মিউচুয়াল ট্রাস্ট ব্যাংক লিমিটেড

Mutual Trust Bank Ltd.

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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 [illegible] 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") [illegible] the consolidated and separate balance sheet as at 31 December 2019, the consolidated and separate profit and loss account, consolidated and separate statements of changes in equity and consolidated and separate cash flow statements 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 [illegible] give a true and fair view of the consolidated financial position of the Group and the separate financial position of the Bank as at 31 December 2019, and their consolidated and separate profit and loss, consolidated and separate statements of changes in equity and consolidated and separate cash flow statements for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted in Bangladesh, the Companies Act, 1994, the Banking Companies Act, 1991 (as amended up to date), the Companies Act, 2006, the rules and regulations issued by the Bangladesh Bank, the rules and regulations issued by the Bangladesh Securities and 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 and 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 our audit of the financial statements, and in forming our auditor's opinion thereon, and we do not provide a separate opinion on those matters. For each matter, described below our description of how our audit addressed the matter is provided in this 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 misstatement of the financial statements. These results after 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
1. Provision for Loan and Advances (BDT [illegible] Crore) [illegible] Accounting Standard 39 Loans and Advances	
[illegible] the financial statements. IFRS 9 Financial Instruments requires the Bank to recognize provision for losses regarding impairment on its loans and advances [illegible] Bangladesh Bank guidelines.	The audit procedures performed included:
[illegible] Bangladesh Bank guidelines. The calculation of provisions involves management judgment and estimates [illegible] the Bank's loan portfolio, market and economic conditions, the Bank's credit risk grading and classification of exposures, the assessment of significant increase in credit risk, the measurement of expected credit losses, including the impact of forward looking macroeconomic factors, and the timing of recognition of impairment. Due to the significance of the provisions, the complexity of the Bank's processes and the significant management judgment and estimates involved, we consider this a key audit matter.	• Tested the design and operating effectiveness of the Bank's key controls over the classification of loans and advances, calculation of provisions, and the governance over the models and assumptions used in the calculation of provisions. • Obtained an understanding of the Bank's lending and credit risk management processes, including the Bank's assessment of credit risk and its measurement of expected credit losses. • Assessed the key assumptions and judgments used by the Bank in its provision models, including the impact of forward looking macroeconomic factors. • For a sample of loans and advances, we performed the following procedures: – Tested the appropriateness of the classification of loans and advances and the calculation of provisions in accordance with the Bank's accounting policies and Bangladesh Bank guidelines. – Tested the completeness of underlying data used in the Bank's impairment calculations. – Performed analytical and other procedures to identify potential exposures to impairment and assessed the reasonableness of the Bank's provisions. • Assessed the disclosures in the financial statements in respect of provisions against loans and advances.
2. Valuation of Investment in Shares and Securities (BDT [illegible] Crore) [illegible] Accounting Standard 32 Financial Instruments: Presentation	
[illegible] Bangladesh Bank guidelines. The valuation of these investments involves management judgment and estimates [illegible] the Bank's investment portfolio, market and economic conditions, and the Bank's credit risk grading and classification of exposures. Due to the significance of the investments, the complexity of the Bank's processes and the significant management judgment and estimates involved, we consider this a key audit matter.	The audit procedures performed included: • Tested the design and operating effectiveness of the Bank's key controls over the classification of investments and calculation of provisions in accordance with the Bank's accounting policies and Bangladesh Bank guidelines. • Obtained an understanding of the Bank's investment processes, including the Bank's assessment of credit risk and its measurement of expected credit losses. • Assessed the key assumptions and judgments used by the Bank in its provision models. • For a sample of investments, we performed the following procedures: – Tested the appropriateness of the classification of investments and the calculation of provisions in accordance with the Bank's accounting policies and Bangladesh Bank guidelines. – Tested the completeness of underlying data used in the Bank's impairment calculations. – Performed analytical and other procedures to identify potential exposures to impairment and assessed the reasonableness of the Bank's provisions. • Assessed the disclosures in the financial statements in respect of provisions against investments in shares and securities.
3. Information Technology (IT) [illegible]	
[illegible]	The audit procedures performed included: • Tested the key internal controls over the operating effectiveness of the management IT controls [illegible] the Bangladesh Bank guidelines. • Obtained an understanding of the Bank's IT environment and assessed critical business [illegible] IT systems [illegible] financial reporting purposes. • Assessed the key IT controls [illegible] the Bank's financial statements. • Assessed the key IT controls over the Bank's [illegible] financial reporting. • Tested, on a sample basis, the [illegible] IT controls [illegible] the Bank's financial statements. • Assessed the Bank's [illegible] IT [illegible] the financial statements.
4. Accounting for Income and Expenses	
[illegible]	The audit procedures performed included: • Tested the key internal controls in the operating process [illegible] the Bangladesh Bank guidelines. • Performed analytical procedures [illegible] and compliance with [illegible] Bangladesh Bank guidelines. • Assessed the key [illegible] the financial statements. • Tested, on a sample basis, the [illegible] the financial statements. • Assessed the Bank's [illegible] the financial statements.

