মিউচুয়াল ট্রাস্ট ব্যাংক লিমিটেড
Mutual Trust Bank Ltd.

you can bank on us

FINANCIAL STATEMENTS 2019

Independent auditor's report

Independent auditor's report
to the shareholders of
Mutual Trust Bank Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated financial statements of Mutual Trust Bank Limited and its subsidiaries (the "Group") as well as the separate financial statements of Mutual Trust Bank Limited (the"Bank"), which comprise the consolidated and separate balance sheet as at 31 December 2019, and the consolidated and separate profit and loss account, consolidated and separate statement of changes in equity and consolidated and separate cash flow statement for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and separate financial statements of the Bank(the "financial statements") give a true and fair view of the consolidated balance sheet of the Group and the separate balance sheet of the Bank as at 31 December 2019, and of its consolidated and separate profit and loss accounts, consolidated and separate statement of changes in equity and its consolidated and separate cash flow statement for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note # 2 and comply with the Banking Companies Act, 1991 (as amended up to date), the Companies Act, 1994, the rules and regulations issued by the Bangladesh Bank, the rules and regulations issued by the Bangladesh Securities & Exchange Commission (BSEC) and other applicable laws and regulations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group and the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), rules & regulations issued by Bangladesh Bank and Bangladesh Securities and Exchange Commission (BSEC), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye-laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements for the financial year 2019. These matters were addressed in the context of the audit of the financial statements, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter described below our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatements of the financial statements. These results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters	How our audit addressed the key audit matter
01. Transition to International Financial Reporting Standard 16 Leases (IFRS 16)from International Accounting Standard 17 Leases (IAS 17)	
With reference to Note8.a, 12.a, 24.a and 35.a to the financial statements, 'IFRS 16 Leases' becomes effective for annual reporting beginning on or after 01 January 2019 which replaces the existing standard 'IAS 17 Leases'. The Bank appliedthe modified retrospective approach for the transition accounting. The application of new lease standard resulted in the recognition, for the 31 December 2019 closing balance sheet, right of use assets of BDT 599,085,737(net value) and an increase in lease liabilities of BDT 503,537,815 to the financial statements of the Group. The Bank developed a model to implement the IFRS 16 and in this process has applied significant degree of estimates and judgement including discount rates, lease term to arrive at the right of use asset and lease liability. Based on the materiality of the balances involved, significant management judgement and estimates applied, implementation of IFRS 16 leases is considered as a key audit matter.	We understood the management's assessment process for the transition to IFRS 16 including the judgement and estimates applied. The audit procedures performed included: ▪ Read the accounting policy for compliance with IFRS 16 Leases; ▪ Obtained significant contracts from the management and tested the contracts to determine the impact under IFRS 16; ▪ Tested the key controls around inputs, assumptions and outputs; ▪ In respect of testing the right of use assets and lease liabilities recognized by the Group, we have performed the following procedures: - Tested the appropriateness of key assumptions used in lease calculation model such as the bank's incremental borrowing rate; - Tested the completeness of additions and changes to the lease population; - Performed test of details for sample cases for measurement and valuation of the right of use asset and lease liability. ▪ Assessed the disclosures within the financial statements in accordance with IFRS 16 Leases.
02. Measurement of provision for loans and advances	
With reference to Note7.a.8, 12.01 and 12.a.1 to the financial statements,the process for calculating the provision for loans and advances portfolio, associated with credit risk, is significant and complex. In accordance with BRPD circular no. 14 dated 23 September 2012 and its subsequent amendments, the bank calculates provision for loans and advances by considering various factors such as rate of provision, loan category, expiry date, outstanding balance, interest suspense amount, value of eligible collateral. The process of calculation on the impaired loans accounts is a manual activity. The loans and advances constitute a significant portion of the bank's property and assets. The quality of these loans and advances are measured in terms of ratio of non-performing loans (NPLs) to the gross loans and advances of the bank. The bank's net loans and advances comprise 72.94% of the total property and assets and the gross NPL is 5.48% to total loans and advances as at 31 December 2019. At year end of 2019 the Group reported total gross loans and advances of BDT 189.73 billion (2018: BDT 166.15billion) and the Bank reported total gross loans and advances of BDT 186.77 billion (2018: BDT 163.28 billion) whereas at the year end of 2019 the Group reported total provision for loans and advances of BDT 7.14 billion (2018: BDT 5.53 billion) and the Bank reported total provision for loans and advances of BDT 6.80 billion (2018: BDT 5.20 billion). While the overall effect on the Bank's business in the post year relating to the COVID 19 global pandemic still evolving at this point. The Group is regularly monitoring the potential future impact on the Bank's operations. Since the measurement of provisions on loans and advances require significant level of estimation and given its significance to the overall audit, we have identified the measurement of provisioning for loans and advances as a key audit matter.	The audit procedures performed for the measurement of provision for loans and advances are following: ▪ Tested the key internal controls on the provisioning process, the management of impaired loans as well as the adequacy of the classification in compliance with the Bangladesh Bank guidelines; ▪ Discussed with those charged with governance & management and assessed possible impact of COVID 19 global pandemic outbreaks as events after reporting period on recoverability of loans and advances by analyzing cash flows during the pandemic. ▪ Assessed the key methodologies on which the provision amounts based; ▪ Tested the adequacy of the Bank's general and specific provisions for loans and advances; ▪ Analyzed and inquired quarterly classification ledger of loans and advances (CL); ▪ Tested a selection of loans and advances to examine the validity of the recorded amounts, loan documentation, examined the statement of accounts, indicators of impairment, provision for non-performing loans and compliance with relevant Bangladesh Bank guidelines; ▪ Recalculated the provisions and tested the completeness and accuracy of the underlying information for sample cases; ▪ Assessed the appropriateness and presentation of disclosures for loans and advances with relevant accounting standards and Bangladesh Bank guidelines.

