

Directors' Report to the Shareholders

Dear Valued Shareholders,

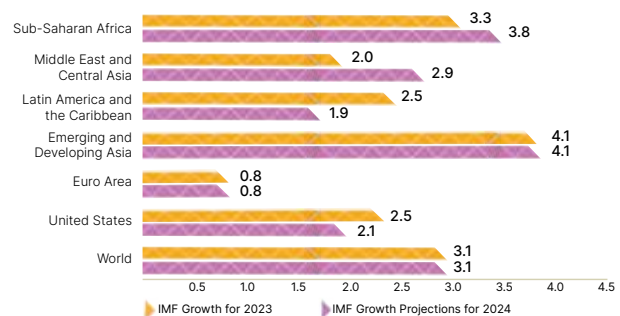
On behalf of the Board of Directors, I take this opportunity to welcome you all to the 25th Annual General Meeting (AGM) of Mutual Trust Bank PLC. In line with the requirements of Section 184 of the Companies Act, 1994, stock exchange regulations and Bangladesh Securities and Exchange Commission Order no. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018, I have the pleasure to place before you the Directors' Report for your consideration. The report briefly presents the overall performance of the bank in a year of very competitive and eventful banking industry environment.

Global Economy

In 2023, the global economy demonstrated resilience amidst various challenges, including supply chain disruptions and inflation triggered by geopolitical tensions such as the conflict between Russia and Ukraine. Despite these hurdles, the global economy managed to evade a recession, showcasing a degree of economic stability. Global growth, which had dipped to a low of 2.3 percent in 2022 and slightly increased in 2023 to 3.1 percent, stabilized around 3.2 percent for the forecasted years of 2024 and 2025. Additionally, projections suggest a gradual decline in inflation from 2.8 percent at the end of 2024 to 2.4 percent by the end of 2025, according to the IMF's World Economic Outlook of April 2024.

Financial markets responded positively to the possibility of central banks easing tight monetary policies, resulting in eased financial conditions and increased capital flows, particularly to emerging market economies. While the U.S. economy surpassed its pre-pandemic trend, the euro area faced challenges due to tight monetary policy and escalating energy costs. China's economy encountered difficulties due to a downturn in its property sector, alongside concerns regarding public debt dynamics and trade tensions. However, many other large emerging market economies exhibited robust performance, playing a crucial role in supporting global growth. Low-income developing countries experienced downward revisions in growth and upward revisions in inflation, underscoring ongoing challenges. Efforts to stimulate growth through reforms and enhance domestic resource mobilization remain critical for these nations.

Looking ahead, the medium-term outlook presents challenges for both developed and developing economies. Major economies are witnessing a slowdown in growth, while financial conditions have tightened significantly, marked by rising interest rates, reduced liquidity, and heightened market volatility, particularly impacting emerging markets. The escalating conflict between Iran and Israel poses a significant threat to the global economy, with potential repercussions resembling those seen in the Russia-Ukraine conflict. Heightened tensions have led to concerns about inflationary pressures, particularly in the energy sector, as disruptions in key oil trade routes could lead to a surge in oil prices. Additionally, the conflict threatens to disrupt international trade dynamics, impacting countries reliant on exports to Western nations, while also posing challenges to sectors such as travel and tourism. Furthermore, addressing climate concerns and transitioning towards a green and climate-resilient future requires substantial global investments, with a focus on reducing fossil fuel investments and promoting green investment growth, especially in emerging markets. Multilateral cooperation is deemed essential to effectively tackle these challenges. Policymakers and stakeholders must remain vigilant and implement appropriate measures to promote economic resilience and stability amidst ongoing uncertainties. Achieving sustainable and inclusive economic growth will necessitate collaborative efforts from international organizations, governments, and other stakeholders.



Source: IMF World Economic Outlook April, 2024

Bangladesh Economy

Bangladesh's economy in 2023 not only boasted several achievements but also had to endure countless challenges, reflecting the nation's ongoing endeavors towards development. The country has

been recognized for its stable economic growth and successful integration into the global economy over the past two decades, positioning it as a remarkable model for economic development in the Asia-Pacific region. The country's growth trajectory suggests it is poised to become one of the fastest-growing economies in this dynamic region. However, recent global events, including disruptions in supply chains and significant spikes in fuel and commodity prices, contributed to inflationary pressures worldwide. Unlike some larger and more resilient economies that managed inflation effectively, Bangladesh encountered challenges in stabilizing prices, alongside internal issues such as a turbulent banking sector, financial account deficits, exchange rate volatility, and declining foreign exchange reserves. In 2022-23, the Gross Domestic Product (GDP) at current prices amounted to BDT 44,908 billion, representing an increase of BDT 5,191 billion or 13.07% compared to the previous year. Similarly, the Gross National Income (GNI) at current prices for the same period was BDT 46,700 billion, showing a rise of BDT 5,410 billion or 13.1% from the previous year.