Other information

The 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.

[illegible] 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

[illegible] Companies Act, 1994, the Banking Companies Act, 1991 (as amended up to date), the Companies Act, 2006, the rules and regulations issued by Bangladesh Bank, the Securities and Exchange Rules, 2987, the Securities and Exchange Commission Act, 1993 (as amended up to date), the Companies Act, 1994, the Banking Companies Act, 1991 (as amended up to date), the Companies Act, 2006, the rules and regulations issued by the Bangladesh Bank, the rules and regulations issued by the Bangladesh Securities and Exchange Commission (BSEC) and other applicable laws and regulations. The management is also responsible for making such assessments as they deem 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 make an 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 such functions and report on compliance with Bankers' Book Evidence Act and Regulations.

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 relating 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 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 ISAs 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 ISAs, we exercise professional judgment 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 the 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 the financial 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 within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group 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 we 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 Group and the Bank for the year ended 31 December 2019 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.

Reporten other legal and regulatory requirements

In accordance with the Companies Act, 1994, the Banking Companies Act, 1991 (as amended up to date), and other laws and regulations issued by Bangladesh Bank, the Securities and Exchange Rules, 2987, we also report that:

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

II. In the course of our audit, nothing came to our attention that indicates that transactions of the Bank were in violation of the provisions of the Bank Companies Act, 1991 and the rules and regulations issued by Bangladesh Bank and Securities and Exchange Rules, 2987 and other laws and rules and regulations to the extent we deem relevant to our audit;

III. Proper books of accounts as required by law have been kept by the Bank and the branches so far as it appears from our examination of those books;

IV. The balance sheet and profit and loss account and other comprehensive income, statement of changes in equity and cash flow statement dealt with by the report are in agreement with the books of accounts and returns;

V. The consolidated financial statements of the Group and the separate financial statements of the Bank have been prepared in accordance with the Companies Act, 1994, the Banking Companies Act, 1991, the rules and regulations issued by Bangladesh Bank, the Securities and Exchange Rules, 2987, the Securities and Exchange Commission Act, 1993 (as amended up to date), the Companies Act, 1994, the Banking Companies Act, 1991 (as amended up to date), the Companies Act, 2006, the rules and regulations issued by the Bangladesh Bank, the rules and regulations issued by the Bangladesh Securities and Exchange Commission (BSEC) and other applicable laws and regulations.

VI. The consolidated financial statements of Mutual Trust Bank Limited's subsidiaries, namely, MTB Securities Limited, MTB Capital Limited have been audited by Shah Mostafa and Sarwar Murshid and Co. Chartered Accountants and MTB Income [illegible] Limited has been audited by Islam and Co. Certified Management Accountants and have been properly included in the consolidated financial statements.

VII. In our opinion, proper books of accounts as required by law have been kept by the Group and the Bank so far as it appears from our examination of those books.

VIII. 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.

IX. The consolidated financial statements and separate financial statements are in the interest of the Group and Bank's business for the year.

X. The financial statements have been drawn up in accordance with prudential rules, guidelines and accounting standards as are applicable to banks and other financial institutions.

XI. [illegible] provisions have been made for adverse [illegible] which are in our opinion, adequate.

XII. The records, books of accounts and other relevant papers have been maintained and kept in a manner consistent with the requirements of the Companies Act, 1994, the Banking Companies Act, 1991 and other laws and rules and regulations.

XIII. [illegible]

XIV. [illegible]

XV. [illegible]

Consolidated balance sheet

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

Particulars	Notes	2019 BDT	2018 BDT
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]