

Annual Report 2014



midlandbank Ltd
bank for inclusive growth

Touching and improving financial lives ...

Midland Bank Limited (MDB)

Opening your first account is really a pleasure to us. No less pleasant is when you come up with an advice or query. We are mindful of your choice but more concerned about how better we can respond and deliver. We value convenience and mobility as the easiest tools to create superior customer experience. We identify the financial journeys that customers take and then follow them on their travels to ensure if they are better-off. With an evolving banking world and the demanding consumers, we are making fundamental shift towards digital - weaving networks, building alliances and finding new ways of customer solutions. In whatever form you appear to us - a branch-lover who likes to interact face-to-face, a self-driven customer who uses ATMs, an internet user who logs into the Bank, a mobile customer who orders transactions, a remote customer who wants to make an online payment or a visitor to social media searching for new offers, we are ever ready to serve you with passion and dedication.

While serving customers, MDB nourishes a holistic view underpinned by governance, readiness and discipline. MDB is vigilant to eliminate barriers that spell trouble for our customers. We address security concerns introducing appropriate terms, conditions and guarantees, without diminishing the speed and convenience. For smart service and solutions, we strengthen talent mix among our people by recruiting technical expertise and skills. To make a difference, we build attitude rather than skills alone and nurture a culture of service.

With a flying start in 2013 as a financially strong Bank, MDB is forging ahead. Committed to the clients, community and economy, the Bank is on way to binding the nation together by including people from all walks of life across the frontiers of urban and rural, SME and agriculture, local and global. Concern for environment, energy-saving and green business, is also deeply embedded in the heart of MDB.

The Bank fosters innovation, leads change and transforms your dreams into the way you want. We have enhanced our services and introduced new features to our products to see delighted customers. We have a soaring ambition too. We will be at the top to write the next chapter of your growth, as we become your financial ally.



midlandbank ^{ltd}
bank for inclusive growth

LETTER OF TRANSMITTAL

April 09, 2015

All Shareholders of Midland Bank Limited
Bangladesh Bank
Bangladesh Securities & Exchange Commission (BSEC)
Registrar of Joint Stock Companies & Firms
Dhaka Stock Exchange Limited (DSE) &
Chittagong Stock Exchange Limited (CSE)

Dear Sir/ Madam,

Annual Report of Midland Bank Limited for the year ended December 31, 2014

We are pleased to enclose a copy of Bank's Annual Report, together with the audited Financial Statements including Balance Sheet, Income Statement, Cash Flow Statement, Statement of Changes in Equity and Liquidity Statement for the year ended December 31, 2014, along with notes thereto, for your kind information and record.

Thank you.

Sincerely,



Md. Hasanul Haque
Deputy Company Secretary

STATEMENT REGARDING FORWARD LOOKING APPROACH

The Annual Report contains some forward looking statements in regards to business environment and its likely effect in the financial position of Midland Bank Limited. Statements which are not historical facts including statement of MDB's trust, expectation are forward looking statements. Forward looking statement involves inherent risks and uncertainties. Some factors may actually cause to differ and some may significantly diverge from the forward looking methodology. Some of the factors that may distress the business environment are given below:

- Higher rate in Corporate Tax on Bank's profit.
- Increase in the rate of withholding Tax and VAT on banking services.
- Changes in the overall economic condition resulting from natural calamities and political instabilities.
- Changes in government policies.
- Over-burden of SLR as a PD Bank.
- Impact of high CRR and SLR of the Banks.
- Withdrawal/Decrease of incentive given to some thrust sectors which may make projects slow moving.
- Directives to reduce the lending rates to finance essential items.
- Upsurge in provisioning requirement may reduce the ROA and ROE.
- Dropping the margin ratio for investment accounts.
- Changes in interest rate.
- Sluggish capital market arising from rumours.
- Compliance issues raised by the international forums which are likely to effect the export growth.
- Rise in international prices of essentials goods which may result in volatility in Foreign Exchange Market.
- Risk management of lending portfolio often requires stress testing which is based on sophisticated mathematical tools and cannot solely be dependent on existing MIS. The level of technology in banking industry is yet to acquire that sophistication.

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MDB, AN INSPIRING PARTNER FOR YOUR GROWTH

A desire to serve the people of the new age must be seated at the heart of their needs, tastes and trends. This is where Midland Bank Limited (MDB) has anchored its presence as a fourth generation private commercial Bank with a resolute zeal to be A Bank of Your Choice as an abiding corporate citizen well revered by the community. A stream of fast delivery channels propped up by cutting-edge tools and technologies have branded us a friendly financial service provider with a basket of customer friendly products, services and solutions. Customer to us is an obsession and a rewarding experience, the very moment we have the privilege of having the pleasure of their company into our Bank on the wheels of mobile, online, internet and branch channels.

Setting out to harvest the ocean of possibilities, the Bank established itself with a strong capital base, appreciably high enough to weather any economic downturn. Midland Bank Limited was incorporated on March 20, 2013 under the Companies Act 1994 as a Public Company limited by shares for conducting all types of banking activities with Paid-up Capital of BDT 4,000 million. The Company was issued Certificate of Commencement of Business on the same day and embarked on regular banking operation on June 20, 2013 at the Dilkusha Corporate Branch. The Company is entitled to carry out all types of commercial banking activities including money market operation.

The speed of technology and centralized procedures, the wisdom of experts and the foresight of the Board are aptly combined in MDB to propel it to heights of success across regions and beyond borders. Having sprouted from a single Branch at Dilkusha, Dhaka, nearly two years ago, the Bank has been constantly stretching out its reaches and network that now include 11 Branches, 05 ATMs, 01 Contact Centre along with branchless automated touch-points on internet, mobile and globally accessible debit and credit cards. Headquartered in Gulshan, Dhaka, the Bank undertakes international business through a global network of Foreign Correspondent Banks. Over a short span, it has successfully established rewarding partnership with large businesses, renowned corporates, small & medium enterprises (SME), agri farms & farmers as well as individuals from the retail segment.

The Bank takes pride in its human capital as the best fit for their job because of their performance record, expertise in respective fields of operations and has an insatiable passion to work and excel. Over time, with steady focus on increasing profitability, inclusive growth, capital strength and deep respect for the community, MDB has emerged as a major force in the Banking industry of the country. Our aspiration to become one of the country's leading new generation Banks is ambitious and dedicated to the interests of our respected shareholders. Having positioned the Bank for the future, we are certain of being on the right path creating value for our stakeholders, economy, environment and society.

If you think of a Bank, think Midland. We want to be your financial ally - understanding your need and finding solution for your banking needs.



VISION

We seek to be the first choice of our customers as a distinct financial service provider, trusted, respected and valued by all stakeholders within the region and beyond pursuing an endless voyage towards excellence in every respect.

MISSION

We always strive –

- To continuously provide quality banking service with enhanced customer focus and innovate a wide variety of need based products with widely popular solutions.
- To achieve supremacy in customer service through state-of-the-art delivery channels and user-friendly tools and technology.
- To sharpen leadership with the standard of a learning organization well supported by the finest team of banking experts and professionals.
- To maintain a healthy and diversified financial profile for inclusive economic growth.
- To be a responsible social enterprise by effectively blending commercial pursuits with social banking.
- To be the benchmark for the regulators in terms of compliance, corporate governance and ethics.
- To build long-term shareholder value with consistent growth momentum.

CORPORATE VALUES

Customer Centricity

We are a listening and caring partner.
We continuously improve our efficiency to serve customer better.
We focus on solutions and deliver on our promises.

Quality

We strive to exceed expectations.
We take delight in delivering high standards in all areas of operations.
We do not compromise with our service standard.

Togetherness

We value teamwork and work together to succeed.
We support each other in our journey to excellence.
We draw strength from our diversity and synergy.

Mutual Respect

We treat our customers and colleagues with respect.
We inspire each individual so that we can make a difference.
We recognize achievement and ensure rewards and fair returns for all.

Integrity

Integrity and ethics is the hallmark of our banking relationship.
We prefer truth, justice and fair-play above all means.
We do business on a win-win proposition.

Responsible Citizenship

We are Tax compliant.
We are committed to corporate governance and internal control and compliance.
We are respectful to the laws and values of the land.

Building the Future

We believe in real and sustainable benefit.
We are going green to protect our planet and our environment.
We keep building a family with our employees, shareholders, customers and community.

STRATEGIC GOALS

Balance Sheet Focus: Our top priority is a resilient and fortress Balance Sheet based on solid provisioning and sustainable profitability.

Capital Strength: We ensure that our Bank is adequately capitalized to weather any financial downturn and look forward to meeting new norms as they phase in.

Cost Control: We emphasize efficient and competitive cost management without compromising our quality and maximize profitability through planned reduction in cost of funds, increased yield on advances and investments besides downsizing the cost of operations through technological leverage.

Risk Mitigation: We manage financial as well as non-financial risks to optimize profitability through effective risk management and internal control system.

Innovative Banking: We inspire innovation in product, process and market as the root for growth as much as technology as the prime agent for change.

Business Diversification: We continue to diversify our portfolio into leading corporate, large businesses, SMEs, agriculture and retail customers to come together in a more sensible way.

A Better Human Force: We adore our employees and foster their growth as the future force with constant training and development.

For a Green Living Habitat: We are careful about the community and the environment and exert effort to make our homeland a green living habitat for all.

CUSTOMER CHARTER

- We have a commitment to the customers to build long-term beneficial relationship supported by mutual respect, pursuit of excellence and integrity.
- We undertake to understand our customers' needs and demands, and use all means to live up to their expectations.
- We are aware of our contractual commitments and obligations with our customers and meet the terms of agreements with due diligence.
- We pursue good common practices and digital procedures for customers' comfort and put a grievance redressal system in place to mitigate their complaints.
- If there is any disagreement, we step forward to seek a speedy and equitable solutions framed in the context of long-term and enduring relationship.
- We have Product Policy Guidelines (PPG) outlining the guiding principles in respect of various products and services offered by the Bank and the terms and conditions governing the conduct of the accounts.
- We enforce greater transparency in dealing with individual customers and create awareness among customers of their rights.
- We create customer value, loyalty and equity, which add to customer delight over a lifetime of patronage.

ETHICAL PREFERENCES

- We ensure full compliance with the laws of the land.
- We exercise zero tolerance to misconduct and corruption.
- We speak up when we sense any breach of rules and regulations.
- We stay compliant on Anti Money Laundering and Combating Financing of Terrorism guidelines and other prudential regulations.
- We sustain confidentiality of our customers and fidelity to our principles.
- We do not go beyond the bounds of our banking business.
- We always look forward to sustainable means, free of risks and full of returns.

CORPORATE INFORMATION

Name of the Company Midland Bank Limited	Authorized Capital BDT 10,000 million	Chairman Mr. M. Moniruzzaman Khandaker
Legal Form Public Limited Company	Paid-up Capital BDT 4,000 million	Vice Chairman Mrs. Nilufer Zafarullah, MP
Registered Office N.B. Tower (Level 6 to 9), 40/7 North Avenue, Gulshan 2, Dhaka 1212	Total Capital (Tier-i & ii) BDT 4,122 million	Managing Director & CEO Mr. Md. Ahsan-uz Zaman
		Deputy Managing Director Mr. Khondoker Nayeemul Kabir
Date of Incorporation March 20, 2013	Total Asset BDT 15,107 million	Chief Risk Officer Mr. Khondoker Nayeemul Kabir
Formal Inauguration June 20, 2013	Statutory Reserves BDT 24 million	Chief Financial Officer Mr. Md. Zahirul Islam, FCA
Company Registration No. C-108070/13	Capital Adequacy 43.95%	Deputy Company Secretary Mr. Md. Hasanul Haque
Bangladesh Bank Permission No. BRPD (P-3)745(67)/2013-1665	Earnings Per Share BDT 0.087	Head of Internal Control & Compliance Mr. Mohammad Syejuddin Ahmmed
Core Banking Activities : All Types of Commercial Banking Activities Money Market Operations Financial Intermediary Services Any Related Financial Services	Net Asset Value Per Share BDT 10.12	Auditors S.F. Ahmed & Co., Chartered Accountants
	Accounting Year-end December 31	Credit Rating Agency Credit Rating Information & Services Limited (CRISL)
Delivery Channels Branches 11 ATMs 05 Real-time Online Banking Internet Banking Mobile Banking Debit/ Credit Card with Global Access Shared Network across the Country	Credit Rating Short Term : ST-3 Long Term : BBB	SWIFT Code MDBLBDDH
	Total Manpower Employee : 198 Support Staff : 146 Total : 344	Website www.midlandbankbd.net

TIMELINE AND MILESTONES

SL	Description	Date of Commencement
01	Letter of Intent	April 17, 2012
02	Certificate of Incorporation	March 20, 2013
03	Certificate of Commencement	March 20, 2013
04	Approval for Opening Head Office	April 09, 2013
05	Gazette Publication	April 10, 2013
06	First Press Conference	April 27, 2013
07	First Branch (Dilkusha Corporate Branch)	June 20, 2013
08	BACH Operation	July 30, 2013
09	BEFTN Operation	September 02, 2013
10	SWIFT Operation	September 08, 2013
11	Debit Card	November 03, 2014
12	Internet Banking	September 11, 2014



YEAR 2014: MDB PERFORMANCE HIGHLIGHTS

MDB Growth across Business Areas				BDT	
● Profit after Tax	up	221%	to	34.67	million
● Asset	up	101%	to	15,107	million
● Deposit	up	192 %	to	8,479	million
● Advance	up	255%	to	6,500	million
● Shareholders' Equity	up	0.65%	to	4,049	million
● Inward Remittance	up	100%	to	23.47	million
● SME Loans	up	474%	to	1, 212	million
● Earnings Per Share	up	61%	to	0.087	
● NPL Ratio	Nil				
● Capital Adequacy Ratio	43.95% against minimum requirement of 10%				
Financial Inclusion					
● Total Customers	up	145%	to	15,091	
● Total Number of Branches	up	120%	to	11	
● Total Number of ATMs		100%	to	5	
Green Banking Progress					
● Green Banking Policy approved by the Board					
● Green Banking Unit set up in Head Office					
● Annual Budget for green banking					
● Online paper less banking at all Branches					
● Green financing products for eco-friendly and energy efficient projects					
● E-recruitment system					
● Green marketing services to the customers					
● Green banking report at quarterly interval					

CREDIT RATING REPORT

Long Term	BBB (Indicating moderate degree of safety for timely repayment of financial obligation)
Short Term	ST-3 (Indicating sound liquidity factors & company fundamentals and good certainty of timely payment)
Date of Declaration of Rating	June 30, 2014

Credit Rating Information and Services Limited (CRISL) has assigned 'BBB (Triple B)' rating in the Long Term and 'ST-3' rating in the Short Term to Midland Bank Limited in consideration of financials up to December 2013 and other operational performance up to the date of rating i.e. on June 30, 2014.

MDB FINANCIAL PERFORMANCE & RATIOS: Two Years Overview

BDT in million unless otherwise specified)

	2014	2013	% Change
INCOME STATEMENT			
Interest income	970.82	347.43	179%
Interest expenses	623.73	146.02	327%
Net interest income	347.09	201.40	72%
Investment income	217.07	4.27	4948%
Commission, exchange and brokerage	40.37	2.39	1583%
Operating Income	623.24	209.25	198%
Operating expenses	464.50	172.85	169%
Profit before provision and tax	158.74	36.40	336%
Provision for loans and assets	57.55	17.64	226%
Tax including deferred tax	66.51	7.98	742%
Profit after tax	34.67	10.79	221%
BALANCE SHEET			
Authorized capital	10,000	10,000	0%
Paid-up capital	4,000	4,000	0%
Total shareholders' equity	4,049	4,023	1%
Deposits	8,479	2,902	192%
Loans and advances	6,500	1,831	255%
Investments	2,986	521	473%
Fixed Assets	166	90	84%
Earning assets	13,750	6,848	101%
Total assets	15,107	7,532	101%
Total liabilities	11,058	3,509	215%
Total Off-balance Sheet Item	1,263	158	699%
FOREIGN EXCHANGE BUSINESS			
Import	2,758.78	144.44	1,810
Export	465.23	76.99	504%
Inward Foreign Remittance	23.47	-	100%
CAPITAL MEASURES			
Risk Weighted Assets	9,380	4,134	127%
Core Capital (Tier-I)	4,045	4,011	1%
Supplementary Capital (Tier-II)	77	24	235%
Total Capital	4,122	4,034	2%
Capital Surplus/(Deficit)	3,184	3,621	-12%
Tier I Capital ratio	43.13%	97.03%	-56%
Tier II Capital ratio	0.82%	0.57%	44%
Total Capital Adequacy ratio Basel-II	43.95%	97.60%	-55%

MDB FINANCIAL PERFORMANCE & RATIOS: Two Years Overview

	2014	2013	% Change
CREDIT QUALITY			
Non-performing loans (NPL volume)	-	-	0%
NPL to total loans and advances (%)	-	-	0%
Provision for unclassified loans	63	16	294%
Provision for classified loans	Nil	Nil	0%
SHARE INFORMATION			
Earnings Per Share (BDT)	0.087	0.054	0.03
No. of Shares Outstanding	400 million	400 million	-
No. of Shareholders	32	32	-
Net Assets Value Per Share (BDT)	10.12	10.06	0.07
PROFITABILITY & PERFORMANCE RATIO			
Net Interest Margin (NIM)	8.33%	11%	-24%
Advance to Deposit Ratio	76.66%	63.10%	13.56%
Cost to income ratio	74%	82%	-0.08
Cost of funds on average deposits	10.00%	12.18%	-2.18%
Return on average assets	0.23%	0.14%	0.09%
Return on average equity	0.86%	0.27%	0.59%
Cash Reserve Ratio	6.80%	8%	-1.58%
Statutory liquidity Ratio	45.67%	29%	16.89%
OTHER INFORMATION			
No. of branches	11	5	120%
Number of ATM	5	2	150%
No. of employees	198	150	48
No. of foreign correspondents	40	25	60%
No. of Nostro Accounts	No. of Accounts 09 No. of Currency: 04 (EUR, USD, GBP, JPY)	No. of Accounts 06 No. of Currency: 04 (EUR, USD, GBP, JPY)	50%

THE BOARD OF DIRECTORS



THE BOARD OF DIRECTORS



Mr. M. Moniruzzaman Khandaker
Chairman



Mrs. Nilufer Zafarullah, MP
Vice Chairman



Dr. Kazi Shahidullah
Director



Ms. Scherezad Joya Monami Latif
Director



Mr. Abdullah Ahmed Yousuf
Director



Kazi Omar Zafar
Director



Master Abul Kashem
Director

THE BOARD OF DIRECTORS



Mr. Mohammad Jamal Ullah
Director



Al-Haj Mohammed Issa Badsha
Director



Mr. Ahsan Khan Chowdhury
Director



Mr. Md. Wahid Miah
Director



Mr. Rezaul Karim
Nominee Director of
Reedisha Knitex Ltd.



Mr. Abdul Majid Mondol, MP
Nominee Director of
Mondol Fabrics Ltd.



Mr. Md. Shamsuzzaman
Nominee Director of
Liberty Knitwear Ltd.



Mr. Md. Motaleb Hossain
Nominee Director of
That's It Sportswear Ltd.



Mr. Md. Belal Hossain
Nominee Director of
Refat Garments Ltd.

THE BOARD OF DIRECTORS



Al-Haj Mohammed Helal Miah
Nominee Director of
Hazrat Amanat Shah Spinning Mills Ltd.



Mr. A.K.M. Badiul Alam
Nominee Director of
Garments Export Village Ltd.



Mrs. Luna Sarker
Nominee Director of
Beq Knit Ltd.



Mr. Md. Badsha Mia
Nominee Director of
Badsha Textiles Ltd.



Mr. Md. Ahsan-uz Zaman
Managing Director & CEO

THE EXECUTIVE COMMITTEE OF THE BOARD



Mr. Rezaul Karim
Chairman



Kazi Omar Zafar
Member



Master Abul Kashem
Member



Mr. Ahsan Khan Chowdhury
Member



Mr. A.K.M. Badiul Alam
Member



Al-Haj Mohammed Helal Miah
Member



Mr. Md. Badsha Mia
Member

THE BOARD AUDIT COMMITTEE



Dr. Kazi Shahidullah
Chairman



Al-Haj Mohammed Issa Badsha
Member



Mr. Md. Wahid Miah
Member



Mr. Md. Shamsuzzaman
Member



Mr. Md. Motaleb Hossain
Member

THE RISK MANAGEMENT COMMITTEE OF THE BOARD



Mr. Md. Shamsuzzaman
Chairman



Mr. Mohammad Jamal Ullah
Member



Mr. Ahsan Khan Chowdhury
Member



Mr. Md. Belal Hossain
Member



Mrs. Luna Sarker
Member





DIRECTORS' PROFILE

DIRECTORS' PROFILE



Mr. M. Moniruzzaman Khandaker
Chairman

Founder Chairman Mr. M. Moniruzzaman Khandaker was born in 1940 in a respectable Muslim family in Comilla. He had his schooling in local educational institutions and obtained B.Com (Hon's) Degree, M.Com Degree, L.L.B. Degree from Dhaka University and completed courses in Taxation Management from London School of Economics (LSE). With a career spanning over fifty years, Mr. Moniruzzaman has vast experience in Taxation, VAT, Customs and Banking. Mr. Moniruzzaman Joined Pakistan Civil Service in 1965, eventually retiring as a Member of the National Board of Revenue in 1998. He was a Director of Bangladesh Commerce Bank Ltd. and served three terms as the Chairman of Karmashangstan Bank. He also served as the Legal Advisor of the City Bank Limited. His firm, 'Khandaker & Associates' is the top Fiscal Law Firm in the country having notable figures of the society as clients. He is the Tax Law Advisor to the Honorable Prime Minister Sheikh Hasina for twenty eight years running.