On the positive side, notable milestones emerged, signaling progress in critical sectors. Initiatives such as the Rupee trade with India aimed to diversify trade settlements and reduce reliance on the US dollar. Meanwhile, infrastructure developments like the opening of the Bangabandhu tunnel and Dhaka's first elevated expressway promised enhanced connectivity and transportation efficiency. Additionally, projects like the third terminal at Hazrat Shahjalal International Airport and the Cox's Bazar rail station aimed to bolster trade and tourism.

However, amidst these advancements, challenges persisted. Inflation surged to record levels, posing hardships for consumers, especially with essentials like food and eggs witnessing steep price hikes. Despite efforts to address labor concerns with increased minimum wages for garment workers, wage growth lagged behind inflation, exacerbating economic disparities. Moreover, the banking sector faced scrutiny and reforms, with the passing of the Bank Company (Amendment) Bill 2023 aimed at enhancing governance and accountability.

In fiscal year 2023 (which ended on June 30, 2023), Bangladesh experienced a moderation in economic growth due to monetary tightening in advanced economies, which affected external demand for its exports. Despite these macroeconomic headwinds, the ADB projects that GDP expansion will gradually accelerate in the coming years. This outlook is supported by resilient export growth and the government's

commitment to implementing structural reforms aimed at improving economic stability and competitiveness.

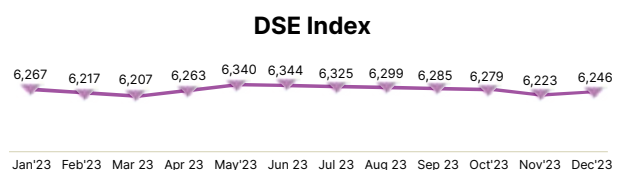
Looking ahead, the ADB forecasts that Bangladesh's GDP growth will increase to 6.1% in fiscal year 2024 and further to 6.6% in fiscal year 2025. This growth will be primarily driven by resilient export performance, particularly from the industry and services sectors. In terms of inflation, the ADB expects a gradual moderation, with inflation rates averaging around 8.4% in fiscal year 2024 and 7.0% in fiscal year 2025. One significant milestone on Bangladesh's economic horizon is its progress towards graduating from the group of least-developed countries (LDCs) by 2026. While this transition represents a positive step towards economic advancement, it also presents challenges that will require sustained efforts in implementing reforms to enhance competitiveness, improve economic fundamentals, and ensure sustained growth beyond the LDC status.

Capital Market

The year 2023 proved to be a tumultuous period for Bangladesh's capital market, characterized by gloomy performance and widespread disappointment among investors. The average turnover and foreign investment hit unprecedented lows, reminiscent of the market collapse in 2010, signaling a grim situation rarely witnessed by stakeholders. Despite efforts to stabilize the market, such as the reinstatement of the floor price by the stock market regulator, the core index of the Dhaka Stock Exchange (DSE) dipped to 6,246 at the end of December, 2023.

The country's broad market index, known as the Dhaka Stock Exchange (DSEX), witnessed a very meager growth of only 0.64%, the main index of the stock market in Bangladesh remained relatively unchanged over the past fiscal year as most stocks were stuck at their floor price. Equity-based securities worth 60% of the total stock market value have remained trapped on the floor this year.

The year of 2023 ended with an index of 6,246 mark on 31st December, reflecting dwindling investor confidence. This shows that even though the index registered multiple ups and downs but most of its time was spent hanging around the 6,250-mark.



Throughout the year, the DSE's MoM and Daily average turnover plummeted by over 39%. Average daily turnover in the premier bourse dropped to Tk 578 crore in 2023 from Tk 960 crore in 2022, underscoring the stark decline in market activity compared to the previous year. Moreover, the market capitalization to GDP ratio experienced a notable decrease, further highlighting the market's woes.

Market experts emphasized the challenges faced by the market, citing the detrimental impact of the floor price on trade volume and investor returns. The stagnant market conditions and lack of new investment exacerbated the decline in income for all stakeholder groups, posing significant constraints on the market's capacity to recover. However, concerns lingered regarding political uncertainties, currency depreciation, inflation and liquidity shortages in the financial sector, which deterred foreign investment and contributed to ongoing market stagnation. Additionally, disappointing performances of fundamental and multinational companies further dampened investor sentiment, with many stocks remaining stuck at floor prices for prolonged periods, exacerbating liquidity crises. The imposition of floor prices by the Bangladesh Securities and Exchange Commission (BSEC) aimed to protect small investors' interests but inadvertently exacerbated market challenges. Despite calls for regulatory intervention and scrutiny of price manipulators, the market remained mired in uncertainty, exacerbated by global economic strains stemming from the Russia-Ukraine war.

Banking Industry

The banking industry in Bangladesh encountered significant turmoil throughout 2023, dealing with a number of crisis that underscored deep-rooted challenges within the sector. The escalation of non-performing loans (NPLs) to BDT 145,633 crore by December, 2023 highlighted deteriorating asset quality and risk management practices within the sector. Regulatory leniency in loan classification and rescheduling rules exacerbated the issue, leading to concerns over governance standards throughout the entire banking industry. Liquidity shortages, especially among Shariah-based banks, further compounded the industry's woes, prompting uncollateralized lending practices. Additionally, the economy grappled with a dollar crisis, resulting in the depreciation of the taka against the US dollar and necessitating interventions to stabilize the currency. Despite efforts to address the crisis, inflationary pressures persisted, emphasizing the sector's vulnerability to internal mismanagement and external shocks.

