of waiving accrued interest or part thereof arising from such loans.

XVI. APPOINTMENT OF CHIEF EXECUTIVE OFFICER (CEO)

In order to strengthen the financial base of the bank and obtain confidence of the depositors, one of the major responsibilities of the board of directors is to appoint an honest, efficient, experienced and suitable CEO or Managing Director. The Board of directors will appoint a suitable CEO with the approval of the Bangladesh Bank.

APPOINTMENT AND RESPONSIBILITIES OF CHIEF EXECUTIVE OF THE BANK

The issue of good governance is very important in bank management. In order to strengthen the financial base of the bank and obtain confidence of the depositors, appointing honest, efficient, experienced and suitable chief executive is one of the responsibilities of the Board of Directors.

A. RULES AND REGULATIONS FOR APPOINTING CEO

1. MORAL INTEGRITY:

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- a) Not convicted by any Criminal Court of Law;
- b) Not punished for violating any rules, regulations or procedures/norms set by any Controlling Authority;
- c) Not associated with any such company/organization, registration or licence of which has been cancelled.

2. EXPERIENCE AND SUITABILITY:

- a) At least 15 (fifteen) years as an active officer and at least 02 (two) years experience in a post immediate below the chief executive of a bank;
- b) At least have a Masters degree from any recognized university. Higher academic education in the field of Economics, Banking and Finance or Business Administration will be treated as additional qualification;
- c) In respect of service, the concerned person should have excellent record of performance;
- d) Satisfaction should be ensured that the concerned person was not dismissed from service when he was chairman/director/official of any company;
- e) Any director of any bank or financial institution or any person who has business interest in the bank concerned will not be eligible for appointment to the post of chief executive.

3. TRANSPARENCY AND FINANCIAL INTEGRITY:

- a) The concerned person was not involved in any illegal activity while performing duties in his own or banking profession;
- b) He has not suspended payment to creditors or has not compromised with his creditors to be relieved from debt or he is not a loan defaulter;
- c) He is not a tax defaulter;
- d) He has never been adjudicated an insolvent.

4. AGE LIMIT:

No person crossing the age of 65 years shall hold the post of CEO of a bank.

5. TENURE:

The tenure of the chief executive shall be for at least 03 (three) years, which is renewable. If the candidate has less than 3 years left to attain 65 years, he/she can be appointed for that period.

6. GUIDELINES IN FIXING THE SALARY AND ALLOWANCES:

- a) In fixing the salary and allowances of the chief executive, financial condition, scope of operation, business-volume and earning capacity of the bank; qualifications, achievement of the candidate in the past, age and experience and the remuneration paid

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to the persons occupying same position in the peer banks shall have to be taken into consideration;

- b) Total salary shall be comprised of direct salary covering 'Basic Pay' and 'House Rent' and allowances as 'Others'. The allowances (e.g., provident fund, utility bill, leave-fare assistance) in 'Others' head should be specified in amount/ceiling. Besides, other facilities (e.g., car, fuel, driver etc.), as far as possible, shall have to be monetized and thus determining monthly total salary, it shall have to be mentioned in the proposal to be submitted to Bangladesh Bank. In the proposal, Basic Pay, House Rent, Festival Allowance, other allowances and other facilities shall have to be specified in Taka amount;
- c) Without improving the bank's major economic indicator like- CAMELS annual salary increment will not be payable;
- d) Terms of salary-allowances and other facilities as specified in the terms and conditions of appointment cannot be changed during the tenure. In case of renewal, proposal may be made for re-fixation of the salary considering the job performance of the incumbent chief executive;
- e) The Chief Executive so appointed shall not get any other direct or indirect facilities (e.g., dividend, commission, club expense, etc.) other than the salary-allowances and other facilities as enumerated in clause (b) above;
- f) The bank shall not pay any income tax.

7. INCENTIVE BONUS:

Subject to the payment of incentive bonuses to all staffs/employees, the CEO will be eligible to get such bonus. However, the amount of CEO's incentive bonus will not cross BDT 1.00 (one) million per year.

8. HONORARIUM FOR BOARD MEETING:

As CEO is a salaried official of the bank, he will not get any honorarium for attending the Board meeting or the meeting of any Committee formed by the Board.