Mr. M. Moniruzzaman has obtained numerous trophies and accolades for his outstanding contribution to the society and national development. Among others, he won Srijan Atish Dipankar Award in 1990, Sher-e-Bangla Smriti Purashkar in 2009 and Poet Abu Zafar Obaidullah Khan Award in 2012.

Apart from being a lawyer of repute and a dynamic visionary leader, he is also a prominent figure in the social sphere and passionate about education. His social commitment and passion for education came through establishing 'Baputy Para Balika Biddaloy' and 'Dr. Sabrina Vocational Women's College', all of which provides quality education for women in the District of Comilla.



Mrs. Nilufer Zafarullah, MP
Vice Chairman

Mrs. Nilufer Zafarullah, MP is the Vice Chairman of Midland Bank Ltd. She is an Honorable Member of 10th Parliament of the People's Republic of Bangladesh. An Architect by profession, Mrs. Zafarullah has contributed to education and development for over 25 years. She is renowned for her humanitarian efforts. She is a member of the Board of Trustees of Independent University Bangladesh (IUB) and Chittagong Independent University (CIU). She is a Director of Hong Kong Shanghai Manjala Textiles Ltd. and Donor Trustee of Begum Zebunnesa & Kazi Mahabubullah Jono Kallyan Trust.

As a life member of Zonta International, a worldwide organization for executives in the business profession, Mrs. Nilufer Zafarullah provided her services to improve legal, political, economic, health and professional status of women at the global and local levels. Her leadership competence was evident when she served Zonta International District 25, comprising of Bangladesh, India, Nepal and Srilanka Area 02 as Director and District 25 as Lt. Governor from 1994-96 and 2006-08 respectively.



Dr. Kazi Shahidullah
Director

Dr. Kazi Shahidullah is a Sponsor Director and the Chairman of the Board Audit Committee of Midland Bank Limited. Dr. Shahidullah is a well known academic and is currently a Professor of History at Dhaka University. He was previously Vice-Chancellor of National University from 2009 to 2013. Professor Kazi Shahidullah holds an M.A. degree from the University of British Columbia and a Ph.D from the University of Western Australia. He is an active member of the community and a proponent of higher education. Dr. Shahidullah participated in many high profile seminars and workshops at home and abroad. He is associated with various social and cultural organizations. He is a life member of Begum Zebunnesa & Kazi Mahabubullah Jono Kallyan Trust and Asiatic Society of Bangladesh.



Ms. Scherezad Joya Monami Latif

Director

Ms. Scherezad Joya Monami Latif is a Sponsor Director and a member of Board Audit Committee of Midland Bank Ltd. She has a Ph.D from Columbia University. She currently serves at the World Bank. Apart from her employment, Ms. Monami has considerable social affiliations. She has travelled widely across Asia, Europe and North America on business and personal trips. With a compassion for the underprivileged, she is involved in various philanthropic works in the community. She is a Donor Trustee of Begum Zebunnessa and Kazi Mahabubullah Jono Kallayan Trust.



Mr. Abdullah Ahmed Yousuf

Director

Mr. Abdullah Ahmed Yousuf is a Sponsor Director of Midland Bank Ltd. He holds a B.Sc (Hons) and M.Sc in Geography from Dhaka University. He is a proponent of higher education and is currently teaching in Auckland, New Zealand. Mr. Ahmed is associated with various CSR initiatives. He is a Donor Trustee of Begum Zebunnessa and Kazi Mahabubullah Jono Kallayan Trust.



Kazi Omar Zafar
Director

Kazi Omar Zafar is a Sponsor Director and a member of Executive Committee of Midland Bank Ltd. After completing B.F.A. Degree from Clark University in the USA, Mr. Kazi Omar Zafar started his career as the Managing Director of Refresh 360 Ltd. He is one of the Directors of Hong Kong Shanghai Manjala Textiles Limited. He is an energetic and promising entrepreneur who has numerous business interests in Bangladesh and abroad. Mr. Omar is compassionate about social responsibility and contributes to philanthropic services for the underprivileged women and children. This apart, he has affiliation with a number of social groups. He has visited a good number of countries across the globe on different occasions of businesses. He is a donor trustee of Begum zabunnessa and Kazi Mahabubullah Jono Kallayan Trust.

Chairman :

- * Kalypso Ltd.



Master Abul Kashem
Director

Master Abul Kashem is a Sponsor Director and a member of Executive Committee of Midland Bank Ltd. He has over 25 years of experience in the Steel industry. He was the highest tax payer in Chittagong District for three consecutive years - 2009, 2010 & 2011. He is a member of the Chittagong Institute Ltd. and a Life Member of Sitakunda Samity and Maa-O-Shishu Hospital. He is an Ex-member of the Executive Committee of Bangladesh Ship Breakers Association, Ex-president of Shitalpur High School and Shitalpur Gouchia Madrasha.

Currently he is associated with the following organizations :

Chairman :

- * K.S. Associates Ltd.

Proprietor :

- * Mak Corporation
- * Master Steel Re-Rolling Mills

Managing Director :

- * Mother Steel Ltd.

Shareholder:

- * AIBL Capital Market Services Ltd.



Mr. Mohammad Jamal Ullah
Director

Mr. Mohammad Jamal Ullah is a Sponsor Director and a member of Risk Management Committee of Midland Bank Ltd. His main business interests include manufacturing and trading of commodities. He earned notable fame in the business community for his integrity, devotion and sincerity for a span of 35 years. Mr. Mohammad Jamal Ullah has deep affinity and attachment with various socio-cultural organizations.

Currently he is associated with the following organizations :

Director:

- * Asia Insurance Ltd.

Managing Director :

- * Silver Dal Mills Ltd.
- * Ishfar Oil Mills Ltd.
- * Rupali Soap and Chemical Industries (Pvt.) Ltd.

Proprietor :

- * Bismillah Store

Life Member :

- * Chittagong Maa-O-Shishu Hospital
- * Chittagong Diabetic General Hospital



Al-Haj Mohammed Issa Badsha
Director

Al-Haj Mohammed Issa Badsha is a Sponsor Director and a member of Board Audit Committee of Midland Bank Limited. He is renowned businessman of Chittagong region with more than 22 years of experience in manufacturing sector. He has also business interests in ship breaking and local trading. He donates generously to various humanitarian causes each year. Mr. Issa Badsha is a 'Life Member' of Maa O Shishu Hospital, Chittagong Diabetic General Hospital, Chittagong Kidney Foundation, Chittagong Samitti Dhaka, Chittagong Metropolitan Shooting Club, Chittagong Press Club and Bhattary Golf & Country Club. He is also a 'Permanent Member' of Chittagong Club, Chittagong Boat Club, Chittagong Metro politan Lions Club and Chittagong Sniors Club Ltd. He is also a member of The Chittagong Co-operative Housing Society Ltd, Chittagong Jela Kira Sangstha and The Chittagong Chember of Commerce & Industry.

Currently he is associated with the following organizations :

Managing Director:

- * Badsha Group
- * Azan Ltd.

Proprietor:

- * Zuma Enterprise
- * Badsha Oil Mills & Soap Factory
- * M.M Enterprise
- * Musa & Issa Bros.



Mr. Ahsan Khan Chowdhury
Director

Mr. Ahsan Khan Chowdhury is a Sponsor Director and a member of the Executive Committee and Risk Management Committee of Midland Bank Limited. After completing his Bachelor's Degree from USA, Mr. Ahsan Khan Chowdhury started his career as the Director of PRAN-RFL group in 1992. He is currently the Chief of Operations and the Deputy Managing Director of the Group. With his interests in Light Engineering, PVC and plastic products, RFL established as a brand and became the largest manufacturer of cast iron, PVC and plastic goods. On the other hand, under the brand name PRAN, the company became the largest agro based food and beverage processor in Bangladesh. The Group comprises of 30 companies with more than 60,000 employees. The Group was awarded best exporter's trophy for nine years in a row. Mr. Ahsan, with his dynamic leadership, was instrumental behind the success of PRAN-RFL Group.

Currently he is associated with the following organizations :

Managing Director :

- * Rangpur Foundry Ltd.

Deputy Managing Director :

- | | |
|---------------------------------|------------------------------------|
| * Agriculture Marketing Co Ltd. | * Banga Trading House Ltd. |
| * PRAN Foods Ltd. | * Banga Agro Processing Ltd. |
| * PRAN Agro Ltd | * PRAN Agro Business Ltd. |
| * PRAN Dairy Ltd. | * PRAN Confectionery Ltd. |
| * PRAN Beverage Ltd. | * Packmat Ind Ltd. |
| * Maymenshing Agro Ltd. | * Rangpur Metal Ind Ltd. |
| * PRAN Exports Ltd | * Natore Agro Ltd. |
| * RFL Plastics Ltd. | * Banga Millers Ltd. |
| * Durable Plastics Ltd. | * Banga Bakers Ltd. |
| * Banga Build. Mate. Ltd. | * Banga Plastic International Ltd. |
| * Property Dev. Ltd. | * Allplast Bangladesh Ltd. |
| * Get Well Ltd. | * Habiganj Agro Ltd. |
| * Habiganj Textiles Ltd. | * Bangladesh Lift Industries Ltd. |
| * Chorka Textile Ltd. | * Sylvan Technologies Ltd. |
| | * Sylvan Agriculture Ltd. |
| | * Habiganj Plastics Ltd. |



Mr. Md. Wahid Miah
Director

Mr. Md. Wahid Miah is a Sponsor Director and a member of Board Audit Committee of Midland Bank Limited. He is a very successful businessman and has over 30 years of experience in Textiles, Garments and Jute industry of the country. Under his dynamic Management Karim Jute Spinners Ltd. was awarded 'Agrani Bank Trophy' for being best export performers in 2010 and won the 2011 'National Export Trophy' for the largest exporters of Jute yarn. Mr. Wahid Miah is a humanitarian who is passionately involved in encouraging social awareness. Mr. Wahid regularly donates to educational institutions and promotes women's education. He is one of the largest donors to Muslim Missions and educational institutions. He is a life member of Faridpur Diabetic Samitee and an Executive Member of Bangladesh Textile Mills Association.

Currently he is associated with the following organizations :

Director:

- * Karim Jute Spinners Ltd.
- * Hypoid Composite Knit Ltd.

Life Member:

- * Heart Foundation, Faridpur
- * Sufi Club, Faridpur.

Managing Director :

- * Al Haj Karim Textiles Ltd.
- * Abdul Karim Ltd.
- * Jobaida Karim Jute Mills Ltd.

President:

- * South Bengal Patrol Pump Owners Association

Proprietor :

- * M/S Md. Wahid Miah
- * Jobaida Filling Station
- * J.K. Filling Station
- * Karim Trading
- * Karim Filling Station
- * Karim Shipping Lines

Executive Member:

- * Tarar Mela Ishan Memorial School, Faridpur
- * Faridpur Club, Faridpur
- * Faridpur Chamber of Commerce & Industries
- * Shadgan Nessa Mohila Madrasa, Faridpur
- * Faridpur Club Ltd.
- * Bangladesh Contractor Association
- * Bangladesh Bus-Track Owners Association
- * Faridpur Bus Owners Association
- * Faridpur Track Owners Association

Joint Secretary :

- * Bangladesh Petroleum Tankers Owner Association
- * Faridpur Muslim Mission, Faridpur

Sponsor:

- * Faridpur Diabetic Shametti, Faridpur

Honorable Member:

- * Bangladesh Jute Spinners Association
- * Dhaka Club, Dhaka



Mr. Rezaul Karim
Director

Mr. Rezaul Karim is a Member of Board of Directors of Midland Bank Limited as the Nominee Director of Reedisha Knitex Ltd. Mr. Rezaul Karim is the Chairman of the Executive Committee of the Bank. He is a renowned business personality in Bangladesh and contributes to the nation by leading different business and social organizations. He is the current Secretary General of Bangladesh Cosmetics and Toiletries Manufacturers Association. He is also a Director of Bangladesh Textile Mills Association, South Asia Foundation and the Chairman of Southeast University.

Currently he is associated with the following organizations :

Director :

- * Chartered Life Insurance Company Ltd.
- * Bangladesh Textile Mills Association (BTMA)

Proprietor :

- * Reedisha Trading and Distribution Company

Chairman :

- * Board of Trustees Southeast University
- * Bangla Tel Ltd.
- * Jibondhara Solutions Ltd.
- * BD Link Communication Ltd.

Vice Chairman :

- * Islami Commercial Insurance Company Ltd.

Managing Director :

- * Kohinoor Chemical Company (BD) Ltd.
- * Reedisha Knitex Ltd.
- * P.A. Knit Composite Ltd.
- * Reedisha Spinning Ltd.
- * Reedisha Textstripe Ltd.
- * Reedisha Printing and Packaging Ltd.
- * Reedisha Blended Yarn Ltd.
- * QSS Shipping Lines Ltd.

Adviser:

- * Banani Society and Gulshan Joggers Society

Member:

- * Dhaka Chamber of Commerce & Industry (DCCI)
- * India- Bangladesh Chamber of Commerce & Industry (IBCCI)
- * Bangladesh Garments Manufacturers and Exporters Association (BGMEA)
- * Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA)
- * Banani Club Ltd.



Mr. Abdul Majid Mondol, MP
Director

Mr. Haji Abdul Majid Mondol, MP is a Member of Board of Directors of Midland Bank Limited as a Nominee Director of Mondol Fabrics Ltd. He is an Honorable Member of 10th Parliament of the People's Republic of Bangladesh. Mr. Mondol has over 30 years of experience in 'Textiles and Garments' industry. He was also the Administrator of Sirajgonj Zilla Parishad, Sirajgonj prior to be elected as MP. He is the chairman of Mondol Group of Industries which includes several "100% Export oriented ready made garments industries" and large scale garments accessories factories, in addition, he owns brokerage houses. He has been a selected CIP by the Government of Bangladesh for many years. Mr. Mondol is renowned for his humanitarian and proponent of social awareness. He contributes a handsome amount every year to humanitarian causes such as better education for children, better health care and eradicating poverty. Recently he has established a foundation namely "Hazi-Abdul Mojid Mondol Foundation" to harmonize the philanthropy activities. As a personal initiative, employees working for his group of companies, receives full life insurance, accident insurance, leave assistance, financial assistance and other benefits, for which he spends over 10% of his personal income. Mondol Group has been awarded numerous Gold, Bronze and Silver trophies by the Government of Bangladesh for business excellence. The Group also received several international awards for 'Quality' from Europe and America.

Currently he is associated with the following organizations :

- | | |
|---------------------------|--------------------------------------|
| * Montex Fabrics Ltd | * Trims International (BD) Ltd. |
| * Mark Sweater Ltd. | * Appollo Fashions Ltd. |
| * Mon Trims Ltd. | * Appollo Packaging (BD) Ltd. |
| * Mondol Yarn Dyeing Ltd. | * Appollo Knitwears (BD) Ltd. |
| * Mondol Fabrics Ltd. | * Cotton Clothing (BD) Ltd. |
| * Cotton Field (BD) Ltd. | * Mondol Intimates Ltd. |
| * Mondol Fashions Ltd. | * Tropical Knitex Ltd. |
| * Mondol Securities Ltd. | * Mondol & Co. Ltd. |
| * Mondol Knitwares Ltd. | * Haji-Abdul Majid Mondol Foundation |
| * Mondol Apparels Ltd. | * Alim Knit (BD) Ltd. |
| * Cotton Club (BD) Ltd. | * Mondol Knit Tex Ltd. |
| * Cotton Clout (BD) Ltd. | |



Mr. Md. Shamsuzzaman
Director

Mr. Md. Shamsuzzaman is a Member of Board of Directors of Midland Bank Limited as a Nominee Director of Liberty Knitwear Ltd. Mr. Md. Shamsuzzaman is the Chairman of the Risk Management Committee and Member of the Audit Committee of the Bank. He is a Textile Engineer and prominent industrialist of Bangladesh. Mr. Shamsuzzaman is active in many community development and social service programs.

Currently he is associated with the following organizations :

Managing Director :

- * Liberty Knitwear Ltd.
- * Orient Chem-Tex Ltd.
- * Micro Fibre Ltd.
- * Midland Knitwear Ltd.
- * A-One Polar Ltd.
- * Tangon Garments Ltd.
- * Tubingen Chemicals (BD) Ltd.
- * Fortune Chemical (BD) Ltd.
- * Sungarh Tex Ltd.

Shareholder :

- * Shajibazar Power Co. Ltd.



Mr. Md. Motaleb Hossain
Director

Mr. Md. Motaleb Hossain is a Member of Board of Directors of Midland Bank Limited as a Nominee Director of That's It Sportswear Ltd. He is a Member of Board Audit Committee of the Bank. He is a dynamic businessman with over 30 years of experience in various industries.

Currently he is associated with the following organizations :

Managing Director :

- * Modern Cargo Carrier Ltd.
- * Bango Engineering Co. Ltd.
- * Modern Washing & Dye Ltd.
- * M.H. Jute Mills Ltd.
- * M. H. Trouser Line Ltd.
- * Explore Lingerie Ltd.



Mr. Md. Belal Hossain
Director

Mr. Md. Belal Hossain is a Member of Board of Directors of Midland Bank Limited as a Nominee Director of Refat Garments Ltd. He is a member of Risk Management Committee of Bank. He is a promising businessman with over 20 years of experience. Mr. Belal Hossain has been playing a commendable role in social welfare and community development.

Currently he is associated with the following organizations :

Managing Director :

- * Next Collections Ltd.

Director :

- * Bango Engineering Ltd.



Al-Haj Mohammed Helal Miah
Director

The founder Chairman of Amanat Shah Group Al-Haj Mohammed Helal Miah, is the member of Board of Directors and Executive Committee of Midland Bank Ltd. as a nominee Director of Hazrat Amanat Shah Spinning Mills Ltd. He started his business career in the field of textile. He dreamed to brand Bangladeshi Lungi internationally and became successful. As recognition he was awarded CIP. He integrated and diversified his business in spinning, weaving, dyeing, processing and stock brokering. He is a successful industrialist and a renowned business man with an experience over 30 years in the field of Textiles and Capital Market. He is the founder President of Bangladesh Lungi Manufacturers Traders and Exportes Association. He is a member of Board of Governors of South East University and Narsingdi Model School. He contributes to the nation with high quality education. He is a Life Member of Bangladesh Red Crescent Society Narsingdi, Bangladesh Diabetics Society Narshingdi, Narshingdi Club and Narshingdi Foundation. Moreover he is 'Life Advisor' of Narshingdi Chamber of Commerce.

At present he belongs to the following organizations:

Managing Director :

- * Hazrat Amanat Shah Spinning Mills Ltd.

Chairman and Managing Director :

- * Amanat Shah Weaving & Processing Ltd.
- * Standard Company Ltd.

Chairman :

- * Hazrat Amanat Shah Securities Ltd.

Director :

- * Fareast Islami Life Insurance Company Ltd.

Proprietor :

- * M/S. Helal & Brothers



Mr. A.K.M. Badiul Alam
Director

Mr. A.K.M. Badiul Alam is a Member of Board of Directors of Midland Bank Limited as a Nominee Director of Garments Export Village Ltd. Mr. Badiul Alam is a member of the Executive Committee of the Bank. He has a very successful business personality with interest in diversified fields. He donates generously to various humanitarian causes each year. He is also a patron of different socio-cultural organization of the country.

Currently he is associated with the following organizations :

Chairman :

- * Garments Export Village Ltd.
- * Power Vantage Wear Ltd.
- * Amtranet Ltd.
- * Kasba Mohila University & College
- * Kasba Poaura High School

Director :

- * Shajibazar Power Company Ltd.
- * Eden Multicare Hospital Ltd.
- * Zenith Islami Life Insurance Ltd.
- * Petromax Refinery Ltd.



Mrs. Luna Sarker
Director

Mrs. Luna Sarker is a Member of Board of Directors of Midland Bank Limited as a Nominee Director of Beq Knit Ltd. She is a member of the Risk Management Committee of the Bank. She possesses excellent business background.

Currently she is associated with the following organizations:

Chairman :

- * Beq Fabrics (Pvt) Ltd.
- * Tammam Design Ltd.
- * Lusaka Fashion Ltd.

Director :

- * Beq Knit Ltd.
- * Beq Sweater Ltd.
- * C.K. Sweaters Ltd.
- * Legato Services Ltd.