However, amidst these challenges, there were glimpses of optimism for the banking industry in Bangladesh in 2023. The country's resilience in the face of global economic crises, as evidenced by its recovery from the COVID-19 pandemic, showcased its potential for continued growth. The increase in external economic activities, such as export and import, presented opportunities for investment and further development. The inauguration of the first-ever metro rail in Dhaka symbolized progress in infrastructure, offering new prospects for economic growth and investment.

Moreover, the surge of digital innovation reshaped the financial landscape, offering solutions to traditional banking obstacles. Internet banking and mobile financial services witnessed significant growth, empowering individuals to manage their finances conveniently. Initiatives like digital banking guidelines and the issuance of digital banking licenses by Bangladesh Bank aligned the industry with the future of banking. AI-powered chatbots, comprehensive cybersecurity measures, and API-enabled integration platforms enhanced customer service, security, and operational efficiency, driving the digital revolution forward.

In December 2023, the total deposit of scheduled banks amounted to BDT 16,537 billion, showing an increase from BDT 14,891 billion in December 2022. This represents a substantial rise of BDT 1,646 billion or 11.05%. Similarly, the total advances of scheduled banks in December 2023 reached BDT 15,926 billion, compared to BDT 14,411 billion in December 2022. This indicates an increase of BDT 1,515 billion or 10.51%. The spread between weighted average advances and deposit rates stood at 4.66% in December 2023, decreased from 2.99% at December 2022.

Looking ahead to 2024, the banking industry in Bangladesh can prosper by leveraging innovation. Embracing digital transformation, enhancing governance practices, and diversifying financial services beyond traditional loans and products are crucial steps toward unlocking prosperity. Investments in venture capital financing, wealth management, and bancassurance can stimulate economic growth and financial inclusion. Additionally, participation in the derivatives market and adoption of open banking principles can foster a dynamic and competitive financial market.

In conclusion, while 2023 posed significant challenges for the banking industry in Bangladesh, the sector's resilience, coupled with innovative solutions and strategic initiatives, sets the stage for growth and prosperity in 2024 and beyond. Comprehensive reforms, stringent regulatory oversight, and a commitment to digital transformation will be imperative to navigate

uncertainties and build a brighter future for the banking sector and the economy as a whole.

Money Market

The money market in Bangladesh in 2023 witnessed a tumultuous journey characterized by a blend of regulatory reforms, liquidity challenges, and inflationary pressures. Against the backdrop of global economic uncertainties stemming from the aftermath of the COVID-19 pandemic and the Russia-Ukraine conflict, Bangladesh grappled with its own set of macroeconomic challenges. The Central Bank, Bangladesh Bank (BB), responded with a series of policy measures aimed at stabilizing the financial sector and steering the economy towards sustainable growth. However, persistent inflationary pressures and exchange rate instability continued to pose formidable obstacles.

At December 2023, the yield on 91 days, 182 days and 364 days T-bills was 11.35%, 11.40% and 11.50%, increased yield rates from previous year end, i.e. 7.3%, 7.5% and 8%. On the other hand, yield on 2 years T. Bond, 5 years T. Bond and 10 years T. Bond settled at 12.00%, 12.10% and 12.15% in December 2023. A year ago, the rates were 7.57%, 7.91% and 8.33%. Bank rate remained 4.00% while Bangladesh bank increased the Repo Rate by 50 basis points to 7.75% in November 2023. Call Money Rate rose to 9.16% at the end of 2023, which was 5.8% at the end of 2022.

Throughout 2023, Bangladesh Bank pursued a proactive approach to address the country's economic challenges, with a particular focus on containing inflation. These measures aimed to elevate the cost of borrowing, thereby restraining consumer price index (CPI) inflation. Moreover, BB introduced several key policy initiatives to foster a conducive lending environment and promote exchange rate stability. The adoption of a market-driven reference lending rate, SMART (six-month moving average rate of Treasury bill), aimed to enhance competitiveness in the banking sector and facilitate lending to businesses and individuals. Additionally, the shift towards a unified and market-driven single exchange rate regime sought to promote stability in the foreign exchange market, aligning with international best practices.

Despite these measures, the banking sector grappled with liquidity stresses exacerbated by high non-performing loans (NPLs) and forex volatility. Banks, faced with liquidity shortages, turned to short-term borrowing from the call money market and central bank facilities, reflecting the challenges of mobilizing funds amid rising interest rates. The liquidity crunch not only strained the banking sector but also underscored the need for structural reforms to enhance regulatory oversight and restore investor confidence.

Looking ahead, the effectiveness of Bangladesh Bank's policy measures and the government's commitment to fiscal reforms will be crucial in navigating the challenges posed by inflationary pressures and exchange rate volatility. With concerted efforts towards structural reforms, regulatory enhancements, and prudent monetary policies, Bangladesh can bolster the resilience of its money market and foster sustainable economic growth in the years to come.