9. EVALUATION REPORT:

While reappointing CEO, an evaluation report approved by the board of directors should be submitted to Bangladesh Bank by the Chairman of the Board.

10. PRIOR APPROVAL FROM BANGLADESH BANK:

Prior approval from Bangladesh Bank is mandatory before appointing CEO. For processing such approval, along with the proposal signed by the Chairman of the board, the selected person's complete resume, offer letter (mentioning the direct & indirect remuneration and

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facilities) and copy of board's approval must be submitted to Bangladesh Bank. The selected person must also submit declarations as per Annexure-ka & Annexure-kha to Bangladesh Bank.

11. Decision of Bangladesh Bank regarding appointment of CEO

Decision of Bangladesh Bank regarding appointment of CEO will be treated as final and such appointed CEO cannot be dismissed, released and removed from his office without prior approval from Bangladesh Bank. However:

- a) In case the CEO desires to terminate the contract before expiry or resign from his office voluntarily, he shall serve at least one-month notice upon the Chairman of the Board stating the actual reason for such resignation, and, at the same time forward a copy of such notice to Bangladesh Bank;
- b) In case the Board of the Bank desires to terminate the contract before expiry or asks the CEO to tender resignation from his post, the Board shall serve at least one-month notice stating the reasons for such action; at the same time forward a copy of such notice to Bangladesh Bank and obtain approval of Bangladesh Bank for such removal;
- c) When the position of the CEO falls vacant due to resignation, expiry of contract, or any other reason, the bank shall immediately appoint a 'CEO In-charge' (for maximum 3 months) among the officials next to the CEO and notify Bangladesh Bank with details of such Officer In-charge.

B. DUTIES AND RESPONSIBILITIES OF CEO:

The CEO of the bank shall discharge the responsibilities and affect the authorities as follows:

- a) In terms of the financial, business and administrative authorities vested upon him by the board, the CEO shall discharge his own responsibilities. He shall remain accountable for achievement of financial and other business targets by means of business plan, efficient implementation thereof and prudent administrative and financial management;
- b) The CEO shall ensure compliance of the Bank Company Act, 1991 and other relevant laws and regulations in discharging routine functions of the bank;
- c) At the time of presenting any memorandum in the Board Meeting or Board Committee Meeting, the CEO must point out if there is any deviation from the Bank Company Act, 1991 and other relevant laws and regulations;
- d) The CEO shall report to Bangladesh Bank any violation of the Bank Company Act, 1991 or of other laws/regulations;
- e) The recruitment and promotion of all staff of the bank except those in the two tiers below him shall rest on the CEO. He shall act in such cases in accordance with the approved service rules on the basis of the human resources policy and sanctioned strength of employees as approved by the board;
- f) The authority relating to transfer of and disciplinary measures against the staff, except those at two tiers below the CEO, shall rest on him, which he shall apply in accordance

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with the approved service rules. Besides, under the purview of the human resources policy as approved by the board, he shall nominate officers for training etc.

XVII. DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO)

The CEO and CFO shall certify to the Board that:-

(i) They have reviewed financial statements for the year and that to the best of their knowledge and belief:

a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

b) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.

(ii) There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.

XVIII. CONTRACTUAL APPOINTMENT OF ADVISOR AND CONSULTANT IN A BANK-COMPANY

A) APPOINTMENT OF ADVISOR:

1. EXPERIENCE AND SUITABILITY:

For appointment as advisor, the concerned person will have to fulfill the following requirements with regard to experience and qualifications:

a) Experience in Banking or Administration for at least 15 (fifteen) years or have a long experience in social activities;

b) Higher academic education in the field of Economics, Banking and Finance or Business Administration will be treated as additional qualification for the concerned person;

c) Satisfaction should be ensured that the concerned person was not dismissed from his service when he was Chairman/Director/Official of any company;

d) A person who is working in any bank or financial institution or who has business interest in that bank will not be considered eligible for appointment to the post of advisor;

e) Satisfaction should be ensured that the concerned person is not a loan defaulter or tax defaulter and has never been adjudicated an insolvent by the court.