Mr. Md. Badsha Mia
Director

Mr. Md. Badsha Mia is Member of Board of Directors of Midland Bank Limited as a Nominee Director of Badsha Textiles Ltd. He is also a member of Executive Committee of the Bank. He is renowned businessman since 1977 with over 38 years experience in the Textiles and Garments sector. He has vast experience in spinning industries as well. Mr. Badsha Mia has been accredited as commercially important person (CIP) in the large industries section of Ministry of Industries, Peoples Republic of Bangladesh for two consecutive years. His spinning mills, 'Badsha Textiles Ltd' and 'Kamal Yarn Ltd' was awarded for excellence by the BTMA in recognition to the outstanding performance in production and export and for his dynamic leadership. He is a patron of different socio-cultural organization and also general member of FBCCI, BTMA, BGMEA and advisor of Bangladesh Cotton Association. Being an industrialist and member of various organizations such as FBCCI, BTMA and BGMA, he visited various countries like USA, UK, GERMANY, FRANCE, TURKEY, ITALY, JAPAN, CHINA, INDIA.

Currently he is associated with the following organizations :

Managing Director :

- * Badsha Textiles Ltd.
- * Kamal Yarn Ltd.
- * Pioneer Sweaters Ltd.
- * Pioneer Knitwears (BD) Ltd.



Mr. Md. Ahsan-uz Zaman
Managing Director & CEO

Md. Ahsan-uz Zaman is the Managing Director & CEO of Midland Bank Limited (MDB). Prior to joining MDB, Ahsan was working for Mutual Trust Bank (MTB) as Additional Managing Director with responsibility for business catering to companies and individuals, International Trade Services, Information Technology and Alternative Delivery Channels. He initially joined MTB as Deputy Managing Director in July 2009 and was instrumental in developing existing and new client relationships, new business initiatives, assist in recruiting key officers, providing strategic direction and managing risk by chairing various Committees of the Bank. Prior to MTB, Ahsan worked for Bank of America in New York, at its Global Wealth and Investment Management Division with responsibility for business across a wide assigned territory. He has diversified banking experience, having worked at home and abroad, serving JPMorgan Chase Bank, Morgan Stanley, BNP Paribas and ANZ Grindlays Bank where he joined as a Management Trainee in Dhaka in 1982. Ahsan completed his MBA from the Institute of Business Administration of University of Dhaka and is an accredited mediator. He attended seminars on Risk Management and Capital Markets conducted by BNP Paribas in New York and received credit training conducted by ANZ Grindlays Bank in London, Melbourne and Mumbai including training courses on deposits, operations management, foreign trade, foreign exchange and presentation skills.

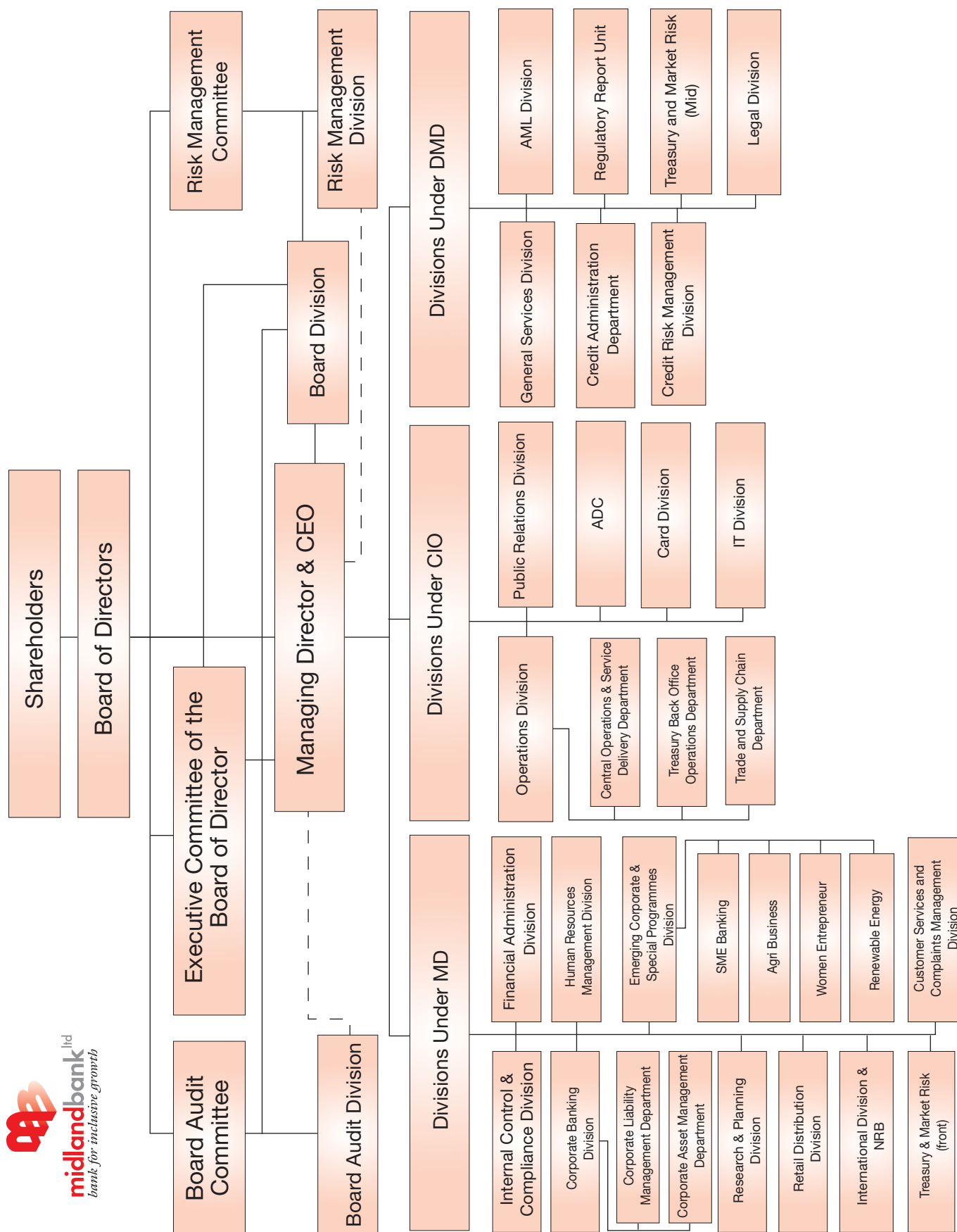
SPONSOR SHAREHOLDERS

Sl. No.	Name	Designation	Percentage of Shareholding
01	Kazi Zafarullah	Sponsor Shareholder	2.00%
02	Mrs. Nilufer Zafarullah	Sponsor Shareholder	1.00%
03	Kazi Omar Zafar	Sponsor Shareholder	2.00%
04	Ms. Anushka Mehreen Zafar	Sponsor Shareholder	2.00%
05	Kazi Raihan Zafar	Sponsor Shareholder	0.25%
06	Dr. Kazi Shahidullah	Sponsor Shareholder	2.00%
07	Kazi Ekramullah	Sponsor Shareholder	0.25%
08	Mrs. Sabiha Mahboob	Sponsor Shareholder	0.25%
09	Ms. Scherezad Joya Monami Latif	Sponsor Shareholder	10.00%
10	Mr. Abdullah Ahmed Yousuf	Sponsor Shareholder	5.75%
11	Mr. M. Moniruzzaman Khandaker	Sponsor Shareholder	2.75%
12	Mr. Nazib Ahmed	Sponsor Shareholder	0.25%
13	Mrs. Israt Ahmed	Sponsor Shareholder	0.25%
14	Dr. Fahmida Haque	Sponsor Shareholder	0.25%
15	Mrs. Ela Haque	Sponsor Shareholder	0.25%
16	Mr. Niranjana Chandra Saha	Sponsor Shareholder	0.25%
17	Mrs. Salina Maksuda	Sponsor Shareholder	0.25%
18	Mr. Bsudev Saha	Sponsor Shareholder	0.25%
19	Reedisha Knitex Ltd. represented by Mr. Rezaul Karim	Sponsor Shareholder	5.00%
20	Mondol Fabrics Ltd. represented by Mr. Abdul Majid Mondol	Sponsor Shareholder	5.00%
21	Liberty Knitwear Ltd. represented by Mr. Md. Shamsuzzaman	Sponsor Shareholder	5.25%
22	That's It Sportswear Ltd. represented by Mr. Md. Motaleb Hossain	Sponsor Shareholder	5.00%
23	Refat Garments Ltd. represented by Mr. Md. Belal Hossain	Sponsor Shareholder	5.00%
24	Hazrat Amanat Shah Spinning Mills Ltd. represented by Al-Haj Mohammed Helal Miah	Sponsor Shareholder	5.00%
25	Garments Export Village Ltd. represented by Mr. A. K. M. Badiul Alam	Sponsor Shareholder	5.00%
26	Beq Knit Ltd. represented by Mrs. Luna Sarker	Sponsor Shareholder	4.75%
27	Badsha Textiles Ltd. represented by Mr. Md. Badsha Mia	Sponsor Shareholder	5.00%
28	Master Abul Kashem	Sponsor Shareholder	5.00%
29	Mr. Mohammad Jamal Ullah	Sponsor Shareholder	5.00%
30	Al-haj Mohammed Issa Badsha	Sponsor Shareholder	5.00%
31	Mr. Ahsan Khan Chowdhury	Sponsor Shareholder	5.00%
32	Mr. Md. Wahid Miah	Sponsor Shareholder	5.00%

Midland Bank Limited

Proposed Corporate Organogram Under BCM

MDB CORPORATE STRUCTURE



MDB SERVICE NETWORK

Head Office

N B Tower (Level 6 to 9)

40/7 North Avenue. Gulshan-2, Dhaka 1212

Tel : +88-02-9881607, 8837736

PABX: +(88)-09666410999, Fax: +88-02- 8837735

SWIFT : MDBLBDDH

MDB Branches

Dikusha Corporate Branch

Chini Shilpa Bhaban (1st & 2nd Floor)

3, Dilkusha C/A, Dhaka-1000

PABX : +(88)-09666410901

Phone: +88-02-9587697-98

Fax: 88-02-9587699

Principal Branch, Banani

Hong Kong Shanghai Tower (Ground & 1st Floor)

Plot-106, Road-11, Block-C

Banani, Dhaka-1213

Tel :+88-02-8836864, Fax :+88-02-8836865

PABX : +(88)-09666410902

Agrabad Branch

As-Salam Tower (1st Floor)

57, Agrabad C/A, Chittagong

PABX:+(88)-09666-410903

Tel: 031-728178, Fax:031-728179

Panchar Branch

Dia- Moni Plaza (1st Floor)

Panchar, Shibchar, Madaripur

PABX:+(88) 096 66 410 905

Mirzapur Bazar Branch

Mannan Plaza (1st Floor)

Mirzapur Bazar, Bhawal

Gazipur Sadar, Gazipur

PABX:+(88) 096 66 410 904

Tel: 88-02-9204589, Fax:88-02-9204587

Uttara Branch

Cosmo Shopping Complex (1st floor)

Plot:71, Sector-07, Azampur

Mymensingh Road, Uttara Model Town, Dhaka

PABX: +(88) 096 66 410 906

Aganagar Branch

Maksuda Garden City (2nd Floor)

Aganagar, South Keraniganj,

Dhaka

PABX: +(88) 096 66 410 907

Hemayetpur Branch

Diamond Tower (1st Floor)

Hemayetpur, Singair Road

Savar, Dhaka.

PABX: +(88) 096 66 410 909

Dhanmondi Branch

Taj Lily Green (1st Floor)

House # 751 (Old), 51 (New)

Satmasjid Road,

Dhanmondi, Dhaka

PABX: +(88) 096 66 410 908

Zirabo Branch

Razzak Commercial Complex

Zirabo, Savar, Dhaka

PABX: +(88) 096 66 410 910

Gulshan Branch

NB Tower, Level-5, 40/7

North Avenue, Gulshan-2

Dhaka-1212

PABX: +(88) 096 66 410 911

CORPORATE GOVERNANCE

**Compliance Certificate
on
Corporate Governance Guidelines
of
Midland Bank Limited**

We have reviewed the compliance of conditions of the Corporate Governance Guidelines of the Bangladesh Securities and Exchange Commission ("BSEC") by Midland Bank Limited as stipulated in clause 7 (i) of the BSEC notification no SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August, 2012.

The compliance of conditions of the Corporate Governance Guidelines as stated in the aforesaid notification and reporting of the status of compliance is the responsibility of the management of the Bank. Our review for the purpose of issuing this certificate was limited to the verification of procedures and implementations thereof adopted by the Bank for ensuring the compliance of conditions of Corporate Governance Guidelines and proper reporting of compliance status on the attached statement on the basis of evidences obtained and representation received thereon from the management of the Bank. It is neither an audit nor expression of opinion on the financial statements of the Bank.

To the best of our information and according to the explanations given to us, we certify that the Bank has complied with the conditions of the Corporate Governance Guidelines as stipulated in the above mentioned notification dated 7 August, 2012 of Bangladesh Securities and exchange Commission except for the conditions of the Independent Director section as the Bank has yet to appoint Independent Director.


K. M. Hasan FCA
Managing Partner

Place: Dhaka
Date: March 30, 2015

Corporate Governance

Good corporate governance is a basic need for the long-term success of a company with an aim to create trust and engagement between the company and its stakeholders. Good governance requires robust process supported by the right culture, values and behaviours throughout the company. These culture, values and behaviours need to be adopted by the Board and actively promoted by the Chief Executive Officer and all levels of Management. Midland Bank is always committed to the best corporate governance practices, in the sense of responsible and transparent management and control aimed at sustainable value creation. The guiding principles of our governance practice are basically derived from various regulatory requirements of Bangladesh Bank (Central Bank of Bangladesh) and Bangladesh Securities & Exchange Commission (BSEC). MDB, since the very beginning of its operation, has manifested its commitment to adhering to the principles of sound corporate governance. The Bank is also committed to complying with the Bangladesh Bank Circulars (BRPD Circular NO. 11 dated October 27, 2013) in line with Bank Company (Amendment) Act, 2013. Besides the regulatory and legal bindings, our best CG choices and practices are inspired by various internal rules, policies, procedures, applications and experience based on preferred governance systems enacted by local and global banking institutions.

Through a good Corporate Governance structure, MDB seeks to balance the financial success, controls, transparency and accountability. To us, corporate governance means increasing the stakeholders' value by being efficient and professional to the organization, transparent and accountable to the shareholders and responsible to the community and environment. The Board of Directors plays a pivotal role in corporate governance. It is their responsibility to endorse the organization's strategy, devise policy, appoint and supervise senior executives and ensure organizational transparency to its owners and regulatory bodies. MDB's corporate governance structure includes the following constituents:

Our Governance Standard

- The lead role played by the Chairman of the Board of Directors.
- Full compliance of corporate governance guidelines of the regulators.
- Election of Directors through voting by the shareholders.
- Independent guidelines in respect of composition of Board Committees.
- Review of performance of all Committees by the Board.
- Independent discussion in the meetings of Board Committees without participation of Management.
- Systematic learning and development process for all directors with respect to best CG practices.
- Acknowledgement of adherence to Bank's guidelines to business conduct by all Directors/Executives/Employees.
- Compliance of Central Bank directives in the process of appointing new directors and advisor or consultant.
- CEO's reporting to the Central Bank on the acts of defiance regarding Bank Company (Amendment) Act, 2013 or other laws/ regulations.
- Compliance on the issue of appointing.

Composition of Board of Directors

The Board of Directors comprises 21 Directors as on December 31, 2014 including the Managing Director as ex-officio member. The Chairman and 19 other Directors are Non-Executive Directors and only the CEO (Managing Director) is an Executive Director. All the Directors (non-executive) have been elected by the shareholders of the company as regards aptitude and competence, the Directors are educated, experienced professionals and add utmost value to the overall management capability. Almost all of them are successful businessmen in their own right holding responsible positions in public life. Directors have declared their respective interests and directorships at the time of joining the Board and also their dealings in Bank's securities are on full disclosure and arms length basis. The Board meets at least once every month. For smooth running of the Bank as well as for effective day-to-day

management, they have delegated certain powers to the Managing Director. All essential management issues are discussed in the meetings of the Board and decisions are made on the basis of management opinion and exchange of views.

Independent Directors

The Appointment of Independent Directors will be ensured within 03 years from July 22, 2013 in conformity with the section 15(9) of the Bank Companies Act, 1991 (amended upto 2013).

Meeting of the Board

The Board of Directors meets on regular basis: usually once in a month but emergency meetings are called when deemed necessary. Management provides information, references and detailed working papers for each agenda to all Directors well ahead of the date scheduled for meeting. Chairman of the Board of Directors allocates sufficient time for the Directors to consider each agenda item in a prudent way and allow them to freely discuss, inquire, and express opinions on the items of interest so that they can fulfill their duties to the best of their abilities. In 2014, a total 12 Board Meetings were held.

Responsibilities of Chairman and Chief Executive Officer

Roles of the Chairman of Board of Directors and the Managing Director are clearly spelled out in writing and have been agreed by the Board. The Chairman supervises the operation and effectiveness of the Board of Directors. As the Chief of the Board, he approves the agenda for the Board meetings with the assistance of the Managing Director and the Company Secretary. He further ensures that there is effective communication with stockholders and promotes compliance with the highest standards of corporate governance.

On the other hand, the Managing Director is responsible for implementation of agreed strategy and holds delegated authority from the Board for the day-to-day management of Bank business. Being the Head of Management Team, he is accountable to the Board and its Committees to run and manage the Bank in accordance with prescribed policies, principles and strategies adopted by the Board and guidelines from the Central Bank, BSEC and other regulatory bodies. In MDB, the corresponding responsibilities of the Chairman and the Managing Director imply that the Management of the Bank handles daily affairs of the Bank as a separate entity from the Board of Directors and both work in the common interests of the Bank and its stakeholders. Difference of opinion is settled in a harmonious way towards achieving more of Bank's goal together.

Benefits provided to the Directors and the Managing Director

As per Bangladesh Bank BRPD Circular No. 11 dated October 27, 2013, banks in the country can only provide the following facilities to the Directors:

- The Chairman of the Board of Directors may be provided car, telephone, office chamber and private secretary.
- Directors are entitled to fees and other benefits for attending the Board/executive Committee meetings (Notes to the Financial Statements No. 31)
- Managing Director is paid salaries and allowances as per approval of the Board and Bangladesh Bank (Notes to the Financial Statements No. 30)

MDB is compliant with the Bangladesh Bank Circulars and Guidelines in respect of the above.

Remuneration and Compensation of the Management

In order to discuss and decide issues related to remuneration and compensation of employees, the Board meets as and when required.

Appointment of External Auditors and the purview of their activities

As per recommendation of the Board of Directors, the shareholders of the Bank in the 1st AGM held on April 26, 2014 approved appointment of S.F Ahmed & Co., Chartered Accountants as the statutory auditors of the Bank for the year 2014.

In compliance with the provision 4 of BSEC guidelines, the External Auditors were not engaged in any of the following services during the year 2014:

- Appraisal or valuation services or fairness opinions.
- Financial information system design and implementation.
- Bookkeeping or other services related to accounting records or financial statements.
- Broker-Dealer services.
- Actuarial services.
- Internal audit services.
- Any other service that the Audit Committee of the Board determines.

Functions of the Board

The Board of Directors has the responsibility to the shareholders for the overall guidance and control of the Bank. Among its key responsibilities, the Board approves all policies and strategies formulated by the Bank Management as well as ratify all decisions/ approvals made by the Executive Committee (EC) of the Board. The Board, while discharging its responsibilities, is committed to high standards of governance designed to protect the interests of shareholders along with all other stakeholders with highest level of integrity, transparency and accountability. The Directors of the Board are confident that they did their best in protecting stakeholders from the impacts of the difficult circumstances confronted during the year, as set out in the Directors' Report. The Board has initiated a fundamental review of risk governance with a view to being better equipped to anticipate financial market and economic discontinuities and trends in the future. This is monitored by a Committee of Directors and supported by independent Risk Management Division (RMD) of the Bank. The Board is committed to implementing the recommendations that emerge from the review of the Committees concerned.

Board Committees

As per rule set by Bangladesh Bank vide BRPD Circular No.11, dated October 27, 2013, a bank company can form as many as three committees or sub-committees of the Board. Accordingly, MDB has formed three committees of the Board namely Executive Committee, Board Audit Committee and Risk Management Committee with an objective to monitor and manage Bank's operations, performance and strategy.

Executive Committee (EC)

In accordance with Bangladesh Bank instruction, the Board of Directors of Midland Bank has formed Executive Committee. The Executive Committee is responsible for the review of the policies and guidelines issued by Bangladesh Bank in terms of credit and other operations of the banking industry. The Committee supervises the degree of execution of the policies and guidelines entrusted with the management. In the normal course of business, the EC of the Board approves the credit proposals in line with approved policy of the Board. Management is advised to exercise due diligence of the credit policy and risk management at the time of assessing credit proposals. The EC in its continuous efforts guides the Management to develop uniform and minimum acceptable credit standards for the Bank.

Board Audit Committee

The Board Audit Committee meets the external auditor and provides them the recommendations on the overall audit plan. They also discuss the auditor's interaction with the Management and the Management's response as well as corrective actions taken. They review the quarterly financials and approve Quarterly, Half Yearly and Annual financial reports of the Bank. The Audit Committee also meets the Head of Internal Control & Compliance (ICCD) of the Bank to review their charter, scopes of work and the organization structure. The inspection reports from regulators are also presented to the Audit Committee for their review and action.