MTB at a Glance

During 2023, MTB gained 2.82% and 12.86% growth over 2022 in loans and advances and customers deposits, respectively. Despite a stiff environment, the bank ended the year with an AD ratio of 84.19%. In 2023, the number of branches across the country reached 157, number of sub branches extended to 37, agent banking centers decreased to 194 from 198 in 2022, while the reach as well as the number of MTB 24/7 ATM, POS devices, kiosks, Internet banking and SMS banking services also increased. In December 2023, MTB inaugurated Country's First Ever Dedicated Air Lounge for Account Holders at the international terminal of Hazrat Shahjalal International Airport (HSIA).

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

Business Goal

MTB's vision, mission, corporate core values, strategic priorities and outlook for 2023 have been given at the beginning of the report. The bank has established the highest level of ethical standards in order to achieve MTB3V:

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

Brief History of MTB

MTB was incorporated as a public limited company in 1999, under the Companies Act, 1994, with an authorized share capital of BDT 1,000,000,000 divided into 10,000,000 ordinary shares of BDT 100 each. At present, the bank's authorized share capital is BDT 20,000,000,000 divided into 2,000,000,000 ordinary shares of BDT 10 each.

The company was issued Certificate for Commencement of Business on October 5, 1999, and on the same day, Bangladesh Bank granted it a license under the Banking Companies Act, 1991. MTB started its banking operation on October 24, 1999. As envisaged in the memorandum of association, and, as licensed by Bangladesh Bank under the provisions of the Banking Companies Act, 1991, the company started its banking operation to progressively carry out its banking businesses, such as wholesale, retail, international trade financing, SME banking, NRB banking, off-shore banking, privilege banking, agent banking etc and recently launched Islamic Banking wing. The bank operates through its corporate head office located at MTB Centre, Gulshan 1, Dhaka 1212. The bank carries out international business through a global network of over four hundred foreign correspondent banks.

Currently, the bank has a network of 157 branches, which includes SME/Agri branches and 37 sub-branches, and 194 agent-banking centers across the country, and two wholly-owned subsidiary companies - MTB Securities Ltd. (MTBSL) and MTB Capital Ltd. (MTBCL).

Strategic Priorities

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

13. Enhancing security and authentication system with specific focus on cyber security
14. Partnering with Fintech providers to face the new challenges of the market
15. Contributing to the progress of the economy and the people by continuing to work as a socially responsible organization
16. Ensuring appropriate use of latest technologies to improve the alternative delivery channels to provide access to the unbanked population as part of financial inclusion.

Corporate Governance

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

Risk Management

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

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

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

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

Further discussion on internal and external risk factors,

threat to sustainability and initiative to reducing negative impacts on environment is included under the section Sustainability Analysis and Management Discussion and Analysis, also in chapters Operating Framework & Risk Management, Macroeconomic Features Affecting the Industry.

Developing Human Capital

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

Even during the pandemic like COVID 19, MTB continued on sharpening its human capital with utmost diligence. Virtual training platform was adopted and regular training was provided using digital amenities throughout the year. A total of 223 training programs were held and 2,623 employees were given training in different fields of banking and management practices in 2023 and a fair amount of the trainings were conducted using the virtual platform. Total expenditure incurred for conducting these trainings were BDT 20 million.

Corporate Social Responsibility (CSR)

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

Apart from the CSR activities carried out by the foundation, the bank also undertook various CSR activities, during the year 2023, details of which are given in the "Corporate Social Responsibility" part of this Annual Report. A total amount of BDT 98.79 million was spent on purpose of CSR activities from MTB.

Adequate Accounting Records

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

Accounting Policy and Implementation of IAS/IFRS

The Board of Directors is responsible for ensuring good governance within the Bank and does supervise Management for the preparation and fair presentation of the Bank's annual financial statements, incorporating its Balance Sheet as at 31 December 2023, Profit and Loss Account, Statement of Cash Flow, Statement of Changes in Equity during the year along with the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 1994.

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

Financial Statements Related Risk Mitigation

Financial statements are prepared to present a depiction of the activities of an organization to its stakeholders. Often the statements are used by both internal and external parties to evaluate the performance and make financial decisions. There are risks that the presented Financial Statement is not accurate and has material errors. Such risk can arise from various sources such as i) Key processes of an organization are not defined ii) Finance staffs (Financial analysts) do not have clear idea on functions of the organization iii) Financial activities are not well differentiated iv) Unclear & inadequate policies and formal processes v) Database is not unified and use of manual, semi manual systems.