Other information

Management is responsible for the other information. The other information comprises all of the information in the annual report other than the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated and separate financial statements and internal controls

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) as explained in note # 2 and comply with the Banking Companies Act, 1991 (as amended up to date), the Companies Act, 1994, the Rules and Regulations issued by the Bangladesh Bank, the Rules and Regulations issued by the Bangladesh Securities & Exchange Commission (BSEC) and other applicable Laws and Regulationsand for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Banking Companies Act, 1991 (as amended up to date) and the Bangladesh Bank guidelines require the management to ensure effective internal audit, internal control and risk management functions of the Bank. The management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

In preparing the financial statements, management is responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Bank's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in thefinancial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Groupand the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group's and Bank's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the Companies Act, 1994, the Banking Companies Act, 1991 (as amended up to date), and the rules and regulations issued by Bangladesh Bank, the Securities and Exchange Rules 1987, we also report that:

I. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

II. to the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the financial statements and considering the reports of the Management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the financial statements and internal control:

(a) internal audit, internal control and risk management arrangements of the Group and the Bank as disclosed in the financial statements appeared to be materially adequate;

(b) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Group and the Bank;

III. financial statements of Mutual Trust Bank Limited's subsidiaries namely, MTB Securities Limited, MTB Capital Limited have been audited by Khan Wahab and Shafique Rahman and Co., Chartered Accountants and MTB Exchange (UK) Limited has been audited by Jahan and Co, Certified Management Accountantsand have been properly reflected in the consolidated financial statements;

IV. in our opinion, proper books of account as required by law have been kept by the Group and the Bank so far as it appeared from our examination of those books;

V. the consolidated balance sheet and consolidated profit and loss account of the Group and the separate balance sheet and separate profit and loss account of the Bank together with the annexed notes dealt with by the report are in agreement with the books of account and returns;

VI. the expenditures incurred and payments made were for the purpose of the Group's and Bank's business for the year;

VII. the financial statements have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as related guidance issued by Bangladesh Bank;

VIII. adequate provisions have been made for advance and other assets which are in our opinion, doubtful of recovery;

IX. the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;

X. the information and explanations required by us have been received and found satisfactory;

XI. we have reviewed over 80% of the risk weighted assets of the Bank and spent over 1,600 man hours; and

XII. capital to risk-weighted asset ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year.

Dated, Dhaka
30 June 2020

A. Qasem & Co.
Chartered Accountants

Consolidated Balance Sheet

Mutual Trust Bank Limited and its subsidiaries
Consolidated Balance Sheet
As at 31 December 2019