The Board Audit Committee of MDB consists of the following 5 Directors and is constituted with the members not included in the Executive Committee of the Board.

Name	Status with the Bank	Status with the Committee
Dr. Kazi Shahidullah	Director	Chairmen
Al-Haj Mohammed Issa Badsha	Director	Member
Mr. Md. Wahid Miah	Director	Member
Mr. Md. Shamsuzzaman	Director	Member
Mr. Md. Motaleb Hossain	Director	Member

Company Secretary is the member secretary to the committee.

The Board Audit Committee assists the Board in carrying out its responsibilities relating to:

- integrity of the financial statements and any related formal announcements;
- overseeing the relationship between the Board and its external auditors;
- review of the Bank's internal controls, including financial controls;
- assessment of the effectiveness of the internal audit, compliance and risk management functions;
- review of the internal and external audit plans and subsequent findings;
- selection of accounting policies namely Bangladesh Accounting Standards (BAS) and International Accounting Standards (IAC);
- review of the Auditors' Report;
- obligations under applicable laws and regulations including Securities and Exchange Commission Guidelines; and review of the effectiveness of the services provided by the external auditors and other related matters.

MDB Board Audit Committee held 04 (Four) meetings in 2014 and had thorough discussions and review session with the Chief Executive Officer, Head of Internal Control & Compliance, External Auditors, etc.

Risk Management Committee (RMC)

According to Bank Company (Amendment) Act, 2013 and BRPD Circular No. 11 dated October 27, 2013, the Bank has constituted Risk Management Committee (RMC). RMC has been formed by the Board essentially to play an effective role in reducing ensued and potential risks in the process of implementation of bank's strategy and work-plan as devised by the Board of Directors. The Committee, in addition, ensures efficient execution of related responsibilities of the Board. The RMC has the responsibility of oversight as regards, whether proper risk mitigation processes/ methods are being applied and required capital and provisions are maintained by management after it has duly identified and measured credit risk, foreign exchange risk, internal control & compliance risk, money laundering risk, ICT risk, operating risk, interest risk, liquidity risk and other risks. Risk Management Committee of Midland Bank consists of 5 (five) members chosen from the Board. The Company Secretary of the Bank acts as the secretary to the Committee. All the committee members have honesty, integrity and ability to invest adequate time in affairs of the Committee. All of the members of RMC have adequate insight about banking business, bank operation, various risks along with knowledge about his own duties and responsibilities,

Risk Management Committee has the following responsibilities:

- To design mechanism to determine and control risks
- To preparing organizational structure
- To reviewing and approve risk management policy
- To implement data preservation and reporting system
- To supervise the status of implementation of all risk management principles
- To ensure compliance on directives issued from regulatory bodies from time to time.

Internal Control & Compliance

The Directors acknowledge their responsibility for building the systems of internal control and for reviewing their effectiveness at regular interval. Such systems are designed to control, rather than eliminate the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss. The losses could stem from the nature of the Bank's business in undertaking a wide range of financial services that inherently entail varying degrees of risk. The Bank has established a comprehensive framework to document and test its internal control structures and procedures conforming to the requirements of regulatory bodies. The Bank's overall control systems include:

- A clearly defined organization structure with defined authority limits and reporting mechanisms to senior management and to the Board of Directors;
- Establishment of Committees with duties and responsibilities in core policy areas;
- A complete set of policies and procedures related to financial controls, asset and liability management (including major risks in financial managements);
- Code of Conduct setting out the standards of behaviour expected of all levels of directors, officers and employees; and
- Regular reporting by business divisions/units that helps assess the progress against business objectives to be monitored, trends to be evaluated and variances to be acted upon.

The controls as outlined above are rooted within the operations of the Board and reviewed by Bank's Internal Audit. The review focuses the areas of greater risk as identified by risk analyst. The Directors confirm that the Board, by properly engaging the Committees, has reviewed the effectiveness of internal control for the year ended 31 December 2014. This process ensured an internal control system to the tune of best financial reporting practice throughout the financial year and up to the date of the signing of these financial statements. There was an assessment of the ongoing process for the identification, evaluation and management of individual risks and of the role of the various Committees and Bank's risk management actions and the extent to which various significant challenges are understood and addressed.

Management Committees of the Bank

MDB has various management teams which have been established by the Board and have delegated the authority to manage the Bank's day-to-day affairs of business. A model Corporate Governance structure endows the Management with a collective mandate under the leadership of Managing Director & CEO to run day-to-day operation in the best interests of the stakeholders. As required by compliance as well as in pursuance of strategic goal, the Bank has constituted designated committees with specific objectives, apart from various functional departments.

Professional development

All Directors, after appointment, are provided with a complete set of information in order to familiarise them with the Bank's operations, management and governance structures; these include the functioning of the Board and the role of the key Committees. On an ongoing basis, the Directors receive briefings appropriate to the business of the Bank. The Directors have access to the advice and services of the Company Secretary, who is responsible for advising the Board on all governance issues along with relevant information to enable them to consider issues for decision. Committees of the Board have similar access and are provided with sufficient resources to carry out their duties.

Election / Re-election of Directors

Election & Re-election of Directors are held as per companies Act 1994, Bank companies Act 1991, Bangladesh Bank's circular & other prevailing rules & regulations.

Communications with the shareholders

MDB makes sincere efforts to disseminate integrated operational and financial output and initiatives to shareholders to enable them to rightly assess future potentials of the Bank. Relations and communication with stockholders are given high priority. The Bank ventilates its financial health and achievement through Annual Report which contains a balanced, clear assessment of its performance and prospects. It also uses its internet website www.midlandbankbd.net to provide investors with the full text of the Annual and Interim reports and with copies of presentation to regulatory bodies, analysts and investors as they are made so that information is available to all relevant targets. The Annual Report containing audited financial statements for the respective year are also despatched to the shareholders well ahead of AGM and audited financial statements for any particular year are published in two leading circulated Bangla and English dailies. The half yearly (January-June) financial statements, Quarterly statements for the quarters January-March and July–September respectively are also published in two leading dailies and posted to the website of the Bank.

Our policy focuses on constructive use of the Annual General Meeting and all shareholders are encouraged to participate. Shareholders are open to ask questions at the AGM.

Commitment to other stakeholders

We always honour the rights and interests of other groups of stakeholders giving a fair treat. In addition to our respected shareholders, we have our valued customers, the nucleus of our banking business. There remain our internal customers, our employees, the craftsmen of our everyday success. Others include suppliers, Government, regulatory bodies, society, community, media people and any other group having interest in the Bank. We keep going our journey in the best company of all the stakeholders adding every possible value to their expectation from the Bank.

The Community

In our sustainability planning, we recognise the importance of contributing to the society and the community as ardently as possible. We are aware that Bank's financed projects pose no adverse impacts on environment. Clients are also made aware of environmental compliance along with other regulatory compliance such as credit rating. Specific allocation (10% of Bank's net profit is made for CSR initiatives every year to optimize values for the community and the habitat.

The Government

MDB is always tax compliant as a responsible corporate citizen. The Bank makes payment of corporate tax on time and sometimes even before the time it takes effect. The Bank deposits excise duty, withheld tax and VAT to government on time deducted from employee's salary as well as customers and vendors. During 2014, MDB paid advance corporate tax of BDT 49.60 million while deposited withheld tax of BDT 61.53 million, VAT of BDT 17.58 million and Excise Duty of BDT 4.46 million.

Bank's contribution to government exchequer during the last 2 years:

BDT in million

	2014	2013
Advance Corporate Tax	49.60	20.34
Withheld VAT, Tax & Excise Duty	83.57	30.32

Conflicts of interests

The Board and the Management effectively refrain from pursuing other interests at the cost of the organisation. Given the context, MDB remains watchful about the extent of agency cost and moral hazard both with relation to the Board and the Management along with real or potential conflicts of interests. In this process, connected transactions or related party transactions are brought to focus. It has to be ensured that the Directors who are related people keep away from the scrutiny and approval of such transactions

Regulations require that Directors should report changes in their holdings of Bank's shares through buy or sell to the Securities and Exchange Commission before one month of such transactions. Besides, the Bank watches over insider trading. To guard against any illegal access to inside information and subsequent undue advantage from price sensitive information in advance, the Bank circulates awareness guidelines on the issue to its staff, executives and the Directors for their knowledge and observance. The BSEC guidelines prohibit the directors, employees, auditors and any people engaged in the auditing activities, beneficiary owners from buying or selling, offering to buy/sell, or motivating others to buy/sell the Bank's shares during the period of two months immediately before the closing date of income year till the date of approval of audited Financial Statements by the Board. Accordingly, regulatory compliance is made effective in mitigating the conflicts of interest among the shareholders and other stakeholders of the Bank.

Related Party Transactions

The Bank in its normal course of business, conducted financial transactions with some entities or persons that fall within the purview of 'Related Party' as contained in BAS 24 (Related Party Disclosures) and as defined in Bangladesh Bank BRPD circular 14, 2003. Details of related party transactions of the Bank (Notes to the Financial Statements No. 2.15.1).

Bangladesh Securities and Exchange Commission (BSEC) has introduced a checklist for Compliance Status of Corporate Governance Guidelines vide Notification dated 07 August 2012 for the companies listed with Stock Exchanges. Bank's status of compliance is appended below :

Status on Compliance of Corporate Governance Guidelines

Annexure 01

Status of Compliance with the conditions imposed by the Securities and Exchange Commission's Notification No. SEC/CMRRC/2006-158/134/Admin/44 dated August 07, 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

Condition No.	Title	Compliance Status (√ mark in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
1.00	BOARD OF DIRECTORS			
1.1	Board Size: Board members should be not less than 5 (five) and more than 20 (twenty)	√		
1.2	Independent Directors: At least one fifth (1/5) of the total number of directors in the company's board shall be independent Directors.			N/A
1.2 (i)	Independent Directors : At least one fifth (1/5) of the total number of Directors in the Company's Board shall be Independent Directors.		√	<ul style="list-style-type: none">Independent Director has yet to be appointedThe Appointment of Independent Directors will be ensured within 03 years from July 22, 2013 in conformity with the section 15(9) of the Bank Companies Act, 1991 (amended upto 2013).
1.2 (ii) a	Independent Director does not hold any share or holds less then 1% shares of the total paid- up capital.		√	
1.2 (ii) b	Independent Director or his family members are not connected with the company's any Sponsor or Director or Shareholder who holds 1% or more shares.		√	
1.2 (ii) c	Does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/ associated companies.		√	

Condition No.	Title	Compliance Status (√ mark in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
1.2 (ii) d)	Independent Director is not a member, Director or Officer of any Stock Exchange.			<ul style="list-style-type: none"> Independent Director has yet to be appointed The Appointment of Independent Directors will be ensured within 03 years from July 22, 2013 in conformity with the section 15(9) of the Bank Companies Act, 1991 (amended upto 2013).
1.2 (ii) e)	Independent Director is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market.			
1.2 (ii) f)	Independent Director is not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm;			
1.2 (ii) g)	Independent Director shall not be an independent director in more than 3 (three) listed companies;			
1.2 (ii) h)	Independent Director has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBF);			
1.2 (ii) (i)	Independent Director has not been convicted for a criminal offence involving moral turpitude.			
1.2 (iii)	The independent director(s) shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting (AGM).			
1. (iv)	The post of independent director(s) can not remain vacant for more than 90 (ninety) days.			
1.2 (v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded.			
1.2(vi)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only.			
1.3	Qualification of Independent Director(ID):			
1.3 (i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.			<ul style="list-style-type: none"> Independent Director has yet to be appointed The Appointment of Independent Directors will be ensured within 03 years from July 22, 2013 in conformity with the section 15(9) of the Bank Companies Act, 1991 (amended upto 2013).
1.3 (ii)	The person should be a Business Leader/Corporate Leader/Bureaucrat/University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management/professional experiences.			
1.3 (iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.			

Condition No.	Title	Compliance Status (√ mark in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
1.4	Chairman of the Board and Chief Executive Officer : Chairman of the Board and the Chief Executive Officer of the Companies shall be filled by different individuals. The Chairman of the company shall be elected from among the directors of the company. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer.	√		
1.5	The Directors' Report to Shareholders on :			
1.5 (i)	Industry outlook and possible future developments in the industry.	√		
1.5 (ii)	Segment-wise or product-wise performance.	√		
1.5 (iii)	Risks and concerns.	√		
1.5 (iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.	√		
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss.	√		
1.5 (vi)	Basis for related party transactions- a statement of all related party transactions should be disclosed in the annual report.	√		
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments.	Not Applicable		
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.	Not Applicable		
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	Not Applicable		
1.5 (x)	Remuneration to directors including independent Director.	√		
1.5 (xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.	√		
1.5 (xii)	Proper books of account of the issuer company have been maintained.	√		

Condition No.	Title	Compliance Status (√ mark in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	√		
1.5 (xiv)	International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	√		
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	√		
1.5 (xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	√		
1.5 (xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	√		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	√		
1.5 (xix)	Declaration of Dividend			Dividend has not been declared for the year 2014
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	√		
1.5 (xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares.	√		
1.5 (xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	√		
1.5 (xxi) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√		
1.5 (xxi) c)	Executive	√		
1.5 (xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	√		
1.5 (xxii)	In case of the appointment/re - appointment of a Director the company shall disclose the following information to the shareholders: (a) A brief resume of the Director , (b) Nature of his/her expertise in specific functional areas (c) Names of companies in which the person also holds the Directorship and the membership of committees of the board.	√		

Condition No.	Title	Compliance Status (√ mark in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
2.00	CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS).			
2.1	The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.	√		
2.2	Attendance of CFO and the Company Secretary in the Board meeting	√		
3.00	AUDIT COMMITTEE			
3 (i)	The company shall have an Audit Committee as a sub-committee of the Board of Directors.	√		
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	√		
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√		
3.1	Constitution of the Audit Committee			
3.1(i)	The Audit Committee shall be composed of at least 3 (three) members.	√		
3.1(ii)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) independent director.		√	The Appointment of Independent Directors will be ensured within 03 years from July 22,2013 in conformity with the section 15(9) of the Bank Companies Act, 1991 (amended upto 2013).
3.1(iii)	All members of the audit committee should be “financially literate” and at least 1 (one) member shall have accounting or related financial management experience: The term Financially literate means the ability to read and understand the financial statement i.e. Balance sheet, Income Statement and Cash Flow Statement and a person will be considered to have accounting or related financial management expertise if (s)he possesses professional qualification or Accounting / finance graduate with at least 12(twelve) years of corporate management / professional experiences.	√		
3.1(iv)	Casual vacancy in the Audit committee shall be filled by the Board.	Not Applicable		
3.1(v)	The company secretary shall act as the secretary of the Committee.	√		

Condition No.	Title	Compliance Status (√ mark in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without independent director.		√	The Appointment of Independent Directors will be ensured within 03 years from July 22,2013 in conformity with the section 15(9) of the Bank Companies Act, 1991 (amended upto 2013).
3.2	Chairman of the Audit committee:			
3.2 (i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.		√	
3.2 (ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	√		
3.3	Role of Audit Committee:			
3.3 (i)	Role of the audit committee: Oversee the financial reporting process.	√		
3.3 (ii)	Monitor choice of accounting policies and principles.	√		
3.3 (iii)	Monitor Internal Control Risk management process.	√		
3.3 (iv)	Oversee hiring and performance of external auditors.	√		
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval.	√		
3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval.	√		
3.3 (vii)	Review the adequacy of internal audit function.	√		
3.3 (viii)	Review statement of significant related party transactions submitted by the management.	√		
3.3(ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	√		
3.3(x)	When money is raised through Initial Public Offering (IPO)/ Repeat Public Offering (RPO) / Rights Issue the company shall disclose to the category (capital expenditure, sales and marketing expenses, working capital, etc), on quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for the purposes other than those stated in the officer document\ prospectus.	Not Applicable		
3.4	Reporting of the Audit committee:			
3.4.1(i)	The Audit Committee shall report on its activities to the Board of Directors.	√		
3.4.1(ii)a	report on conflicts of interests to the Board of Directors.			Not such incidence occurred

Condition No.	Title	Compliance Status (√ mark in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
3.4.1(ii) b	Will report any suspected or presumed fraud or irregularity or material defect in the internal control system of the Board.			Not such incidence occurred
3.4.1(ii) c	Will report any suspected infringement of laws, including securities related laws, rules and regulations to the Board.			Not such incidence occurred
3.4.1(ii) d	Will report any other matter which shall be disclosed to the Board of Directors immediately.			Not such incidence occurred
3.4.2	Reporting to the Authorities : If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification has been unreasonably ignored, the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the commission, upon reporting of such matters to the Board of Directors for three times or completion of a period of 6 (six) months from the date of first reporting to the Board of Directors, whichever is earlier.			Not such incidence occurred
3.5	Reporting to the Shareholders and General Investors: Report on activities carried out by the Audit Committee , including any report made to the Board of Directors under condition 3.4.1(ii) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of issuer company.	√		
4.	External/statutory auditors : The issuer company should not engage its external/statutory auditors to perform the following services of the company; namely:-			
4.(i)	Appraisal or valuation services or fairness opinions.	√		
4.(ii)	Financial information systems design and implementation.	√		
4.(iii)	Book-keeping or other services related to the accounting records or financial statements.	√		
4.(iv)	Broker-dealer services.	√		
4.(v)	Actuarial services.	√		
4.(vi)	Internal audit services.	√		
4.(vii)	Any other service that the Audit Committee determines.	√		

Condition No.	Title	Compliance Status (√ mark in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
4.(viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.	√		
4.(ix)	Audit/certification services on compliance of corporate governance as required under clause (i) of condition No. 7	√		
5.	Subsidiary company	Not applicable		
6.	DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) The CEO and CFO shall certify to the Board that:-			
6.(i)	They have reviewed financial statements for the year and that to the best of their knowledge and belief:			
6 (i)a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.	√		
6(i)b)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	√		
6(ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	√		
7.	REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE			
7(i)	The company shall obtain a certificate from a practicing Professional Accountant /Secretary (Chartered Accountant/Cost and Management Accountant/Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	√		
7(ii)	The Directors of the company shall state, in accordance with the Annexure attached, in the Directors' report whether the company has complied with these conditions.	√		

Meeting of The Board of Directors of Midland Bank Limited Held During the Year-2014.