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

Internal Control and Compliance (ICC) System

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

Money Laundering Risk Management

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

MTB envisions itself as one of the most compliant banks in the country, with our regulators consistently guiding us toward that objective. Hence, MTB has its own anti-money laundering (AML) & combating financing of terrorism (CFT) compliance program. It has been designed considering the range of activities, complexity of operations and the nature and degree of money laundering and terrorist financing risks faced by the bank. MTB has a set of directives for its employees comprising of Guidelines, Circulars, Standard Operating Procedures (SOP) etc. that are designed in line with the prevailing laws i.e., The Money Laundering Prevention Act, 2012 (Amended 2015), The Anti-Terrorism Act, 2009 (Amended 2013), relevant rules i.e., The Money Laundering Prevention Rules, 2019, The Anti-Terrorism Rules, 2013, Bangladesh Financial Intelligence Unit (BFIU) guidelines i.e., Money Laundering and Terrorist Financing Risk Management Guidelines, Guidelines for Prevention of Trade Based Money Laundering, Money Laundering and Terrorist Financing Risk Assessment Guidelines, circulars, guidance notes, instructions

and international standards. MTB applies risk-based Customer Due Diligence (CDD) measures, monitors business relationships and suspicious transactions/activities strengthening its commitment towards fight against money laundering and terrorist financing.

Standards of Reporting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by The Institute of Chartered Accountants of Bangladesh, the Bank Companies Act, 1991, (as amended up to date), applicable provisions of the Companies Act, 1994; Bangladesh Securities and Exchange Commission rules and regulations, and Bangladesh Bank's BRPD Circular No. 14, dated June 25, 2003 including guidelines published time to time.

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

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

CEO and CFO's Declaration

The CEO and CFO's declaration to the Board is appended on page no 372

Going Concern

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

Control Environment

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

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

Supplier Payment Policy

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

Review Report on MTB Operations, Products and Services

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

MTB Subsidiaries:

MTB Securities Ltd

Mutual Trust Bank PLC started its brokerage functions from June 2006 as a division of the bank. Subsequently, as per directives of Bangladesh Bank and Bangladesh Securities Exchange Commission, the division emerged as MTB's subsidiary company, MTB Securities Limited (MTBSL). MTBSL is currently operating with 18 strategically located offices, including 4 digital booths and 2 extension offices, spread across the country. During the year 2023, the company made an operating profit of BDT 275 million as against BDT 444 million in 2022.



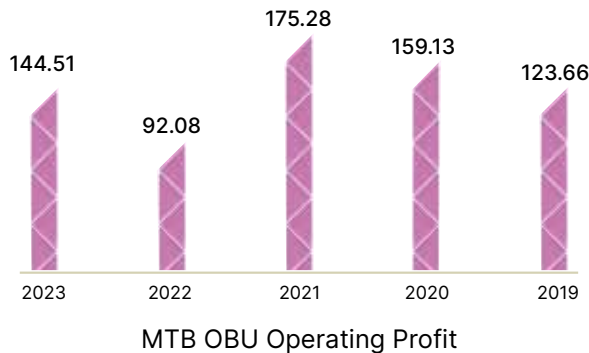
MTB Capital Ltd

MTB Capital Limited (MTBCL) is a wholly owned subsidiary of Mutual Trust Bank PLC and a full-fledged merchant bank, licensed by the Bangladesh Securities and Exchange Commission (BSEC) in December 2010. MTBCL was incorporated to explore new markets and meet the demand for merchant banking services. The company extends co-operation and value added services to its respected clients. During the year 2023, the company made an operating profit of BDT 22 million as against BDT 56 million in 2022.



Offshore Banking

MTB was permitted to operate an Offshore Banking Unit (OBU) by Bangladesh Bank in 2009. The total loans and advances of the OBU stood at BDT 13.58 billion in December 2023 compared to 22.51 billion in December 2022, with a de-growth of 39.67%. In 2023, the OBU's operating profit stood at BDT equivalent 144.51 million, as against BDT equivalent 92.08 million, in 2022.



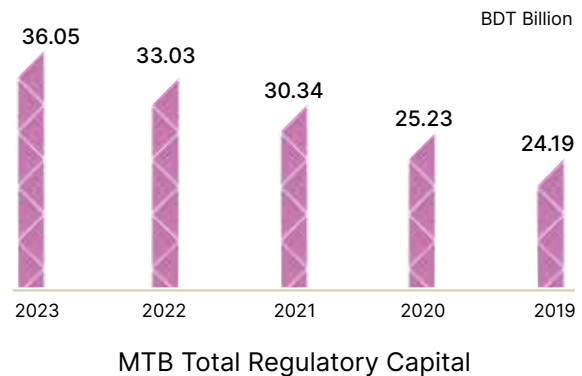
MTB Yaqeen

MTB Yaqeen is the Islamic Banking Wing of Mutual Trust Bank PLC. May 12, 2021 marks the inception of MTB Yaqeen which aims to provide comprehensive shari'ah-based banking solutions. The total investments of the Islamic Banking stood at BDT 9,479 in December 2023, against BDT 4,430 million in December 2022. The operating profit stood at BDT 212.11 million, as against BDT 72.70 million in 2022.