Property and Assets	Notes	2019 BDT	2018 BDT
Cash	**3.00**	**14,556,500,624**	**12,300,993,770**
In Hand (Including Foreign Currency)		2,886,876,110	2,520,514,712
With Bangladesh Bank and its agent Bank(s) (including Foreign Currency)		11,669,624,514	9,780,479,058
Balance with Other Banks & Financial Institutions	**4.00**	**3,385,050,274**	**3,176,657,573**
In Bangladesh		647,783,394	861,661,189
Outside Bangladesh		2,737,266,881	2,314,996,384
Money at Call and Short Notice	**5.a**	**206,800,000**	**1,580,000,000**
Investments	**6.00**	**34,199,538,201**	**27,407,647,948**
Government		31,064,307,864	24,421,226,713
Others		3,135,230,337	2,986,421,235
Loans and Advances	**7.00**	**189,729,715,862**	**166,145,119,129**
Loans, Cash Credits, Overdrafts, etc.		186,991,247,910	163,394,332,234
Bills Purchased and Discounted		2,738,467,951	2,750,786,895
Fixed Assets including Premises, Furniture & Fixtures	**8.00**	**4,301,132,697**	**3,128,176,262**
Other Assets	**9.00**	**10,534,428,577**	**8,725,556,034**
Non-Banking Assets		-	-
Total Property and Assets		**256,913,166,235**	**222,464,150,716**
Liabilities and Capital			
Borrowing from other Banks, Financial Institutions & Agents	**10.00**	**21,701,177,487**	**19,640,823,048**
Deposits and Other Accounts	**11.00**	**190,947,704,349**	**166,160,290,425**
Current Deposits & Other Accounts		16,350,528,300	14,090,900,316
Bills Payable		1,643,542,846	1,703,433,803
Savings Bank Deposits		29,884,510,508	28,239,575,869
Special Notice Deposits		12,933,757,149	12,863,186,737
Fixed Deposits		91,060,961,747	77,043,035,120
Deposit Products		39,074,403,799	32,220,158,580
Other Liabilities	**12.00**	**21,174,287,503**	**15,935,967,530**
Subordinated Debts	**13.a**	**6,800,000,000**	**7,400,000,000**
Total Liabilities		**240,623,169,339**	**209,137,081,003**
Capital/Shareholders' Equity			
Paid-up Capital	**14.a**	7,034,594,460	5,733,630,380
Statutory Reserve	**15.a**	4,691,953,779	4,096,004,358
Share Premium	**16.a**	1,095,304,778	-
Revaluation Reserve on Investment	**17.00**	421,956,410	528,441,970
Foreign Currency Translation gain/(loss)		5,392,239	6,143,266
General Reserve	**18.a**	786,777,324	786,777,324
Retained Earnings	**19.00**	2,253,888,060	2,175,943,964
Total Shareholders' Equity		**16,289,867,051**	**13,326,941,262**
Minority Interest	**20.00**	**129,845**	**128,451**
Total Liabilities and Shareholders' Equity		**256,913,166,235**	**222,464,150,716**
Net Asset Value (NAV) per share (2018 Restated)		**23.16**	**18.94**

Off-Balance Sheet Items	Notes	2019	2018
Contingent Liabilities	**21.a**	**BDT**	**BDT**
Acceptances and endorsements		28,080,703,195	28,001,688,309
Letters of guarantee		30,336,492,151	19,295,388,283
Irrevocable letters of credit		22,398,091,176	16,622,625,028
Bills for collection		1,753,276,921	1,712,416,910
Other contingent liabilities		-	-
Total Off Balance Sheet Items		**82,568,563,443**	**65,632,118,530**
Other Commitments			
Documentary credits and short term trade related transactions		-	-
Forward asset purchased and forward deposit placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Claim against the bank not acknowledged as debt		-	-
Litigation pending against Bank		-	-
		-	-
Other Memorandum Items			
Value of Travelers' Cheque on Hand		-	-
Value of Bangladesh Sanchoy Patra on Hand		-	-
		-	-
Total Off-Balance Sheet Items including Contingent Liabilities		**82,568,563,443**	**65,632,118,530**