Board of Directors:

Directors	Status	No. of Meetings	No. of Attendance	% of Attendance
Mr. M Moniruzzaman Khandaker	Chairman	12	12	100%
Mrs. Nilufer Zafarullah	Vice Chairman	12	9	75%
Dr. Kazi Shahidullah	Director	12	9	75%
Ms. Scherezad Joya Monami Latif	Director	12	2	16.67%
Mr. Abdullah Ahmed Yousuf	Director	12	2	16.67%
Kazi Omar Zafar	Director	12	2	16.67%
Master Abul Kashem	Director	12	9	75%
Mr. Mohammad Jamal Ullah	Director	12	6	50%
Al-haj Mohammed Issa Badsha	Director	12	6	50%
Mr. Ahsan Khan Chowdhury	Director	12	8	66.67%
Mr. Md. Wahid Miah	Director	12	7	58.33%
Mr. Rezaul Karim	Director	12	7	58.33%
Mr. Abdul Majid Mondol	Director	12	2	16.67%
Mr. Md. Shamsuzzaman	Director	12	5	41.67%
Mr. Md. Motaleb Hossain	Director	12	10	83.33%
Mr. Md. Belal Hossain	Director	12	9	75%
Al-haj Mohammed Helal Miah	Director	12	6	50%
Mr. A.K.M. Badiul Alam	Director	12	6	50%
Mrs. Luna Sharkar	Director	12	4	33.33%
Mr. Md. Badsha Mia	Director	12	4	33.33%

Pattern of Shareholding

The Pattern of Shareholding of Midland Bank Limited as on 31st December 2014 as per SEC's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012:

- a) Shareholding by Parent/Subsidiary/Associated Companies and other related parties : Nil
- b) Shares held by Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their Spouses and Minor Children are as follows :

Status as of 31st December, 2014:

i) Shares held by Directors and their Spouses

Sl. No.	Name of Directors	Status	No. of Shares	Name of Spouses	No. of Shares
1	Mr. M. Moniruzzaman Khandaker	Chairman	11,000,000	Professor Rasheda Zaman	Nil
2	Mrs. Nilufer Zafarullah	Vice-chairman	4,000,000	Kazi Zafarullah	8,000,000
3	Dr. Kazi Shahidullah	Director	8,000,000	Mrs. Shabnam Shahidullah	Nil
4	Ms. Scherezad Joya Monami Latif	Director	40,000,000	N/A	Nil
5	Mr. Abdullah Ahmed Yousuf	Director	23,000,000	Mrs. Sabiha Mahboob	1,000,000
6	Kazi Omar Zafar	Director	8,000,000	Mrs. Mariantzella Danika Zafar	Nil
7	Master Abul Kashem	Director	20,000,000	Mrs. Nigar Sultana Daizy	Nil
8	Mr. Mohammad Jamal Ullah	Director	20,000,000	Mrs. Shahnaz Jamal	Nil
9	Al-haj Mohammed Issa Badsha	Director	20,000,000	Mrs. Salma Issa	Nil
10	Mr. Ahsan Khan Chowdhury	Director	20,000,000	Mrs. Seema Chowdhury	Nil
11	Mr. Md. Wahid Miah	Director	20,000,000	Mrs. Suborna Mostafa	Nil
12	Mr. Rezaul Karim	Director	20,000,000	Mrs. Shirin Akhter	Nil
13	Mr. Abdul Majid Mondol	Director	20,000,000	Mrs. Sultana Khatun	Nil
14	Mr. Md. Shamsuzzaman	Director	21,000,000	Mrs. Ferdous Ara	Nil
15	Mr. Md. Motaleb Hossain	Director	20,000,000	Mrs. Najmun Naher	Nil
16	Mr. Md. Belal Hossain	Director	20,000,000	Mrs. Shahnaj Parvin	Nil
17	Mr. Al-haj Mohammed Helal Miah	Director	20,000,000	Mrs. Lutfi Begum	Nil
18	Mr. A.K.M. Badiul Alam	Director	20,000,000	Mrs. Shahida Alam	Nil
19	Mrs. Luna Sarker	Director	19,000,000	Mr. Hafizur Rahman Sarker	Nil
20	Mr. Md. Badsha Mia	Director	20,000,000	Mrs. Asma Begum	Nil

ii) Shares held by

Chief Executive Officer	:	Nil
Company Secretary	:	Nil
Chief Financial Officer	:	Nil
Head of Internal Audit	:	Nil
Spouses of above Executives	:	Nil

- c) Shareholding by Executives : Nil

d) Shareholders holding ten percent (10%) or more voting interest in the company	:	Ms. Scherezad Joya Monami Latif
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MANAGEMENT COMMITTEE OF MDB



Standing from left

Sl.	Name	Designation	Position
1	Mr. Md. Manirul Islam	Head of Credit Risk Management Division	Member
2	Mr. Nazmul Ahsan	Head of Treasury & Market Risk (Front)	Member
3	Mr. Md. Hasanul Haque	Head of Board Division	Member
4	Mr. Khondkar Towfique Hossain	Head of international Division & NRB	Member
5	Mr. Muhammad H. Kafi	Head of Operations Division	Member
6	Mr. Md. Ahsan-uz Zaman	Managing Director & CEO	Chairman of the Committee
7	Mr. Khondoker Nayeemul Kabir	Deputy Managing Director	Member
8	Mr. Mohammad Syejuddin Ahmmed	Head of internal Control & Compliance Division	Member
9	Mr. Md. Zahirul Islam, FCA	Head of Financial Administration Division & CFO	Member
10	Mr. Mohammad Iqbal	Head of Emerging Corporate & Special Programmes	Member
11	Mr. Md. Ridwanul Hoque	Head of Retail Distribution Division	Member
12	Mr. Imteez Ahmed	Head of Human Resources Management Division	Member Secretary

STRATEGIC MANAGEMENT & MANAGEMENT COMMITTEES

Management Committee (MANCOM)

Sl.	Name	Designation	Position
1	Mr. Md. Ahsan-uz Zaman	Managing Director & CEO	Chairman of the Committee
2	Mr. Khondoker Nayeemul Kabir	Deputy Managing Director	Member
3	Mr. Muhammad H. Kafi	Head of Operations Division	Member
4	Mr. Md. Manirul Islam	Head of Credit Risk Management Division	Member
5	Mr. Mohammad Iqbal	Head of Emerging Corporate & Special Programmes	Member
6	Mr. Khondkar Towfique Hossain	Head of International Division & NRB	Member
7	Mr. Md. Zahirul Islam, FCA	Head of Financial Administration Division & CFO	Member
8	Mr. Md. Ridwanul Hoque	Head of Retail Distribution Division	Member
9	Mr. Md. Hasanul Haque	Head of Board Division	Member
10	Mr. Imteeaz Ahmed	Head of Human Resources Management Division	Member Secretary
11	Mr. Mohammad Syejuddin Ahmmed	Head of Internal Control & Compliance Division	Member
12	Mr. Nazmul Ahsan	Head of Treasury & Market Risk (Front)	Member

Asset Liability Committee (ALCO)

Sl.	Name	Designation	Position
1	Mr. Md. Ahsan-uz Zaman	Managing Director & CEO	Chairman of the Committee
2	Mr. Khondoker Nayeemul Kabir	Deputy Managing Director	Member
3	Mr. Muhammad H. Kafi	Head of Operations Division	Member
4	Mr. Md. Manirul Islam	Head of Credit Risk Management Division	Member
5	Mr. Mohammad Iqbal	Head of Emerging Corporate & Special Programmes	Member
6	Mr. Khandkar Rashed-S Zaman	Head of Research and Planning Division	Member
7	Mr. Khondkar Towfique Hossain	Head of International Division & NRB	Member
8	Mr. Md. Zahirul Islam, FCA	Head of Financial Administration Division & CFO	Member
9	Mr. Nazmul Ahsan	Head of Treasury & Market Risk (Front)	Member Secretary

Risk Management Committee (RMU)

Sl.	Name	Designation	Position
1	Mr. Khondoker Nayeemul Kabir	Deputy Managing Director	Chairman of the Committee
2	Mr. Muhammad H. Kafi	Head of Operations Division	Member
3	Mr. Md. Manirul Islam	Head of Credit Risk Management Division	Member
4	Mr. Khondkar Towfique Hossain	Head of International Division & NRB	Member
5	Mr. Md. Zahirul Islam, FCA	Head of Financial Administration Division & CFO	Member
6	Mr. Md. Hasanul Haque	Head of Board Division	Member
7	Mr. Mohammed Rashidul Hasan	Head of Treasury Division (Back)	Member
8	Mr. Mohammad Syejuddin Ahmmed	Head of Internal Control & Compliance Division	Member
9	Mr. Nazmul Ahsan	Head of Treasury & Market Risk (Front)	Member

Credit Committee

Sl.	Name	Designation	Position
1	Mr. Md. Ahsan-uz Zaman	Managing Director & CEO	Chairman of the Committee
2	Mr. Khondoker Nayeemul Kabir	Deputy Managing Director	Member
3	Mr. Md. Manirul Islam	Head of Credit Risk Management Division	Member Secretary
4	Mr. Mohammad Iqbal	Head of Emerging Corporate & Special Programmes	Member
5	Mr. Khondkar Towfique Hossain	Head of International Division & NRB	Member

AML Compliance Committee (AMLCC)

Sl.	Name	Designation	Position
1	Mr. Khondoker Nayeemul Kabir	Deputy Managing Director & CAMLCO	Chairman of the Committee
2	Mr. Muhammad H. Kafi	Head of Operations Division	Member
3	Mr. Khondkar Towfique Hossain	Head of International Division & NRB	Member
4	Mr. Md. Zaidul Haq	Head of Anti Money Laundering Division & DAMLCO	Member Secretary
5	Mr. Md. Mahabubur Rahman	Head of CO & Service Delivery	Member
6	Mr. A K M Ahasan Kabir	Head of Information Technology Division	Member
7	Mr. Imteeaz Ahmed	Head of Human Resources Management Division	Member

Green Banking Committee

Sl.	Name	Designation	Position
1	Mr. Md. Ahsan-uz Zaman	Managing Director & CEO	Chairman of the Committee
2	Mr. Md. Manirul Islam	Head of Credit Risk Management Division	Member
3	Mr. Md. Ridwanul Hoque	Head of Retail Distribution Division	Member
4	Mr. Md. Hafizul Haque	Head of Credit Administration Department	Member
5	Mr. Khadem Mahmud Shafiu Alam	Head of SME Banking	Member
6	Mr. Imteeaz Ahmed	Head of Human Resources Management Division	Member
7	Mr. Mohammad Iqbal	Head of Emerging Corporate & Special Programmes	Member Secretary

Purchase Committee

Sl.	Name	Designation	Position
1	Mr. Khondoker Nayeemul Kabir	Deputy Managing Director	Chairman of the Committee
2	Mr. Muhammad H. Kafi	Head of Operations Division	Member
3	Mr. Md. Manirul Islam	Head of Credit Risk Management Division	Member
4	Mr. Md. Zahirul Islam, FCA	Head of Financial Administration Division & CFO	Member
5	Mr. Md. Emarat Hossain Khan	Head of General Services Division	Member Secretary
6	Mr. Md. Mahabubur Rahman	Head of CO & Service Delivery	Member Secretary

Branch Expansion & Interior Decoration Committee

Sl.	Name	Designation	Position
1	Mr. Md. Ahsan-uz Zaman	Managing Director & CEO	Chairman of the Committee
2	Mr. Khondoker Nayeemul Kabir	Deputy Managing Director	Member
3	Mr. Muhammad H. Kafi	Head of Operations Division	Member
4	Mr. Mohammad Iqbal	Head of Emerging Corporate & Special Programmes	Member
5	Mr. Khandkar Rashed-S Zaman	Head of Research and Planning Division	Member
6	Mr. Md. Emarat Hossain Khan	Head of General Services Division	Member Secretary
7	Mr. Imteeaz Ahmed	Head of Human Resources Management Division	Member
8	Mr. Mohammed Rashadul Anwar	Head of Public Relations Division	Member

Quality Control Committee (QC)

Sl.	Name	Designation	Position
1	Mr. Muhammad H. Kafi	Head of Operations Division	Chairman of the Committee
2	Mr. Khondkar Towfique Hossain	Head of International Division & NRB	Member
3	Mr. Md. Zahirul Islam, FCA	Head of Financial Administration Division & CFO	Member
4	Mr. Md. Emarat Hossain Khan	Head of General Services Division	Member Secretary

Social Media and Administration Review Committee (SMAR)

Sl.	Name	Designation	Position
1	Mr. Muhammad H. Kafi	Head of Operations Division	Chairman of the Committee
2	Mr. Md. Ridwanul Hoque	Head of Retail Distribution Division	Member
3	Mr. A K M Ahasan Kabir	Head of Information Technology Division	Member
4	Mr. Mohammed Rashadul Anwar	Head of Public Relations Division	Member Secretary

MDB PRODUCTS & SERVICES

Corporate Banking Overdraft Secured Overdraft Secured OD (Earnest Money) Working Capital Finance Loan against Trust Receipt Loan against Cash Incentives Bill Discounting Loan Syndication and Structured Finance Packing Credit Demand Loan Demand Loan (work order) Time Loan Transport Loan House Building Loan (Commercial) Term loan Lease Finance Letter of Guarantee Letter of Credit (Sight/Deferred/UPAS) Back to back Letter of Credit Agriculture Financing Staff Loan (Car Loan, House Building Loan, Provident Fund Loan)	Deposit Products Saving Account Current Account MDB Special Notice Deposit MDB Fixed Deposit Foreign Currency Account Deposit Pension Scheme MDB Super Monthly Savings MDB Double Benefit Scheme MDB Family Support Scheme MDB Super Saver MDB College Saver MDB School Saver MDB Probashi Savings MDB Gift Cheque Consumer Finance Auto Loan Consumer Durable Loan Unsecured Personal Loan House Finance Loan for Professionals Senior Citizen Support	SME Banking MDB IT UDDOG MDB HALKA SHILPAJAT MDB BABOSHAY MDB ABIRAM MDB STHAEE MDB SHILPAYAN MDB SHAMOIK MDB SEBA MDB NABAGOTO MDB NIRMAN MDB NARI UDDOG Agri Business & Green Banking MDB KRISHIJAT MDB KRISHI MDB JANBAHON MDB GREEN LOAN MDB NGO Link.
Treasury Money Market Overnight Lending and Borrowing Repo and Reverse Repo Swap Sale and Purchase of Treasury Bill & Bond Placement of Fund Term Borrowing Investment Foreign Exchange Market Spot Forward Currency Swap	Card MDB VISA Credit Card MDB VISA Debit Card	MDB Services ATM Services Remittance Service & NRB Banking Locker Service Online Banking Internet Banking Mobile Banking SWIFT Centralized Trade Services Student File E-Commerce E-Procurement Contact Centre

FROM THE DESK OF THE CHAIRMAN



FROM THE DESK OF THE CHAIRMAN



Bismillahir Rahmanir Rahim,

Assalamu Alaikum,

Dear Valued Stakeholders,

Let me take this opportunity to extend a very warm and sincere welcome to you from the bottom of my heart. With due humble gratefulness to the Most Benevolent Allah, I present the 2nd Annual Report of Midland Bank Limited to our valued shareholders and stakeholders.

The report comprises of Audited Financial Statements for the year ended on December 31, 2014, Directors' Report, Bank's progress on important operational and financial objectives during the year and our outlook for the future. Moreover, the Directors would like to explain and disclose certain issues, which they deem relevant and important to ensure transparency and good governance practices. We hope, this report will give you a fascinating insight into the Bank's performance and growth. This presentation of the Annual Report bears immense importance for all the stakeholders for evaluation of our performance in 2014, the second year of our emergence into the industry. Without you, our customers, shareholders and all other stakeholders, we could not have established ourselves as a bank of repute in such a short period of time. On behalf of the Board of Directors and myself, I would like to express my profound gratitude and heartfelt thanks for your continuous support, guidance and co-operation which helped us achieve success in all areas of our business in the face of this highly competitive banking industry scenario.

The State of Global Economy

The world economy has passed a challenging year in 2014. An upturn, though projected and widely anticipated did not materialize, rather ended up with a moderate and uneven pace. Legacies from the global financial crisis continued to weigh on growth, while new challenges emerged, including geopolitical conflicts such as in Ukraine, the Ebola epidemic and the disintegration of Middle East. Unemployment figures remained historically high in some regions, but appeared to have stopped rising in some. While global inflation remained subdued, the spectrum ranged from deflation risks in the euro area to high inflation in some developing countries. Foreign

direct investment inflows remained the most stable and relevant source of financing for developing countries whereas portfolio capital flows were highly sensitive to changes in risk appetite. Two powerful factors helped. The first is the big drop in the price of oil, from \$110 per barrel in June to below \$50 at the year-end and afterwards. A tolerant Saudi Arabia did not increase oil prices so as to protect its market share. Cheaper petrol held down inflation and left consumers with more money to spend on other necessities. The other, even stronger, was growing incomes. Advanced economies grew in the latter part of the year and continued their repair of the financial sector. Overall, the global growth picked up marginally in 2014 to 2.6% from 2.5% in 2013. In the first quarter of 2014, US GDP shrunk due to bad weather and low accumulation of inventory. Later, the country made up for ground lost in the first quarter and registered 2.7% growth in GDP in the last 12 months. Unlike US economy, Europe performed lower than expected. Proportion of loans in default rose in Portugal, Italy and Greece. Even though the ECB adopted measures to boost growth, lowering interest rates to 0.05%, for example and buying covered bonds from investors - it remained under pressure to do even more. Russia and Ukraine relationship also added an important element to the EU economic environment in 2014. Russia's gross domestic product rose by 0.7 percent, year-on-year, down from a growth rate of 0.8 percent in 2013. Consequently, the overall Eurozone annual growth rate was retrained within a marginal 0.90%. Following a robust increase in the April-June 2014 period, India's GDP growth moderated in the subsequent quarters. Japan's gross domestic product shrank while China suffered from its own brand of deflation and downward revision of economic growth. The ongoing high current-account deficits in some large emerging economies, such as Brazil, Indonesia, South Africa and Turkey, remained a concern, along with the rapid credit growth in several emerging economies. A broad-based downturn in emerging economies, such as the slowdown in China, weighed on the economic performance worldwide.

Domestic Economy

Bangladesh similar to other developing economies underwent several challenging episodes on the way to retaining growth prospects. The economy gained some momentum during the latter part 2014 as output and investment activities in the economy gathered pace reasonably despite global economic tightening. The buoyancy in economic activity aided by strong domestic demand contributed significantly to annual GDP growth rate of 6.12%. During the second half of FY 2014, all growth sharing sectors such as agriculture,

manufacturing and service performed well. Textiles, apparel, pharmaceuticals, basic metal, rubber and plastic industries did better among all the industries. Both primary and secondary raw material for manufacturing sector and capital machinery import increased. Petroleum price in international market, having dropped by 50%, helped decrease fiscal pressure on the government, thus borrowing from the banking sector. On the other hand, workers remittance slightly declined in FY 2014. Inflation went up by 60 basis points to an average of 7.4% for the year. For banks, the macroeconomic front remained most challenging as Bangladesh Bank was more restrained from the beginning of 2014, repeatedly advising banks not to flow credits to unproductive sectors. Under the prevailing condition, the operating profits of the country's Private Commercial Banks (PCB) showed a mixed trend in 2014, mainly due to declining weighted average spread between lending and deposit rates, low investment climate, sluggish trend in the country's capital market, cautious monetary policy and huge provisioning against non-performing loans. Despite all the challenges, we remained committed to our core vision of our Bank, posted a solid profit. Our hard work paid off well to build a financial platform that offers our clients an unmatched convenience and expertise, high quality of service and variety of financial products delivered as a single relationship.

Financial Performance

In 2014, Midland Bank as a fourth generation Bank came out to be most successful in upholding Bank's vision of increasing returns without compromising its commitment to ethics and sustainability. MDB earned Distributable Profit of BDT 22 million. Its Operating Profit was BDT 159 million up by BDT 123 million from BDT 36 million in 2013 and Profit after Tax increased to BDT 35 million from BDT 11 million in 2013. Most of the profits came from core banking business of the Bank. The total Deposit rose by 192% to BDT 8,479 million by the end of 2014. Loans and Advances totaled BDT 6,500 million from BDT 1,831 million in 2013 with an increase of 255%. Amount of fee based income stood at BDT 59 million. The Paid-up Capital of the Bank was at BDT 4,000 million respectively as on December 31, 2014. Unlike many of our peer competitors in the financial services industry, we were well-capitalized, deposit-funded and liquid. Our capital management framework was intended to ensure best composition capital in relation to business growth. Capital Adequacy Ratio as per BASEL-II, was 43.95%. Return on Asset (ROA) and Return on Equity (ROE) was at 0.23% and 0.86% respectively. By the end of 2014, we opened 11 branches in different geographical locations, expanded our own ATM network, introduced debit cards, credit

cards and numerous deposit and loan products to fit well to the customer needs. As always, we were keen to maintain sufficient capital consistent with Bank's risk profile and all regulatory requirements. Commercial lending in import and local trade finance to large and medium group dominated most of our lending activities with emphasis given to small and medium sized enterprises (SME).

Technical Efficiency

Technology today is changing the way we live and work. With the right selection of tools and technologies of our age, we can go a long way with our customers like a flowing stream connecting regions. We are heading towards financial inclusion – including people from all walks of life and banking with the unbanked to ensure inclusive growth. The increasing computer power and lower costs of mobile devices supported by expanding access to affordable bandwidth have brought about a technological revolution. The change is indicative of a business model that aligns together growing number of people, their hands devices, the optimum functionality, passage of information as well as their desired transaction in business. Midland Bank did not lose sight of the transformational changes taking place locally as well as globally and the opportunities created by them. We are continuously putting due emphasis on strengthening our IT platform and at the same time providing solutions for our customers and improving our operations work-flow. Keeping all these in mind, MDB will move towards Centralized Business Model (CBM) in early 2015 and has launched online banking services under the name “midland online” in 2014.

Customer Centricity and Service

As we are aware that customers' needs vary with the change of time and technology, we emphasized customer service excellence and provided technology based real time service to attract potential customers and also to retain our existing customer groups. MDB placed paramount importance to customer service and built lasting relationships as partnership. MDB provided full range of banking services to individuals, entrepreneurs, small and medium sized enterprises and corporate customers. Our employees were committed to serve our customers by providing excellent, innovative and speedy solutions to all customer inquiries and requirements.

Corporate Governance, Compliance and Control

A strong culture begins with a strong foundation of ethical values. We rely on our values to guide us to make the right decisions. It is incumbent upon every leader in

our Bank to model the right values and to lead by example to ensure the right behaviour continues for the years to come. With a befitting aspiration to become a leading bank of prominence, the Board of Directors remained committed to ensure the highest standards of corporate governance throughout the organization with the objectives of safeguarding the interests of all stakeholders and enhancing the shareholders' value and financial performance of the Bank. The Board of MDB took strategic decisions centred on good corporate governance to protect the interests of the shareholders and other stakeholders at large, increasing their confidence and establishing their trust. They guided the Bank towards the goal ensuring highest standards of integrity, accountability, transparency, ethics and professionalism of the management dealing with banking business. For smooth functioning of the Bank, two supporting committees of the Board i.e. Executive Committee and Audit Committee relentlessly provided guidance and direction to the Management. As preferred by the Board, by the end of the year, sound control culture has been established within the Bank. External Auditors were appointed by the approval of the Board. The Auditors audited the accompanying Financial Statements of the Bank and provided opinion whether the Financial Statements reflected the true and fair facts and figures and had been prepared in accordance with applicable rules and regulations. For an effective control system, two separate and independent Divisions, namely Internal Control & Compliance Division (ICCD) and Board Audit Division were established. Internal Audit team of the Bank conducted their regular audit functions based on different manuals, instructions, guidelines and procedures laid down by the regulatory bodies and the Board of the Bank. The Board undertook prompt actions to any issues in order to protect the Bank and shareholders' wealth based on internal audit reports.