Capital Management

As per Bangladesh Bank's guideline, at the end of 2023, a bank is required to maintain capital equal to at least 12.50% (Including Capital Conservation Buffer 2.50%) of its risk-weighted assets under the Basel-III guidelines. Bank's capital has two components, Tier-I and Tier-II. Tier-I capital should be minimum 6% of the total capital. Tier-I includes the paid-up capital, share premium, statutory reserve and retained earnings, and Tier-II includes general provision on unclassified loans and advances, revaluation reserves, unsecured subordinated debt and exchange equalization account. In consolidated basis, MTB's total capital registered an increase of BDT 3.02 billion and stood at BDT 36.05 billion in 2023. Tier-I capital grew by BDT 1.75 billion, and was recorded at BDT 23.80 billion in 2023. Total capital is now equivalent to 14.98% of total risk weighted assets. MTB standalone total capital stood at BDT 35.29 billion, tier-I capital was recorded at BDT 23.35 billion in 2023 and total capital was equivalent to 14.93% of total risk weighted assets.

To improve the Tier-I and strengthen the capital of the bank, MTB initiated the process of issuing BDT 4 billion perpetual bond as Additional Tier I capital in 2019, which is in fact, the first time for the bank issuing this type of financial instrument. In 2020, the bank completed taking regulatory permission for the perpetual bond and was able to collect BDT 650 million amid the uncertainties created on account of COVID 19. Collection of rest of the fund was completed in 2021. The details of capital adequacy and capital management are given in the "Market Discipline- Disclosures on Risk Based Capital (Basel-III)" chapter of this Annual Report.



Financial Analysis

This section depicts performance and position for the year 2023. Explanation is provided, if there is any significant deviations from the last years operating results, which might arise due to any of the internal and external reasons. There has not been any significant change in the financial performance and position from quarterly financial performance.

A comparative analysis of key financial performance and position for current year and preceding four immediate years, with explanations, is available under Shareholder's Information (Pg. 360). Comparison for the performance and position with peer industry, risks, future plan and projection is discussed under Managing Director and CEO's Statement (Pg. 57).

Total Assets

The consolidated assets of the bank stood at BDT 369.33 billion in 2023 compared to BDT 353.64 billion in 2022. Total assets of MTB stood at BDT 366.81 billion in 2023 compared to BDT 350.86 billion in 2022, with a growth of 4.55%.



MTB's Consolidated Funds under Management

BDT Billion

Particulars	2023	2022	Growth
Deposits	262.58	232.66	12.86%
Advances	261.02	253.87	2.82%
Funds Under Management (FUM)	523.61	486.53	7.62%

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

MTB's consolidated cash and balances with Bangladesh Bank and its agents stood at BDT 16.87 billion in 2023 compared to BDT 19.20 billion in 2022 due to increase in balances in terms of both cash-in-hand and local and foreign currency with Bangladesh Bank.

Balances with Other Banks and Financial Institutions

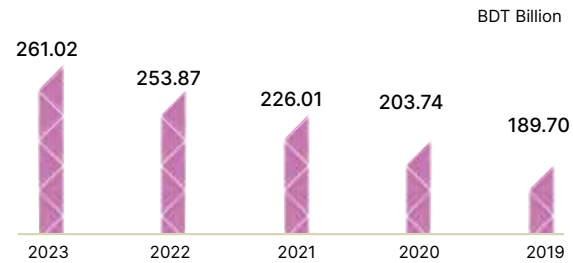
MTB's consolidated balance with other banks and financial institutions including money at call and short notice stood at BDT 6.33 billion in 2023 compared to BDT 7.52 billion in 2022. This was BDT 6.28 billion in 2023 compared to BDT 7.26 billion in 2022 for MTB only.

Investments

MTB's consolidated investments increased during the year under review by BDT 16.36 billion to BDT 68.64 billion. The bank purchased government treasury bills and bonds to cover the increased statutory liquidity requirement and also due to capitalizing from the scopes available in G-Sec market. MTB, as a primary dealer bank, had to purchase and participate in government securities auctions set by Bangladesh Bank.

Loans and Advances

MTB's consolidated loans and advances stood at BDT 261.02 billion in 2023. Outstanding loans and advances of off-shore banking units was BDT 13.58 billion in 2023 compared to BDT 22.51 billion in 2022. Yield on loans and advances increased to 8.22% in 2023 from 7.32% in 2022 due to extraordinary efforts in recovery drive and also due to removal of interest rate cap effective from September 2023. Details of credit are given in No. 7 of the Notes to the Accounts. The ratio of non-performing loans of MTB stood at 6.54%, which was much below the industry average of 9.00% in 2023.