The annexed accounting policies and other notes form an integral part of these financial statements

Chairman | Director | Director | Managing Director & CEO

Signed as per our annexed report of the same date

Dated, Dhaka
30 June 2020

A. Qasem & Co.
Chartered Accountants

Consolidated Profit and Loss Account

Mutual Trust Bank Limited and its subsidiaries
Consolidated Profit and Loss Account
For the year ended 31 December 2019

Particulars	Notes	2019 BDT	2018 BDT
Interest Income	**23.00**	18,394,013,962	15,687,277,155
Less: Interest Paid on Deposits and Borrowings, etc.	**24.00**	12,964,301,101	10,436,062,969
Net Interest Income		**5,429,712,862**	**5,251,214,186**
Investment Income	**25.00**	2,535,625,925	2,343,167,734
Commission, Exchange and Brokerage	**26.00**	2,629,783,073	1,682,805,559
Other Operating Income	**27.00**	612,055,850	551,932,140
		5,777,464,848	**4,577,905,433**
Total Operating Income		**11,207,177,709**	**9,829,119,619**
Less: Operating Expenses:			
Salary and Allowances	**28.00**	3,276,437,927	2,711,522,726
Rent, Tax, Insurance and Electricity etc.	**29.00**	671,277,258	696,453,008
Legal Expenses	**30.00**	4,723,622	3,369,120
Postage, Stamps and Telecommunication etc.	**31.00**	17,071,946	14,635,616
Stationery, Printing and Advertisements etc.	**32.00**	135,711,109	124,717,809
Managing Director's Remuneration	**28.a.1**	23,266,806	19,235,333
Directors' Fees	**33.00**	2,979,633	3,340,700
Auditors' Fees	**34.00**	2,469,799	1,838,605
Depreciation and Repair of Bank's Properties	**35.00**	632,918,334	464,743,611
Other Expenses	**36.00**	1,200,477,023	904,935,144
Total Operating Expenses		**5,967,333,458**	**4,944,791,672**
Profit Before Provision		**5,239,844,252**	**4,884,327,947**
Less: Provision for Loans,Investment & Other	**37.00**		
Specific Provision for Loans & Advances		178,272,083	2,223,526,000
General Provision for Loans & Advances		1,681,603,942	591,000
Provision for Off Balance Sheet Items		157,028,766	5,342,050
Provision for Margin Loan & Investment in Shares		97,232,333	103,000,000
Provision for Other Asset		26,246,000	10,000,000
Total Provision		**2,140,383,124**	**2,342,459,050**
Profit Before Tax		**3,099,461,128**	**2,541,868,897**
Less: Income Tax Expenses		**1,761,672,176**	**807,419,346**
Current Tax Expenses	**38.00**	1,659,743,356	1,047,932,816
Deferred Tax Expenses/(Income)	**38.01**	101,928,820	(240,513,470)
Net Profit After Tax		**1,337,788,952**	**1,734,449,551**
Shareholders' of the Bank		1,337,787,557	1,734,445,786
Minority Interest		1,395	3,765
		1,337,788,952	**1,734,449,551**
Retained Surplus Brought Forward		2,175,943,964	1,722,348,545
		3,513,731,521	**3,456,794,331**
Appropriations:			
Bonus Share Issued during the year		663,894,040	637,070,040
Transferred to Statutory Reserve		595,949,421	473,780,327
Transferred to General Reserve		-	170,000,000
		1,259,843,461	**1,280,850,367**
Retained Surplus, Carried Forward		**2,253,888,060**	**2,175,943,964**
Earnings Per Share (EPS) (2018 Restated)	**39.00**	**2.03**	**2.73**

The annexed accounting policies and other notes form an integral part of these financial statements

Chairman | Director | Director | Managing Director & CEO

Signed as per our annexed report of the same date

Dated, Dhaka
30 June 2020

A. Qasem & Co.
Chartered Accountants