Risk Management

MDB's Risk Management Division took effective measures to manage and control different types of risks. The Risk Management Committee of the Bank closely examined credit risks from both micro perspective which concerns credit risk of individual customers and macro perspective which considers loan portfolio risk. This allowed the credit officers and relationship managers to provide a system of mutual checks and balances. Going forward, Midland Bank will continue to strengthen risk management procedures to help mitigate concentration of risks. In addition, the Board Risk Management Committee (RMC) looks after the overall risk management of the Bank, which makes MDB more risk-resistant and compliant.

Human Capital

MDB assembled a team of excellent employees, having a balanced mix of young and experienced professionals, properly equipped with expertise, necessary skills and knowledge to achieve all its strategic objectives and future successes. At MDB, we believe that skillful men and women are required to work together to run a system smoothly. Everyone at Midland Bank diligently worked together toward a common goal: to be the best choice in the industry. The efficient work force acted as the fundamental pillar to elevate the Bank at today's height of success and beyond. The Bank emphasized employees' service to be a benchmark in the industry by offering better facilities than other commercial banks, such as viable remuneration package, training facilities and other fringe benefits. Midland Bank formulated its Human Resources Policy covering all required standards such as recruitment procedures, pays, benefits, training and development programs, disciplinary rules, grievances and so forth. We are always concerned with upgrading our entire workforce to the next level of skill and efficiency through training and it is a continuous process. In line with its expansion plans, Midland Bank plans to recruit more employees, fresh and experienced to meet the customers' ever-increasing demand and to support the ever changing business scenario.

Commitment to Society

MDB believes that Corporate Social Responsibility (CSR) is fundamental to attain long term sustainability and business growth and that CSR plays an important role in helping our society. We seek excellence – as an organization for ourselves and for the communities we serve. We believe our success is tied directly to the successes of our communities. We regard our involvement in society as investment in our own future. We actively participate in our neighborhoods by making positive contribution through community development,

financial education, volunteerism, support for the underprivileged and environment-friendly action for a safe habitat. Midland Bank shares the misery of the distressed and continuously strives to assist victims of natural disaster by providing financial help in rehabilitation and rescue purposes. The CSR of the Bank continued to grow during 2014 as we donated winter clothing and blankets for the underprivileged. MDB also donated to PROYASH, an institute dedicated for children with special needs, as a part of our commitment to the society. The Bank spent a total of BDT 0.15 million through at the year. In addition, MDB, being responsive to the environment, has proactively introduced its own 'Green Banking Policy'.

Appreciation

I express my sincere thanks to all the shareholders, our dynamic and generous Board of Directors, patrons, business partners and customers for your constant support, loyalty and belief in our institution. To the Auditors, Bangladesh Bank, Bangladesh Securities and Exchange Commission, Stock Exchanges (DSE & CSE) and Register of Joint Stock Companies - I humbly pay my gratitude for providing guidelines, rules and regulations for the Banks from which stemmed our inspiration, confidence and direction. I am confident that our Bank will attain its corporate vision, mission and strategic objectives by upholding our ingrained core values with dedication and hard work for years to come. I wish you all and MDB the very best.

And, as always, I welcome your thoughts and suggestions.

Thank you.



M. Moniruzzaman Khandaker
Chairman

REVIEW FROM THE MANAGING DIRECTOR & CEO



us to focus on our business, to achieve objectives to fulfill our goals. As a new institution in need of deepening our presence, we are pursuing our goal for expansion in infrastructure, technology, branch network, products and most importantly, the ability to serve our customers better. Within a journey as short as two years, our performance and possibilities have excelled in many counts towards making MDB a modern, successful and compliant scheduled commercial Bank in Bangladesh.

I have had the honour to lead MDB for the latter part of 2014. I am aware of the responsibility entrusted in me and the 'MDB Family'. I am committed to taking Midland Bank's image and reputation to newer heights in 2015 and beyond, by transforming the institution into a model Bank in our banking industry.

Before the auspicious holding of the 2nd AGM of MDB, I am pleased to present here, the Annual Report 2014, to our valued shareholders, respected members of the Board of Directors and stakeholders. Prudent evaluation of our performance and valued guidance from our honourable Board will pave the way for a sound and sustainable growth of MDB in 2015. Seizing

Respected Shareholders,

By the grace of Almighty Allah, Midland Bank Limited (MDB) successfully marched past another year, despite a challenging environment and economic outlook. We entered the banking industry on March 20, 2013 as a fourth generation Bank, to be the Bank of choice of our customers, revered by all stakeholders and the community. While in 2013, we established our footprint and our identity as a distinct financial service provider with the faith of our stakeholders, the year 2014 allowed

opportunities amidst growing political flux and sluggish investment scenario in 2014, MDB performed relatively well, posting a solid profit. This performance was the outcome of a competitive position defined by our quality client base, mix of core business to which we have demonstrated our commitment, healthy and strong balance sheet and deep attachment to our client centric culture. Please be assured, we are relentlessly endeavouring to position MDB as one of the finest financial institutions of the industry.

Global Economy

The global economy is still struggling to gain momentum as many high-income countries continue to grapple with legacies of the global financial crisis and emerging economies are less vibrant than in the past. The major driving forces of global output were mainly manifest by soft commodity prices, falling oil prices, worsening geopolitical tensions across borders, persistently low interest rates but increasingly divergent monetary policies in major economies and weak world trade. The sharp decline in oil prices undervalued by more than half of the level of mid-2014, supported global activity and helped offset some of the headwinds to growth in oil-importing developing economies. However, it dampened growth prospects for oil-exporting countries with significant regional repercussions. While activity in the United States and the United Kingdom gathered momentum as labour markets healed and monetary policy remained extremely accommodative, the recovery was sputtering in the Euro Area and Japan as legacies of the financial crisis lingered, intertwined with structural bottlenecks. China, meanwhile, underwent a carefully managed slowdown. Disappointing growth in other developing countries in 2014 reflected weak external demand as well as domestic policy tightening, political uncertainties and supply-side constraints. Global growth in 2014 was lower than initially expected, continuing a pattern of disappointing outcomes over the past several years. Growth picked up only marginally in 2014, to 2.6 percent, from 2.5 percent in 2013. As such, increasingly divergent trends were at work in all major economies.

Bangladesh Economy

By most accounts, 2014 has been a good year for Bangladesh economy. No major crisis marred the performance of the economy. This phenomenon along with a couple of global developments has influenced the economic landscape of Bangladesh. Gross domestic product (GDP) rose from 6.0 percent in FY2013 to 6.12 percent in FY2014. The main impetus for higher growth was a rise in public investment that rose from 6.6 percent of GDP in FY 2013 to 7.34 percent in FY2014. However, due to prolonged political disruptions during the last part of calendar year 2013, private investment declined to 21.4 percent of GDP in FY2014 from 21.8 percent in the previous year. Private consumption, another important component of GDP, declined by 1.5 percent due to lower remittance inflow. Export earnings increased at a higher rate than imports. National savings were much higher than domestic investment indicating lower utilisation capacity of the economy. In terms of

sectoral contribution to growth, industry played the main role though the share of industry in GDP declined this year compared to last year. However, both agriculture and services have also buoyed the GDP growth with better performance.

Unlike the economy as a whole, 2014 was another challenging year for the banking sector. The rise of non-performing loans mattered most in the financial health of Banks. Another upset came from continued malpractices, inefficiencies and financial scams, largely concentrated in a few State Owned Commercial Banks (SCBs). Low pick-up of investment led to low credit growth in the banking sector. Credit to both the public and private sectors was sluggish during the period. Till June 2014, domestic credit grew by only 11.6 percent against the target of 17.8% in Monetary Policy stale (MPS). Lower growth in credit coupled with increasing trend of Non-Performing Loans (NPL), worsened the performance of the banking sector. Low capital adequacy and poor asset quality were also worries of the SCBs. For new entrants in the banking industry, excess liquidity remained a drag on performance in 2014.

MDB's Financial Performance in 2014

2014 posed a challenging year for Midland Bank due to the downward shift in business activities in the banking industry. A combination of factors such as low credit growth, deteriorating asset quality, increased provision requirement on loans and equity investment and revival of political confrontation at the end of 2014 affected overall profitability of the country's banking sector. Under such tough environment, Midland Bank performed well with encouraging year-end results by adopting the strategy of strengthening its position with branch and ATM expansions and focusing on inclusive growth momentum. The Bank manifest its competence in capital adequacy, asset quality, reasonable earning and prudent liquidity management. We stayed committed to cost control, quality services and good governance practices. As a result, MDB managed to exhibit growth momentum in core business areas and profitability. Our year-end profit amounted to BDT159 million indicating a growth of 336% over the preceding year. Our Deposit stood at BDT 8,479 million while Loans and Advances were BDT 6,500 million as on the balance sheet date. The Deposit and Lending portfolio grew by 192% and 255% respectively. Capital adequacy ratio as per BASEL II was remarkably good at 43.95% (against required 10% of Risk Weighted Assets). Return on Equity (ROE) and Return on Assets (ROA) were 0.86% and 0.23% respectively as on December 31, 2014. Amount of fee based income

increased to BDT 59 million from BDT 4 million of 2013. In spite of higher cost of deposit at 9.73%, we performed exceptionally, with increase in non funded business particularly in our International Trade Financing, and thus, realized better yield to offset the higher expenses.

Our Focus on People, Development and Culture

The strength of our business is defined by the quality of our people and our performance driven culture. Our Human Resources are well equipped to combine the managerial and operational proficiency and we are constantly invigorating the staff to deliver at an optimal level at all times. It was impressive to see the desire of our staff to work together to ensure our success optimizing discipline as well as their focus. Their commitment to our customers is commendable. As a team, we believe that customers are the major contributors to our Bank's success and growth. Our team is committed to meeting customers' needs and satisfying them with high quality financial products and services. Maintaining good and enduring relationship with the customers is our top priority. To serve customers with a difference, we have recruited as many as 198 employees so far, through a comprehensive and merit based transparent recruitment process. Both experienced and fresh employees are deputed to various training programs, internal and external including foreign training, to upgrade knowledge and skills. To ensure compliance, the Bank also conducted courses on anti-money laundering and terrorist financing.

Corporate Governance

The management of Midland Bank recognizes the importance of good corporate governance as a decisive factor in enhancing the efficiency of the organization. The Bank therefore conducts its business in line with the principles of good governance standard, which forms the basis for sustainable growth. Since inception, the Bank has been running as a compliant Bank. MDB is much concerned about 'Asset Quality' and have designed operation process in accordance with regulatory guidelines. The Bank is providing excellent service to its customers by using advanced technology using international standard core banking software. As for our employees, I am pleased to say, they have responded to all the challenges brought forth with great commitment. I have no doubt, with continued hard work, Midland Bank will be the best choice in future to fulfill your financial needs. I have faith in our abilities to develop and set goals and bring success, with the team of experienced and dedicated bankers. MDB takes special care in improving financial soundness,

professionalism, corporate values, integrity and to create opportunity for our customers. In addition, the management of MDB ensures high ethics and transparency at all levels of the Bank.

Risk Mitigation and Basel II Accord

With a view to fostering a sound, efficient and stable financial system, the regulatory bodies have started implementing a number of effective policy measures which include compelling the Banks to undertake timely and effective risk management practices through issuance of revised Risk Management Guidelines. The regulatory bodies have strongly advised to implement stress testing for Bank resilience. We are conducting our business within the regulatory guidelines and policies to achieve the economic and regulatory targets set by Bangladesh Bank. Basel II is a risk management technique for Banks and MDB is committed to implementing Basel II in its true form and spirit. MDB will continue to strengthen its capital, funding and liquidity position. Confidently enough, MDB is in a position to meet future regulatory requirements even if it becomes more stringent. As on 31 December 2014, the Bank's Basel II Tier 1 Capital Ratio was 43.13% and Tier 2 Capital Ratio was 0.82%. We are all prepared to meet the upcoming Basel III guidelines that will be implemented through phases by 2019. Our conservative risk management approach, better asset quality and strong capital base from the very beginning, is a step forward to our ability to comply with Basel III regulation.

Caring for the Community through CSR

MDB believes, true success does not constitute profit maximization unless we do something good for the less privileged. Even though MDB is a new Bank, we are conscious of our 'Corporate Social Responsibilities (CSR)' with an aim to serve the industry in a socially responsible way. Our CSR vision is characterized by contributing towards improving quality of life of the society at large without compromising on ecological conditions. As we continue to move ahead in business and growth, we are simultaneously focused on being a good corporate citizen. From the day of our stepping into banking business, we have been playing a pivotal role in developing our community. Our contribution to the benefit of the society is reflected in our credit programmes that ensure financing to our clients is utilized for environmentally sound and sustainable purposes. The CSR of the Bank continued to grow during 2014, as we donated winter clothing and blankets, several times, for the cold-stricken people across different geographical location. In another

instance, we donated to PROYASH, an institute dedicated for children with special needs, as part of the Bank's commitment to the society. In addition, being responsive to the environmental concern, we have introduced 'Green Banking Policy' for our Bank. In future, we plan to play a responsible role in the development of education and health care.

Network Expansion & Strategic Alliance

By the end of 2014, Midland Bank expanded its network to 11 branches in strategic locations, ensuring banking services to urban and rural economy to align the Bank with 'Financial Inclusion'. We are continuously expanding our network across the country for attaining geographical and demographic dividend. In addition, we have plans to increase ATM booths to highest possible number to provide 24 hours cash withdrawal facilities to our customers. We intend to increase the number of branches and hope to sign more agreements with various companies and Government entities across the nation in the future, to aid our business and help economic development of the country. Some of the agreement signed by MDB in 2014 are: agreement with BRAC Bank to execute Xpress Money remittance transactions, agreement with SSL Wireless to avail the mobile top-up facility anytime and anywhere through 'midland online', our internet banking application; agreement with Bangladesh Rural Electrification Board (BREB), Dhaka Electric Supply Company Ltd. (DESCO), Dhaka WASA (Water Supply & Sewerage Authority) to collect bills from customers through MDB branches; agreement between CPTU (Central Procurement Technical Unit), IMED (Implementation Monitoring and Evaluation Division) of Ministry of Planning for MDB to provide banking services to government contractors under e-GP; and agreement with Apollo Hospitals Dhaka where MDB Credit and Debit cardholders and MDB employees will enjoy special health care facilities from Apollo Hospitals and STS Life Care Center.

Technical Supremacy

Technical sophistication is the precondition for attaining comparative advantage in today's modern and competitive banking industry. We are continuously putting emphasis on strengthening our IT platform and at the same time providing IT based solution for our customers for improving our operation work-flow. For all our banking activities, we have started implementing CBM – Centralized Banking Model, which went 'Live' in February of 2015. From the beginning, MDB adopted modern technology to provide fast track services to clients. With CBM, the Bank will become much more

efficient and compliant. Our endeavours towards incremental improvement of tech savvy modules continue and will bring supremacy, efficiency and quality to our operations, ensuring superior services to our customers.

Diversified Product Line

All through 2014, MDB launched several deposit and credit products in a bid to fulfill requirements of different segments of customers. In designing products, MDB always endeavours to make superior value addition for stakeholders. Inspiringly, our unique products have created enthusiasm amongst our clients. We have introduced new and attractive products such as MDB Super Saver, MDB College Saver, MDB School Saver, MDB Probashi Savings and MDB Gift Cheque. I am also pleased to inform, we have launched Debit Cards and Credit Cards. Our Card Division has been tirelessly working to sign up partners to offer discounts and special privileges to our cardholders.

Agriculture and SME

In the first few months of 2014, our credit exposure was focused with enhanced expertise on medium to large commercial lending, international and domestic trade finance. As agriculture and SME are two main priority sectors of our country, we increased our SME exposure ensuring the soundness of asset quality. In order to facilitate agricultural activities and intensely promote small and medium enterprises, MDB created 'Emerging Corporate & Special Programmes Department'. As suitably as possible, we developed new products for booking new businesses enhancing Bank's contribution under SME, Agri, Green Energy and Emerging Corporate & Special Programmes. Products were developed in consideration of wide coverage and capacity of financing the Micro, Cottage, Small & Medium (MSMEs), Emerging Corporates, Agri, Green Finance and also the underprivileged entrepreneurs. The prime objective of designing such products, are strategic focus on underserved segment of the economy for inclusive growth, structuring and segregation of Bank's lending basket for risk control, access to low cost refinancing from Bangladesh Bank as well as provision privilege on unclassified loan. 16 new products were introduced under this umbrella in 2015. The names of the products are MDB IT UDDOG, MDB HALKA SHILPAJAT, MDB BABOSHAY, MDB ABIRAM, MDB STHAEE, MDB SHILPAYAN, MDB SHAMOIK, MDB SEBA, MDB NABAGOTO, MDB NIRMAN, MDB NARI UDDOG, MDB KRISHIJAT, MDB KRISHI, MDB JANBAHON, MDB GREEN LOAN and MDB NGO Link.

Outlook for 2015 and Beyond

Global growth is expected to rise moderately to 3.0 percent in 2015, and average about 3.3 percent through 2017. High-income countries are likely to see growth of 2.2 percent in 2015-2017, up from 1.8 percent in 2014, on the back of gradually recovering labor markets, ebbing fiscal consolidation and still-low financing costs. In developing countries, as the domestic headwinds that held back growth in 2014 ease and the recovery in high-income countries slowly strengthen, growth is projected to gradually accelerate, rising to 4.8 percent in 2015 from 4.4 percent in 2014 and 5.4 percent by 2017. Lower oil prices will contribute to diverging prospects for oil-exporting and importing countries, particularly in 2015. At home, our growth is now projected to be at 6.4% in FY 2015, slightly higher than forecast, as a revival in worker remittances is expected to bolster private consumption, while private sector investment is likely to pick up once political situation is stabilized. Moreover, the government will continue its efforts to step up project implementation. While a larger trade deficit is projected for FY2015, remittances are expected to grow by 7.0%, continuing the revival of inflows seen in the second half of the FY2014. With higher remittances, the current account is now projected to post a surplus equal to 1.5% of GDP, rather than the 1.5% deficit projected earlier. With this positive outlook, Midland Bank is well positioned to improve competitive positioning across the banking business. With our solid capital base, liquidity and funding positions, we have the strength and flexibility to meet upcoming challenges head on. In 2015, I am confident that by putting clients at the center of everything we do, we will support economic growth more broadly and generate the financial returns we have targeted.

At the political front, the outlook for 2015 has turned back to the level of 2013 with the escalation of violence,

unrest, gridlock and uncertainties. To face such odds, we are remaining close to our clients to assist them with their business and financial needs.

Debt of Gratitude

I offer my sincere and deep gratitude to our Honourable Chairman and the Board Directors for their continuous and consistent support, patronization, wisdom and guidance throughout the year. I appreciate their input and commitment to our Bank's success. Special thanks to our invaluable customers who continue to be with us amid stiff competition in the industry. The interest of all our shareholders is always on the forefront of everything we do and we are grateful for the continued guidance. I express gratitude to our lenders, depositors, regulators and other stakeholders for their continued support.

My Great MDB Team

Thank you for your spirited effort to win and passion to excel. We have many more great strides to achieve together in the future, and I am confident, we will be the most admired Bank of the country. I believe we have a great team in place and we plan to sustain our success over the long term. I am looking forward to a successful 2015 and beyond.

May Almighty Allah grant us wisdom and strength in the days to come.

Sincerely,



Md. Ahsan-uz Zaman

Managing Director and CEO

REPORT OF THE BOARD AUDIT COMMITTEE OF MDB



Board Audit Committee (BAC) of MDB

In compliance with Bangladesh Bank BRPD circular No.11, Dated: October 27, 2013 regarding formation and responsibilities of Board of Directors of a Bank Company and in line with Bangladesh Securities and Exchange Commission (BSEC) Notification No. SEC/CMRRCD/2006-158/134/Admin/44, Dated August 07, 2012 and No. SEC/CMRRCD/2006-158/147/Admin/48 Dated July 21, 2013 on Corporate Governance, the Board Audit Committee (BAC) of Midland Bank Limited (MDB) was formed and last reconstituted by the Board of Directors in its 15th Meeting held on April 26, 2014. Audit Committee is a sub-committee of the Board of Directors of MDB which is responsible to the Board as well. Duties, roles and responsibilities of AC is clearly set out by the Board of Directors of the Bank in line with the above mentioned guidelines.

During the year 2014, the Audit Committee played an effective role in building a bridge among the Board of Directors and management and other stakeholders in ensuring the objectives, strategies and overall business plans of the Bank as an independent oversight responsibilities. BAC also contributed significantly in reviewing financial reporting process, the system of internal control, management of financial risks, the audit process, and Bank's process for monitoring compliance with laws and regulations and its own code of business conduct set by Bank's Board.