MTB Consolidated Loans and Advances

Liabilities

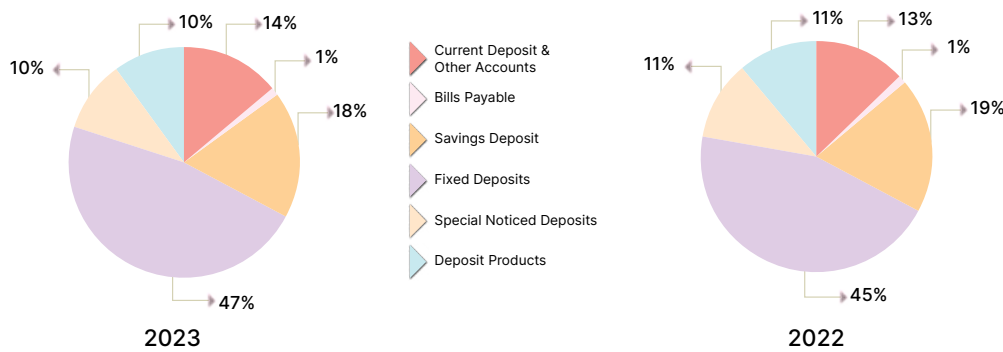
The consolidated total liabilities of the bank stood at BDT 345.22 billion in 2023 compared to BDT 332.22 billion in 2022. Only MTB's total liabilities rose to BDT 343.21 billion in 2023 from BDT 329.95 billion in 2022, with a growth of 4.02%. The increase in liability was mainly due to growth in deposits.

Deposits and Other Accounts

MTB's consolidated deposits increased by 12.86% to BDT 262.58 billion in 2023. With 157 branches, 37 sub branches and 320 ATMs, MTB was able to acquire more low cost funds in 2023. High-cost deposits accounted for 56.45% of the total deposits. Cost of deposit increased to 4.39% in 2023 compared to 4.12% in 2022.

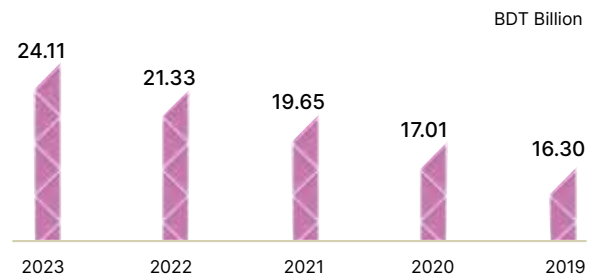
BDT Billion

Deposits and Other Accounts	2023	2022	Growth Over 2022
Current Deposit & Other Accounts	36.04	29.30	22.99%
Bills Payable	2.55	2.18	16.96%
Savings Deposit	48.40	44.73	8.21%
Fixed Deposit	123.04	105.84	16.25%
Special Notice Deposit (SND)	27.35	26.04	5.02%
Deposit Products	25.20	24.55	2.61%
Total Deposits	262.58	232.66	12.86%



Shareholders' Equity

MTB's consolidated shareholders' equity increased by 13.01% to BDT 24.11 billion in 2023. Paid-up capital of the bank increased by 10.00% to BDT 9.83 billion in 2023. Statutory reserves increased by 10.46% to BDT 6.94 billion during the year.



MTB Consolidated Total Shareholder's Equity

Analysis of Consolidated Income Statement of MTB

BDT Million

SL	Particulars	2023	2022	Growth over 2022
1	Interest Income	20,728	16,065	29.03%
2	Interest Expenditure	13,474	12,198	10.47%
3	Net Interest Margin (NIM)	7,253	3,867	87.58%
4	Net Interest Margin (NIM) Ratio	2.97%	1.62%	1.35%
5	Income from Investment, Commission, Brokerage & Others	10,233	12,235	-16.37%
6	Total Operating Income (Net Interest Income + Non Interest Income)	17,486	16,102	8.60%
7	Operating Expenditure	9,276	8,299	11.77%
8	Profit Before Provision	8,210	7,803	5.22%
9	Net Profit after Tax	2,860	2,369	20.71%

Interest Income

Interest income increased by 29.03% to BDT 20.73 billion in 2023. The gross yield on advances stood at 8.22% in 2023 compared to 7.32% in 2022.

Interest Expense

Interest expenditure increased by 10.47% to BDT 13.47 billion in 2023.

Net Interest Margin

Net Interest Margin (NIM) increased by 87.58% to BDT 7.25 billion in 2023. The increase in interest income

contributed largely to the increase of net interest margin. The net interest margin ratio stood at 2.97% in 2023 compared to 1.62% in 2022.

Income from Investment, Commission, Brokerage and Other Operating Activities

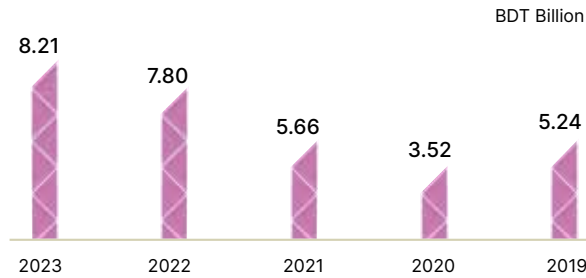
Income from investment, commission, brokerage & others decreased to BDT 10.23 billion in 2023 compared to BDT 12.24 billion in 2022.

Total Operating Income

Total operating income increased by 8.60% to BDT 17.49 billion in 2023 compared to BDT 16.10 billion in 2022.

Total Operating Profit

Total operating Profit increased by 5.22% to BDT 8.21 billion during the year 2023 compared to BDT 7.80 billion in 2022.