2. RESPONSIBILITIES:

The responsibilities or terms of reference of advisor should be specified. The Advisor can advise the Board of Directors or the Chief Executive only on those matters that are specified in the

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appointment letter. Routine works or general works will not be included in his term of reference. He cannot exercise any kind of power or cannot participate in the decision-making process of financial, administrative, operational or any other activities of the bank.

3. PRIOR APPROVAL FROM BANGLADESH BANK:

Prior approval from Bangladesh Bank is mandatory before appointing advisor. For such appointment, the justifications of the post of advisor, responsibilities or terms of reference, complete resume of the concerned person, terms of appointment (mentioning remuneration and facilities) and copy of board's approval must be submitted to Bangladesh Bank. The nominated person has to make a declaration as per Annexure-ka. This declaration must be also submitted to Bangladesh Bank.

4. REMUNERATION AND OTHER FACILITIES:

The post of advisor is not a fixed or substantive post in the bank's organization structure. Advisor will not be entitled to salaries and allowances as regular employee except gross amount of remuneration, transport and telephone facilities. Remunerations inconsistent with terms of reference of the advisor will not be considered as acceptable by Bangladesh Bank.

5. TENURE:

The tenure of the advisor shall be maximum 1 (one) year, which is renewable. An evaluation report (by the Chairman that is approved by the board of directors) of previous tenure should be submitted to Bangladesh Bank along with the re-appointment proposal.

6. APPOINTMENT OF EX-OFFICIALS:

For good governance any former director, chief executive or any official will not be eligible to become an advisor in the same bank immediately after his/her retirement or resignation. But, after 1 year from such retirement or resignation he/she will be eligible for appointment as advisor.

B) APPOINTMENT OF CONSULTANT:-

1. TERMS OF REFERENCE:

Consultant can be appointed for specialized tasks like tax, law & legal procedures, engineering & technical works, information technology, etc. Consultants' appointment should be avoided as much as possible for those works that could be done by regular employees of the bank.

2. RESPONSIBILITIES:

The responsibilities or term of reference of consultant should be specified. He/she shouldn't be involved beyond his/her terms of references and he/she cannot exercise any kind of power in bank operation or cannot participate in the decision making process.

3. APPOINTMENT:

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Consultant can be appointed with the approval of Board of Directors. After such appointment, the bank shall send the consultant's complete resume, terms of reference and details of remuneration to Bangladesh Bank immediately.

4. TENURE:

The tenure of consultant should be consistent with the terms of reference, but would not exceed 2 (two) years. Generally, consultant's appointment will not be renewable, but to complete unfinished tasks, the contract can be extended up to maximum 1 year with the approval of Bangladesh Bank. An evaluation report (by the Chairman that is approved by the board of directors) of previous period should be submitted to Bangladesh Bank.

5. REMUNERATION/HONORARIUM:

The consultant's remuneration should be in the form of monthly or single lump-sum payment, he is not entitled to any other facilities.

6. APPOINTMENT OF EX-OFFICIALS:

For ensuring good governance any former director, chief executive or any official will not be eligible to become a consultant in the same bank immediately after his/her retirement or resignation. But, after 1 year from such retirement or resignation he/she will be eligible for appointment as consultant.

XVII. CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT & COMPANY SECRETARY (CS):

1. APPOINTMENT

The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.

2. REQUIREMENT TO ATTEND THE BOARD MEETINGS

The CFO and the Company Secretary of the company shall attend the meetings of the Board of Directors, provided that the CFO and/or the Company Secretary shall not attend such part of a meeting of the Board of Directors, which involves consideration of an agenda item relating to their personal matters. However, as per instructions of Bangladesh Bank, the MD & CEO and Company Secretary shall attend throughout the meeting, except as specified. Other officials may join the meeting for the agenda/agendum, where it requires any clarification/s.

3. REPORTING TO THE SHAREHOLDERS AND GENERAL INVESTORS

Report on activities carried out by the Audit Committee, including any report made to the Board of Directors during the year, as discussed, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company.

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XVIII. EXTERNAL/STATUTORY AUDITORS:

The issuer company should not engage its external/statutory auditors to perform any of the services of the company; as time to time specified by the regulators.

XIX. SUBSIDIARY COMPANY:

- (i) Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company;
- (ii) At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company;
- (iii) The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company;
- (iv) The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also;
- (v) The Audit Committee of the holding company shall also review the financial statements;