Composition of BAC

In terms of Bangladesh Bank BRPD Circular No.11, dated October 27, 2013, a 5 (Five) member Board Audit Committee (BAC) was last reconstituted in the 15th Board Meeting with the following Board Members:

Sl. No.	Name	Status with the Bank	Status with the Committee
01.	Dr. Kazi Shahidullah	Director	Chairman
02.	Mr. Md. Wahid Miah	Director	Member
03.	Mr. Md. Motaleb Hossain	Director	Member
04.	Mr. Md. Shamsuzzaman	Director	Member
05.	Al-Haj Mohammed Issa Badsha	Director	Member

Mr. Md. Wahid Miah and Mr. Md. Motaleb Hossain were appointed as members of the BAC in the 15th Meeting of the Board of Directors of MDB held on April 26, 2014 replacing Mr. Md. Badsha Mia and Ms. Scherezad Joya Monami Latif.

The Company Secretary acts as the Secretary of the Audit Committee of the Board.

Participation of Non-members

Mr. Ahsan Khan Chowdhury-Director attended and participated in the meetings as a special invitee considering his significant educational qualifications and dynamic leadership in the business industry of Bangladesh as well as in global business. He paid his best effort to the Audit Committee Meetings to be successful in applying his business, accounting and managerial knowledge. Additionally, the Managing Director and CEO, Deputy Managing Director, Chief Financial Officer, Chief Information Officer, Head of ICCD attended some of the meetings on need basis.

Roles and Responsibilities of BAC

The roles and responsibilities of BAC of MDB have been framed by considering the provisions of BRPD Circular No 11 dated October 27, 2013, Corporate Governance Notification issued by BSEC on August 07, 2012, July 21, 2013 and other best practice corporate governance guidelines and standards. Main roles and responsibilities of BAC of MDB are highlighted below in broad scale:

a) Internal Control:

- Evaluate whether management is adhering to the appropriate compliance culture by communicating the importance of internal control and risk management to ensure that all employees have clear understanding of their respective roles and responsibilities.
- Review the initiatives taken by the management for developing and maintaining a suitable Management Information System (MIS).
- Consider whether internal control strategies recommended by internal and external auditors have been implemented timely by the management.
- Review the existing risk management policy and procedures for ensuring an effective internal check and control system.
- Review the corrective measures taken by the management as regards to the reports relating to fraud-forgery, deficiency in internal control or other similar issues detected by internal and external auditors and inspectors of the regulators and inform the Board on a regular basis.

b) Financial Reporting

- Check whether the Annual Financial Statements reflect the concrete and complete information and determine whether they are in consistent with applicable accounting and reporting standards set by respective governing bodies and regulatory authorities.
- Meet with Management and External/Statutory Auditors to review annual financial statements before their finalization.
- Review along with management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval.

c) Internal Audit

- Monitor/ evaluate whether internal audit functions are conducted independently from the management.
- Review the activities and organizational structure of the internal audit function and ensure that no unjustified restrictions or limitations are made on the internal audit process.
- Review and assess the annual internal audit plan and appraise the same to the Board to get approved.
- Review the efficiency and effectiveness of internal audit function.
- Review that findings and recommendations made by the Internal Auditors for removing the irregularities, if any, detected are duly acted upon by the management in running the affairs of the bank.

- Meet the Head of ICC and the head of internal audit as and when necessary without management being present to discuss about any issues arising from the internal audits carried out.

d) External Audit

- Review the performance of the external auditors and their audit reports.
- Consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the bank's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- Oversee the relationship with the external auditors including:
 - Approval of their remuneration, i.e. fees for audit or non-audit services.
 - Assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services.
 - Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the bank (other than in the ordinary course of business).
 - Meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage.
 - Review the findings and recommendations made by the external auditors for removing the irregularities, if any, detected are duly acted upon by the management in running the affairs of the bank.

e) Compliance with existing laws and regulations

Review whether the laws and regulations framed by the regulatory authorities (Central Bank, BSEC and other bodies) and internal circular / instructions / policy / regulations approved by the Board and Management have been complied with.

f) Miscellaneous

- Submit a compliance report to the Board of Directors on quarterly basis on regularization of the omission, fraud and forgeries (if any), and other irregularities detected by the internal and external auditors and inspectors of regulatory authorities.
- Submit the evaluation report relating to Internal and External Auditor of the Bank to the Board.
- Supervise other assignments delegated by the Board and evaluate its own performance regularly.

Meetings of the BAC

Bangladesh Bank suggested banks to hold at least 4 meetings in a year. In the year 2014, the BAC of MDB managed to hold meetings at par and had detailed discussions and review session with the Head of Internal Control & Compliance, External Auditors etc. regarding their findings, observations and remedial suggestions on issues of bank affairs that need improvement. The BAC instructed management to follow those remedial suggestions and monitored accordingly. Meeting dates are as follows:

Sl. No.	Meeting	Date of meeting
01.	2nd Meeting of the Board Audit Committee	February 26, 2014
02.	3rd Meeting of the Board Audit Committee	May 21, 2014
03.	4th Meeting of the Board Audit Committee	September 11, 2014
04.	5th Meeting of the Board Audit Committee	December 29, 2014

Major areas focused by BAC in 2014

2nd Meeting of the Audit Committee, Dated: February 26, 2014:

- Review of Annual Financial Statements for the year 2013 submitted external auditors of the Bank.
- Exchanging views with the management and the auditors on Annual Financial Statements for the year 2013.
- Review of ICCD's Management Control Documents which includes Internal Control and Compliance Policy and Procedures, Organogram and Job Description of ICCD etc., and Yearly Activity Plan 2014.

3rd Meeting of the Board Audit Committee, Dated: May 21, 2014:

- Review budget variance for the quarter -1-2014.
- Review the various policies and procedures formation and implementation status.
- ICCD's activity status from January to May 2014.
- Summary report on Branches' surprise visit conducted by ICCD.

4th Meeting of the Board Audit Committee, Dated: September 11, 2014:

- Review the status of Bangladesh Bank Comprehensive Inspection Report and the compliance thereof.
- Reschedule Internal Audit and Inspection Plan 2014.
- Bank's performance status as on August 2014.
- Status report of ICCD activity as on September 8, 2014.

5th Meeting of the Board Audit Committee, Dated: December 29, 2014:

- Review the status of Bangladesh Bank Comprehensive Inspection Report and the compliance thereof.
- Review the status external auditors' report to the management and the compliance there-against.
- Review the status of Internal Audit and Inspection Reports.
- Submission of all the internal audit and inspection reports to BAC.
- Bank performance status as on November 2014.

The Minutes of the Board Audit Committee meetings containing various suggestions & recommendations to the management and the Board are placed to the Board for ratification on regular basis.

In reviewing the Company's policies and practices with respect to assessment of the various Internal Audit reports, it is evident that MDB continued to be efficient in internal control over financial reporting for the year ended December 31, 2014. Since most of the computation is system based, the possibility of manipulation is almost absent. The Committee has selected Bangladesh Standards of Auditing (BSA) and Bangladesh Financial Reporting Standards (BFRS) as the accounting standard and accordingly the financial statement clearly states the compliance of GAAP, SEC and Bangladesh Bank guidelines. Therefore, Board Audit Committee acknowledges the splendid support of Members of the Board, Management, Finance and Internal & External Auditors from their respective responsibilities.

On behalf of the Board Audit Committee,



Dr. Kazi Shahidullah

Chairman of the Board Audit Committee of MDB

DIRECTORS' REPORT



Highlights:

With steady focus on increasing profitability, inclusive growth, capital strength and deep respect for the community, MDB is well positioned to become one of the country's leading new generation banks. Taken together with the whole nation, we want to grow and prosper.

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of MDB, it is my great pleasure to present the 2nd Annual Report of the Bank for the year 2014. The report mainly comprises Auditors' Report, Directors' Report, Audited Financial Statements of the Bank along with performance of various business segments. General review of this report, unless explained otherwise, is based on the audited financials and Bank's internal MIS. The report also maintains a key focus on external environment, mainly world economic outlook and prospects of domestic economy. Moreover, the Directors would like to explain and disclose certain issues, which they deem relevant and important to ensure transparency and good governance practices. We hope, the report will give you a clear reflection of the Bank's performance and its mission for inclusive growth.

WORLD ECONOMY

A moderate growth on a tepid recovery

The world economy expanded during 2014 at a moderate and uneven pace and still struggling to gain momentum as many high-income countries continue to grapple with the aftereffects of the global financial crisis and emerging economies are less vibrant than in the past. The recovery in high-income economies has been irregular, as some (the United States and the United Kingdom) have exceeded pre-crisis output peaks, but others (the Euro Area) have fallen below earlier level. Global growth in 2014 was lower than initially expected, continuing a pattern of disappointing outcomes over the past several years. Growth picked up only marginally in 2014, to 2.6 percent, from 2.5 percent in 2013. Beneath these headline numbers, increasingly divergent trends are at work in major economies. While global inflation remains subdued, the spectrum ranges from deflation risks in the euro area to high inflation in some developing countries. Foreign direct investment inflows remained the most stable and relevant source of financing for developing countries in 2014. Job growth accelerated and wages increased. Labor market data confirmed that the unemployment fell in 2014 and it could drop further, putting upward pressure on wages and prices.

The US turns around while the EU struggles

In the first quarter of 2014, US GDP shrank due to bad weather and low accumulation of inventory. Later, the country made up for ground lost in the first quarter and registered 2.7% growth in GDP in last 12 months. USA is forecast to grow 3.1% next year supported by big drop in oil price. The composition of recent growth is the

result of solid household spending, the most important component of demand. Unlike US economy, Europe performed lower than expectation. In the middle of 2014, investors were feeling more optimistic about the euro zone. There are now serious worries that the euro zone will succumb to a "triple-dip" recession. Inflation fell to just 0.4% in October, well below the European Central Bank's target of almost 2%. The proportion of loans in default is rising in Portugal, Italy and Greece. Russia's gross domestic product rose by 0.7 percent year-on-year, down from a growth rate of 0.8 percent in the preceding year. Russia's full-year 2014 GDP growth was at 0.3 percent, year-on-year. Russia's year-on-November inflation reached 8.5% and unemployment rate rose to 4.9% to 5.1%. The euro area's recovery remains precarious. While the sense of crisis has dissipated, great risks remain. The underlying growth momentum in the euro area has decelerated to the point where an exogenous event could lead to a return to recession.

Asia walks along a mixed growth path

Japan's gross domestic product shrank an annualized 1.6 percent in latter part of 2014. The Real GDP of Japan was down 0.4 percent. The drop in oil prices helped trim Japan's trade deficit in October, as exports of cars, ships and steel picked up pace. China is also suffering from its own brand of deflation. Wholesale prices have fallen every month since April 2012. Although China promoted consumer-led growth, which would please the public by raising living standards, the efforts have fallen short. China is a major importer of raw materials, so a slowdown in 2015 would continue to harm resource-rich nations in Asia, Latin America, and Africa. Following a robust increase in GDP in India in the April-June 2014 period, GDP growth moderated in the subsequent quarter. Expected GDP growth in FY 2014-15 is 5.5%. For FY 2015-16, expert sees the economy expanding 6.2%. In Indonesia, the economy is expected to expand to 5.4% in 2015, and 5.7% in 2016. The Malaysian government's fiscal policies and weak external demand will keep economic growth below potential next year. Experts expect GDP to expand 5.1% in 2015 and 2016. According to the IMF, Myanmar economy is expected to grow at about 8.50 percent during the current and next fiscal years.

Challenges & risks

- i. Despite positive growth prospects, Asia Pacific region may face inherent challenges, including structural economic reforms, effective management of urbanization, and geopolitical conflicts. In recent

years much of Asia's geopolitical tension has been centered upon the South China Sea and on maritime disputes between China and Vietnam, Japan and the Philippines.

- ii. Another challenge for Asia will be presented in the rapid growth of cities across the region. There are already 170 cities in China that have populations in excess of 1 million citizens, and the country is forecast to gain 292 million city-dwellers by 2050. Meanwhile, a further 404 million Indians are expected to have migrated to cities. These increases will place a heavy strain on national infrastructure, requiring increased investment in housing, transportation, healthcare and education, among other services.
- iii. In the long run, Asian economies will be reshaped by significant demographic shifts. Population ageing has profound implications in the economy due to requirement of increased expenditure in the social security since the traditional patterns of looking after older people will change as family sizes decrease.
- iv. Many developing countries and economies in transition appear vulnerable to a tightening of global financial conditions, as well as a further aggravation of geopolitical tensions and an escalation of the Ebola epidemic. The ongoing high current-account deficits in some large emerging economies, such as Brazil, Indonesia, South Africa and Turkey, remain a concern, along with rapid credit growth in several emerging economies. A sudden change in market sentiment could trigger a painful adjustment process, especially in countries with large external deficits. A broad-based downturn in emerging economies, particularly a sharp slowdown in China, would weigh on economic performance worldwide.
- v. A further risk lies in extreme volatility in oil prices which can have significant impacts on both oil exporting and oil importing countries. The crisis in Ukraine continues to have major regional macroeconomic repercussions. The situations in Iraq, Libya and the Syrian Arab Republic continue to hamper economic and human development regionally and remain major sources of uncertainty.

Outlook for the short-term

Global activity strengthened only during the second half of 2014. Activity is expected to improve further in 2015–16, largely on account of recovery in the advanced economies. The global economy is expected to grow 3.1 per cent in 2015 and 3.3 per cent in 2016.

Trade growth is expected to pick up moderately with the volume of world imports of goods and services projected to grow by 4.7% in 2015. Fiscal tightening in most developed economies will continue, although the pace of tightening is expected to be slow. The strong US dollar is expected to remain the dominant trend on foreign exchange markets. But downward revisions to growth forecasts in some economies highlight continued fragilities, and downside risks still remain. In advanced economies, output gaps will generally remain large and, given the risks, the monetary policy stance should stay accommodative while fiscal consolidation continues. In many emerging markets and developing economies, stronger external demand from advanced economies will lift growth, although domestic weaknesses will remain a concern. Some economies may have room for monetary policy support. In many others, output will be closed to potential, suggesting that growth declines partly reflect structural factors or a cyclical cooling and that the main policy approach for raising growth must be pushed ahead with structural reform. In some economies, there will be a need to manage vulnerabilities associated with weakening credit quality and larger capital outflows.

BANGLADESH ECONOMY IN 2014

Flashes of growth momentum

By and large, 2014 has been a good year for Bangladesh economy. Economic progress was steady and confident - even vibrant. No major crisis marred the performance. Underpinning the steady course of the economy was the political calm though filled with future uncertainty and normality in law and order situation. During the year, economic fundamentals remained more or less satisfactory. During January-June 2014, the last half of fiscal year 2014, the growth engine exhibited slight progress whereby gross domestic product (GDP) rose from 6.10% in FY 2013 to 6.12% in FY 2014. Inflation continued its fall coming down to 6.21% in December, the lowest in 24 months. Food inflation was the biggest driver behind the drop in overall inflation, sliding to 6.44% from 7.16% in October. Non-food inflation, however, continued to rise. The continuous decline in food prices on the international market helped food inflation to come down. A good harvest of food grains in the country also helped. No such mitigating factors were at play for the non-food items. Agricultural growth during 2014 was on track, aided by favorable weather, reasonably good functioning of agricultural input market and improved farm gate prices. Developments in the fisheries and livestock sectors were normal, backed by steady demand.

Exports rebounded in 2014 propelled by a pickup in garment exports. In November 2014 exports raked in \$2,420 million, up 3.5% year-on-year. The figure surpassed the monthly export target by 5.8%. Garment products, which typically account for the bulk of export receipts, brought in \$1,940 million in December, up 10.22% year-on-year. Worryingly, garment exports in the first five months of the fiscal 2014-15 were below the target. It made up for the slack later on. Leather and leather products continued its promising entry into export markets raking in \$463.12 million in the first five months of the present fiscal. Jute and jute goods did well in exports by its past standard. Overall, though exports rebounded last year some of the exportable items found it hard to meet export targets.

The World Investment Report released by UN Conference on Trade and Development (UNCTAD) showed Bangladesh placed as the second favoured investment destination in South Asia after India. Inflows of Foreign Direct Investment (FDI) into Bangladesh rose 24% to \$1,600 million in 2014. Net foreign portfolio investment shot up 111% due largely to the investment in the mobile phone sector. The government approved the country's biggest-ever investment project of \$4,500 million to set up a coal-fired power plant. Japan International Co-operation Agency (JICA) will provide \$3,800 million as soft loan for the project. FDI in 2014 was not, however, diversified.

A significant increase in the overall balance of payment surplus boosted official foreign exchange reserves to all time high (US\$2,500 million). A steady remittance flow and reasonably good export performance contributed to this achievement. A pragmatic monetary policy that intervened to prevent a large appreciation of the nominal exchange rate ensured stability in the foreign exchange market. The exchange rate depreciated only slightly as the central bank began to sell dollar for the first time in three years. Overall, the monetary policy succeeded in maintaining price stability and promoting growth.

The Dhaka Stock markets in 2014 was more than on course, receiving its highest flow of foreign investment. Inflows in the first 11 months surpassed the previous records. Net investment between January and November stood at BDT 238.8 million which is about 23% higher than the last year's total. A comparatively better political situation, positive market outlook and favourable macroeconomic indicators encouraged foreign investors to invest in local securities with zest.

Downside of the economy Unnayan Onnesan (UO), a think tank, has shown that private investment declined in 2014. According to it, private investment as a

percentage of GDP has been on the decline since 2011-12. In fiscal 2011-12 private investment stood at 22.50% which declined to 21.34 by 2013-14. It was not inadequacy of savings that accounted for this. Referring to increased gap between savings and investment, UO has shown that during fiscal 2013-14 national savings were 30.54% when total investment stood at 28.69% of GDP. High cost of borrowing from commercial banks has been pointed out as the main reason. The think tank has pointed out the relatively poor revenue collection as one of the factor for slow growth of GDP. Against the target of 11% the tax-GDP ratio stood at 9.7% in 2013-14. It has been apprehended that the aggregate shortfall in the tax-revenue collection will amount to BDT 1,200 million. Lack of a sustainable improvement in the implementation of ADP (Annual Development Programme) continued to afflict the economy in 2014. Despite increasing allocation ADP implementation has been falling short of target. Reforms in the implementation procedure are urgently called for the manufacturing sector operated below capacity due to inadequate import of machinery and raw materials, resulting from credit crunch. The SME (Small and Medium Enterprises) sector, however, prospered having special attention of the government and enthusiastic participation by women entrepreneurs.

Another testing year for the banking sector

The banking sector continues to cast shadow on the overall economic scenario through malpractices and inefficiencies, though heavily concentrated on a few banks. Low pick up of investment led to low credit growth in the banking sector. Till June 2014 domestic credit grew by only 11.6% against the target of 17.8% in MPS. Actual growth of domestic credit up to September 2014 was 12.3% while the target for December 2014 is 13.8%. Both credit to the public and private sectors has been sluggish during those periods. In September 2014, interest rate spread was 5.1%, a decline from 5.3% in June 2014.

Lower growth in credit coupled with increasing trend of non-performing loans (NPL) has worsened the performance of the banking sector. During January-September 2014 both classified loans and NPL have increased.

Low capital adequacy and poor asset quality of banks are also worries of the State Owned Commercial Banks (SCBs). Primarily due to rise in default loans, capital adequacy ratio of SCBs fell by around 9% against their risk-weighted assets as opposed to the required level of 10% as of June 2014.

With the objective to improve their capital base, in addition to recapitalization of SCBs by injecting BDT 50 billion in FY 2014, the government has also made budgetary allocation of BDT 55 billion in FY 2015. However, the core problem of the banking sector lies in inefficiency, weak monitoring, political influence and above all, lack of governance. These are manifested through rescheduling of loans and extension of repayment period for the powerful ones. Rescheduling of these loans may do temporary window dressing to show lower NPL, but the fragility of the sector continue to exist.

Economic Outlook in 2015

The growth output of Bangladesh is forecast to pick up in FY 15. Should there be no major disruption to the economy, output growth could range between 6.2-6.5% as a revival in worker remittances is expected to bolster private consumption, while private sector investment will pick up on greater political stability. Moreover, the government will continue its efforts to step up project implementation. Bangladesh Bank monetary program is expected to be flexible to accommodate a significant change in these forecasts, including any upsurge in investment demand commensurate with the FY 15 forecasts. The BB monetary stance in FY 15 will target a monetary growth path which aims to bring average inflation down to 6.5% by June 2015, while ensuring that credit growth is sufficient to stimulate inclusive economic growth. Further reductions in inflation will be targeted in subsequent years as price pressures are expected to soften with easing supply constraints, a better crop

Particulars	Fiscal year 14-15 (Forecast)*	Fiscal Year 2014-15 (1h)	Fiscal Year 2013-14
Real GDP growth in percentage	6.50	6.20	6.10
Private sector credit growth in percentage	15.50	12.70	12.30
Broad Money growth in percentage	16.50	12.80	16.01
Export (fob) growth in percentage	8.00	1.60	6.20
Import (fob) growth in percentage	15.00	0.80	2.40
Remittance growth in percentage	12.00	5.60	12.60
External Current Account Balance (billion USD) Surplus	(1.26)	1.13	
Gross Official Reserve (billion USD)	-	22.00	15.00

Source : Monetary Policy Statement Jan-June 2015

outlook, supportive monetary policy, and large public stocks of food grain. Lower international food and oil prices are also expected to contribute.