Provision for Classified Loans

Total provision against classified loans and advances stood at BDT 8.50 billion in 2023 compared to BDT 6.83 billion in 2022. Provision increased against classified loans by BDT 1.67 billion in 2023. The non-performing loan ratio during the year is given below:

Year	2023	2022
Consolidated NPL Ratio	6.54%	5.77%
Solo NPL Ratio	6.60%	5.84%

Profit Before Tax

Profit before tax stood at BDT 3.57 billion in 2023 with a growth of 10.56% as against BDT 3.23 billion in 2022.

Tax Expenditure

Provision for current tax expenses stood at BDT 1.51 billion in 2023 compared to BDT 1.47 billion in 2022.

Net Profit After Tax

Net profit after tax registered a growth of 20.71% to BDT 2.86 billion in 2023 compared to BDT 2.37 billion in 2022. Basic earnings per share (EPS) increased to BDT 2.91 in 2023 compared to BDT 2.41 in 2022 (Restated).

Statutory Reserves

As per the Bank Company Act, 1991, (as amended up to date), 20% of profit before tax is required to be transferred to statutory reserve. As such, an amount of BDT 656.82 million was transferred to statutory reserve in 2023.

Dividends

Management of Mutual Trust Bank PLC (MTB) takes initiative to formulate a Dividend Distribution Policy that serves as guiding principal to decide on bank's dividend while complying with prevailing regulatory

requirement, keeping the internal and external matters in consideration. This policy has been adopted and published in compliance with the comprehensive directive issued by Bangladesh Securities and Exchange Commission (BSEC) vide directive no. BSEC/CMRRCD/2021-386/03, dated 14 January 2021. The Dividend Distribution Policy was approved in 260th meeting of the Board of the Directors held on 29 April, 2021 and is published in annual report as well as on official websites of MTB so that shareholders can have avail the policy.

In 2023, the Board has decided to recommend 10% cash dividend for the year 2023. Mentionable that, during the year 2023, no interim dividend was declared by the Board.

Management's Discussion and Analysis

Detailed analysis of the company's position and operation can be found in Managing Director & CEO's Statement (Pg. 57), Management Discussion & Analysis (Pg. 234) & Shareholders' Information (Pg. 334)

Remuneration of Directors

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

The statement of 'remuneration paid to the directors including independent directors' is available at page 150 under 'Corporate Governance Report'

Shareholding Pattern:

A report on the pattern of shareholding disclosing the aggregate number of shares' is available at page 186 under 'Corporate Governance Report'.

'Details of Directors, Chief Executive Officer, and Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children' are available at page 186 of 'Corporate Governance Report' as well as under the 'Related Party Transaction'. Details of the executives are stated at page 442 under the same Report.

Election/Re-election of Directors

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

At the 25th AGM to be held on June 03, 2024, Mr. Md. Abdul Malek, Chairman, Mr. Syed Manzur Elahi, Vice Chairman & Founding Chairman, and Dr. Arif Dowla, Director will retire and will be eligible to be re-elected.

Board of Directors' Profile

Brief profile depicting the nature of expertise in specific functional areas of all the directors is available at page 34 under "Board of Directors' Profile"

A statement detailing 'the name of companies in which the directors of the bank have interest' is available at page 452 under the segment 'Financial Statements'

Declaration (certification) by the CEO and CFO has been published in the page 372 under corporate governance report.

Contribution to National Exchequer

MTB made significant contribution to the government in boosting its revenue collection which will help in developing the society and the country as a whole. As per the prevailing law of the country, the bank being a corporate citizen pays tax and VAT on its own income. Besides, the bank collects tax, VAT and excise duty at source from clients, deposits and suppliers. All the collected amounts are deposited to the national exchequer in due time. During the year 2023, the bank contributed BDT 6.81 billion to national exchequer as against BDT 4.94 billion in the previous year.

Related Party Transaction

The details of transactions of related parties of the company have been given in Note 49 of the Financial Statements.

Insider Trading

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

Shareholders' Value

MTB remains fully committed to delivering higher shareholder value. The high profitability track record underpins the value the shareholders derived from

investing in the shares of the bank. The Earnings Per Share (EPS) stood at BDT 2.91 and return on average equity stood at 12.59% during 2023. Market capitalization of MTB stood at BDT 15.24 billion as on December 31, 2023.

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

Meeting of the Board of Directors of MTB

14 meetings of the Board of Directors of MTB were held in 2023. Total number of meetings attended and the amount of remuneration received by board members are stated at page- under corporate governance report.

Appointment of Auditors

The Board of Directors' of the bank in its 24th Annual General Meeting held on June 21, 2023 appointed MABS & J Partners, Chartered Accountants as External Auditor of the bank for the year 2023.

Annual General Meeting

The Virtual Meeting of Mutual Trust Bank PLC Annual General Meeting (AGM) will be held on Monday, June 03, 2024 at 11.30 a.m. using digital platform. The financial statements were approved at 303rd meeting of the Board of Directors of MTB, held on April 17, 2024 for presentation to the shareholders.

Compliance of Corporate Governance Checklist:

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

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

Thank you.

On behalf of the Board of Directors



Md. Abdul Malek
Chairman