However, concerns are growing in the prevailing political turbulence since early 2015. Economic activities disrupted by continuous violence have cast a worrying outlook for 2015. Thus political calm remains a precondition to the achievement of forecasted growth across economic sectors in the country.

Macro economic Indicator

Potential risk factors that can impact MDB business

For obvious reason, some risk factors external in nature may affect the business of the Bank. The factors discussed below can significantly have an effect on the business of MDB:

- General business and political condition**

MDB's performance is greatly dependent on the general economic conditions of the country. The effect of recession from the outer world is still unfolding which may result to slow down in business environment. Risks associated in business environment, price spiral, unstable capital market, declining demand for bank finance, environmental erosion, etc may eat away the bank's revenues to a large extent. Political stability is a necessity for growth in business activities.

Profitability of Banking Sector (Return on Assets (ROA as % of total assets)

Particulars	2014 (Provl.)	2013 (Provl.)	2012 (Provl.)
State owned commercial banks	-0.09	0.59	-0.56
Specialized banks	-0.87	0.40	-0.06
Private commercial banks	-0.78	0.95	-0.92
Foreign commercial banks	3.48	2.98	3.27

Source : Monetary Policy Statement Jan-June 2015

Exports, Imports and Remittance flows:

	July to Sep'14 (3months)	July 13 to July 14 (12months)	July 12 to July 13 (12months)
Exports	7,695.10	30,176.80	27,027.40
Imports	10,349.50	40,675.00	34,083.60
Remittance	4,010.00	14,228.00	14,461.10

Source : Monetary Policy Statement Jan-June 2015

Profitability of Banking Sector (Return on Equity):
(ROA as % of total equity)

Particulars	2014 (Provl.)	2013 (Provl.)	2012 (Provl.)
State owned commercial banks (SCB)	-2.35	10.93	-11.87
Specialized banks (SB)	-9.46	-5.81	-1.06
Private commercial banks (PCB)	8.40	9.76	10.17
Foreign commercial banks (FCB)	20.14	16.93	17.29

Source : Monetary Policy Statement Jan-June 2015

- **Adverse impact of macroeconomic indicators**

Failure to achieve GDP growth for ongoing FY 2015, slow growth in imports, weak internal and external demand, restrained investment climate, inflationary pressure, slowing inflow of remittance, delinquent credit culture, volatility in exchange rates, excess liquidity, etc weigh heavily on the success of business.

- **Changes in credit quality of borrowers**

Chances of deterioration of credit quality of borrowers are inherent in banking business. This could stem from global economic crisis, political unrest, supply side distortion, economic slowdown and others. Abrupt changes in the import pricing may affect the commodity sectors. Banks are required to maintaining provision against incurred and potential loan loss.

- **Price shift in international commodity market**

The fluctuation of commodity prices has a direct impact on domestic business. A downward shift in the prices of baseline commodities like Petroleum Oil in the world market might engender huge competitive pressure to Bangladeshi exporters such as garments industry. Under such event, trade opportunities can face a reversal as well as banks' exposure.

- **Changes in policies and practices of regulatory bodies**

The Bank is subject to regulations and compliance thereof. Changes in policies with regard to interest rates, pricing have significant effect on the performance of the Bank. Bangladesh Bank is expected to continue its persuasion to reduce the spread and charges further which is likely to affect Bank's earnings. Changes in provisioning requirement can also impact the performance of the Bank.

- **Disrupted supply of energy and weak infrastructure**

Low performance of manufacturing sector, real estate business, disrupted supply of energy and

rising cost of doing business can offer apathy to investment environment.

- **Rising capital requirement under Basel-III**

Alongside Basel-II, Basel-III has taken effect from 2015 in Bangladesh requiring Banks to maintain more capital and follow more stringent rules. Besides, the Bank while maintaining relationship with international correspondent Bank will have to follow more strict compliance. Effective control also calls for higher investment in technology and increased operating expenses.

- **Directed lending**

Regulators or Government have put emphasis on disbursing more credit to agricultural, renewable energy, eco-friendly projects or some other under-served sectors at defined rates which may fail to produce reasonable risk-adjusted return.

- **Increasing fraud, forgery & financial crime**

Industry confidence is shaken on the backdrop of increasing frauds and financial crimes in the banking industry is denting industry confidence. The incidence is a direct outcome of weak corporate governance, control loopholes and IT infrastructure fragility. In spite of competence, efficient management and control, the Bank cannot rule out any such surprise as the industry closely tied with sophisticated financial relationships.

- **Operational failure**

Banking run on modern tools and techniques on the platform of state-of-the-art technology bears inherent risks. MDB has adopted core banking solution (CBS) in the heart of Bank's operation. Although adequate control measures have been ascertained, systematic operating failure cannot be ruled out at any point of time. Some failures arising from error or fraud do exist in other forms.

- **Climate change and natural calamities**

Bangladesh is most vulnerable to climate change effects and natural disaster lying on an alarming geographical location and risks considerable loss in agricultural sector accounting for a significant portion of GDP.

- **Success of strategies**

MDB is proceeding with its strategic plan and its successful implementation is very important for its financial performance. Major deviation due to external and internal factors will affect the performance of the Bank.

REVIEW OF BUSINESS: MDB

Brief history of MDB

Midland Bank Limited was incorporated on March 20, 2013 under the Companies Act 1994 as a Public Limited Company with a Paid-up Capital of Tk. 400 crore. The Bank started its operation on June 20, 2013 with a corporate slogan “Bank for Inclusive Growth”. Entitled to carry out all types of commercial banking activities, MDB stepped in the industry through Dilkusha Corporate Branch in Dhaka. Since then, the Bank has been constantly expanding far and wide in both its network and business. Now it has a total of 11 Branches including 5 Rural Branches and 5 ATMs across the country. Over a short span of time, the Bank has emerged as a dignified banking partner in the market having ensured easy banking access to customers through internet, alternative delivery channels, mobile, IT backed products and globally accessible debit and credit cards. The Bank maintained a satisfactory level of growth of its assets and liabilities in spite of challenges during the year 2014.

To achieve its vision, mission and strategic priorities, the Bank is committed to maintaining the highest level of ethical standard. With steady focus on increasing profitability, inclusive growth, capital strength and deep respect for the community, MDB is well positioned to become one of the country’s leading new generation banks soon.

Principal Activities of MDB

The principal activities of the Bank include conventional banking and related businesses. The range of banking business comprises deposit mobilization, cash deposit and withdrawal, extending credit facilities to corporate, small and medium enterprise, retail business, trade financing, project financing, organizing syndication deals, lease & hire purchase financing, issuance of credit card, remittance services and many other financial activities within the framework of regulatory guidelines.

Strategic Plan

The strategic primacies and actions plan of the Bank are summarized below:

- Diversify the credit portfolio in corporate, SME, retail business, agriculture, trade financing, project financing and organizing syndication deals.
- Improve deposit mix by increasing low cost & no-cost deposits in total deposits.
- Increase the non-funded business and non-funded (non-interest based) income.
- Maintain adequate level of liquidity by minimizing asset-liability mismatch.
- Increase inward remittance through expansion of domestic networks for the beneficiaries through strategic alliances and introducing new products to attract NRB customers.
- Extend banking services to un-banked and under banked people for inclusive growth.
- Improve IT infrastructures for developing new IT based products and services.
- Maintain strong capital base and strengthen Internal Capital Adequacy Assessment Process (ICAAP) by accelerating borrowers’ rating and concentrating on lending portfolio having lower capital charge.
- Improve human resources management system to motivate and retain the workforce and transform into human capital through appropriate and extensive training and learning culture.
- Strengthen internal control & compliance and monitoring thereon.
- Introduce in-depth research for developing brand strategy to create an optimum brand value.
- Control cost all level of operations by ensuring budgetary control.
- Improve internal governance through strengthening good corporate cultures, motivation, training and supervision as per KPIs in all levels of management.
- Expand CSR related activities and ensure, environment friendly Green Banking activities.

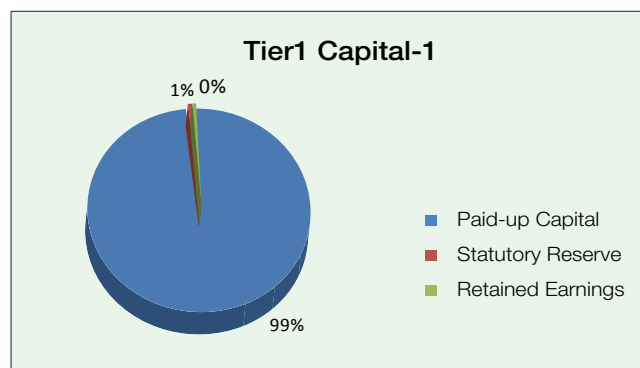
Branch Network

The Bank commenced its business on June 20, 2013. The first branch was opened at Dilkusha Commercial Area in the name and Style “Dilkusha Corporate Branch” on the inauguration day of the Bank. At the end of 2014, the number of branches stood at 11 (eleven) including 5 (five) rural branches covering commercially important locations of the country. The Management contemplates to open 9 (nine) more branches in 2015 subject to approval from Bangladesh Bank.

Capital strength

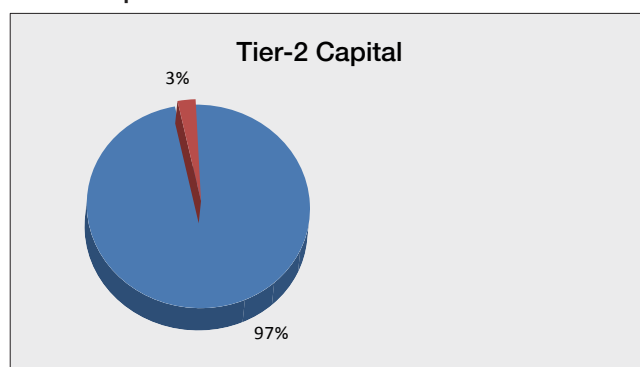
We firmly believe that capital base of the Bank is our utmost strength. For the first time in Bangladesh, all the 4th Generation Banks commenced its commercial operation with paid-up capital of BDT 4,000 million. Apart from the paid-up capital, we were able to enlarge the capital fund of the Bank to BDT 4,122 million. The following table depicts the Tier-1 (Core Capital) and Tier-2 (Supplementary Capital) capital of the Bank as per BASEL-II capital accord.

Tier-1 Capital:



Particulars	Amount in BDT (Million)
Paid-up Capital	4,0000
Statutory Reserve	24
Retained Earnings	21
Sub-Total (A)	4,045

Tier-2 Capital:



Particulars	Amount in BDT (Million)
General Provision	75
Securities Revaluation Reserve	2
Sub-Total (B)	77
Grand Total (A+B)	4,122

The Capital Adequacy Ratio (CAR) stood at 43.95% as on December 31, 2014 as against the minimum required CAR of 10%.

Human Resources

Strategies set for the Human Resources Management is one of the key factors of enhancing the Bank's overall performance. The main functions of HR is to enhance employee potential and utilize them properly towards achieving organizational goal. The Bank has already established a work environment where excellence and performance help them to explore their prospect. MDB has an inspiring culture for employees to perform meticulously achieve efficiency.

Our policy on Human Resource Management is proactive. Our HR mission is to be the employer of choice. MDB believes that investment in human resource development is the key to continued growth of the Bank. The Bank recruits people from all sections of the society, as it believes that competent human resources are vital to growth and success of the Bank. The Bank is offering congenial working environment and competitive compensation package. The management team of the Bank with their talent & skill has now been working for business excellence of the Bank with new pledge based on professionalism, team work, strong bondage of interpersonal relationship with good governance. The new economies with increased global, regional and local competition coupled with socio-economic sensitivity have created enormous challenges. To cope with challenges and changes, our strategic objective is to consolidate and strengthen our HR system and process including organizational development. In line with our objective, MDB organizational focus is to introduce developing the talent pool in leading the competitive business synergy, consolidate KPI based performance management, re-design reward and recognition system linked to performance, install enterprise culture based on values, enhance capability of employees in technology Banking through bringing structural changes i.e. centralized Banking.

Innovation and market development (Research & Planning)

Excellence in banking operation depends largely on a well-equipped and efficient Research and Planning team. In this highly competitive industry, a Bank has to explore new products and services, in line of businesses in order to consolidate and make upswing in its growth momentum; this is where the role of research and Planning come into play and contribute for the greater

interest of the Bank. Recognizing the significance of Research and Planning activities in banking, MDB has established a core Research and Planning Division (R&P) equipped with skilled personnel from the very beginning of the Bank. R&P conducted number of surveys and studies on business related issues which helped the management to take decisions more appropriately and provide services to customers more efficiently.

Information Technology

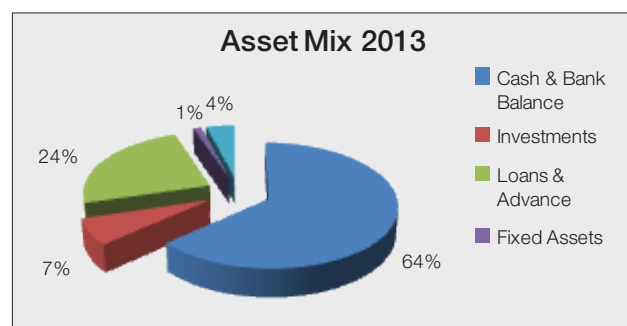
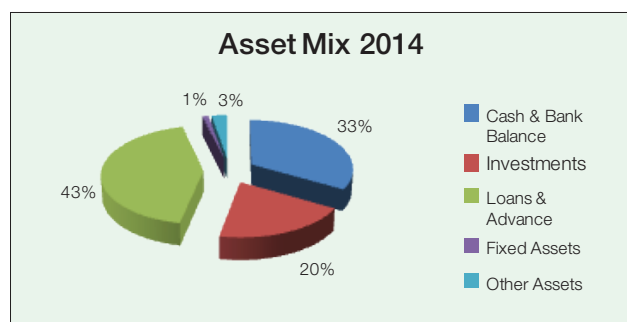
MDB is continuously making investments to serve its customers and other associates through state-of-art technology to cope with the ever changing spectrum of customer behavior in the present world. The role and importance of Information Technology in the banking industry cannot be ignored. Technological innovation is adding value continuously. Branch banking operations have been computerized to minimize costs and risks and to optimize benefits and increase overall efficiency bank services. The Bank launched Internet Banking to speed up the flexibility of customers' choice, movement as well as satisfy growing needs of technology in banking industry. The Bank has already established its Core Banking System (CBS) and connected all the branches with real time impact (Online banking). Banks are required to move into "paperless banking" as part of "Green Banking" initiative, and MDB cherished the idea by accelerating the pace of automation empowered by IT Division, which will not only reduce transaction and hardware costs significantly, but also save the energy. The Intranet Portal of MDB, Corporate, has made it possible to host all Circulars and Policies, as well as MIS and Dashboard, for green banking, complementing paper-less office and Information visibility.

FINANCIAL PERFORMANCE OF MDB

BALANCE SHEET

Assets

Total assets of the Bank stood at BDT 15,107 million in 2014 as against BDT 7,532 million in 2013 registering a growth of 101%. The asset portfolio comprised BDT 506 million as cash and cash equivalents, BDT 4,532 million as balance with other Banks and NBFI, BDT 2,986 million as investments, BDT 6,500 million as loans and advances, BDT 166 million as fixed assets and BDT 417 million as Other Assets. The asset growth was mainly funded by growth of deposits (192%) and growth



Growth of Balance Sheet items:

Balance BDT in million)

	2014	2013	% growth
Assets	15,107	7,532	101%
Advances	6,500	1,831	255%
Deposits	8,479	2,902	192%

of equity 0.65%. The surge in assets was evident in the increase of loans and advances, investments, fixed assets and liquid assets as maintained by the Bank. The growth of deposit was used for funding credit growth and holding of securities for Statutory Liquidity Ratio (SLR) purpose. During the year 2014, the economy witnessed a low credit demand against excess liquidity in the market.

Cash and Balance with Bangladesh Bank and Its Agents

The balance stood at BDT 506 million in 2014 compared to BDT 283 million in 2013. The balance increased by BDT 223 million in 2014 portraying a growth of 79%. The growth mainly increased for Cash Reserve Requirement (CRR) of the Bank which is maintained with Bangladesh Bank and its agent Banks.

Balance with other Banks and Financial Institutions

The aggregate position of the Bank was BDT 4,532 million in 2014 compared to BDT 4,496 million in 2013.

The balance increased by BDT 36 million in 2014 depicting a growth of 0.80%.

Investment

Bank's Investment grew by 473% to BDT 2,986 million in 2014 compared to BDT 521 million in 2013. The balance increased by BDT 2465 million in 2014. The Bank investment comprised Government Securities of BDT 1,986 million and others (investment in debenture, corporate bond, etc) of BDT 1,000 million. The 372% growth achieved in investment was driven by government treasury bills/ bonds purchased to cover the increased SLR in line with increased deposit liabilities.

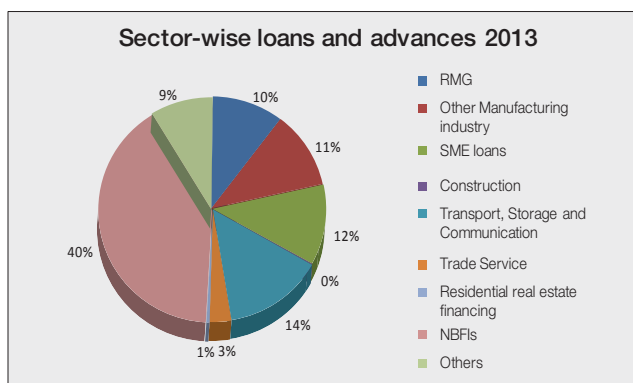
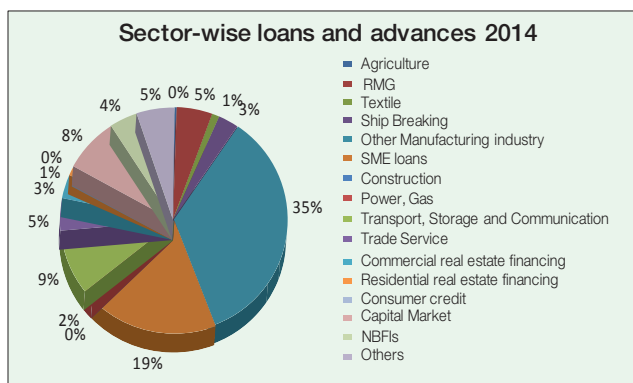
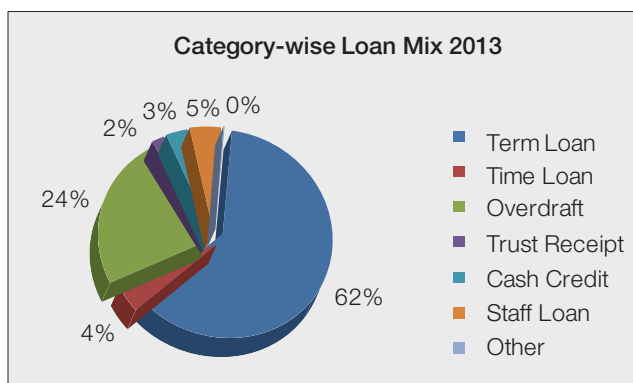
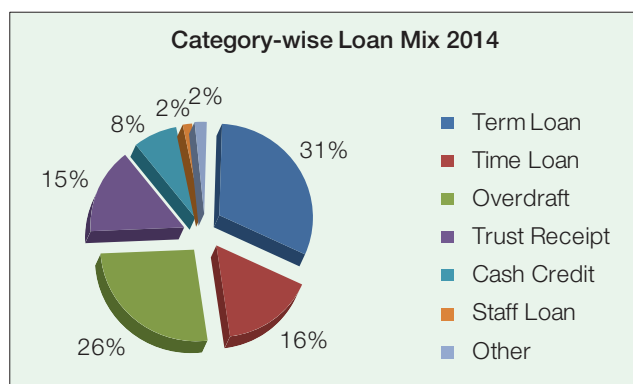
Loans and Advances

The Loans and advances outstanding of the Bank amounted BDT 6,500 million in 2014 representing a growth of 255%, compared to BDT 1,831 million in 2013. Yield on loans and advances decreased to 14.69% from 15.23% due to reduce the lending rate in 2014. Approval and disbursement of loans and advances was well managed. As a result, MDB has no Non-performing Loan (NPL) during the FY 2014.

Under a very low investment climate in 2014, borrowers became averse to injecting new fund in their business. Bankers were hard pressed to find a solution to a two pronged problem: worsening current portfolio versus lower opportunity to expand business in absence of committed borrowers. Against the backdrop, MDB came out successful in enhancing its credit portfolio. The growth in the loan book was an outcome of Bank's concerted efforts and enhanced participation in local corporate and SME credit-lines, syndicated and structured finance along with broadening of business relationship in the country, the attractiveness of our retail and consumer credit products, careful selection of borrower, strong credit risk assessment and protection under good security coverage.

Concentration of loans and advances was well diversified details of which are explained in note 07 of the financial statements. Strategic focus on no-compromise with asset quality from the onset of our journey has been pursued in every standard of credit management. As a result, the year-end achievement in maintaining better asset quality was remarkable as the NPL fraction of loans was 0% (NIL). Based on contractual maturity terms, 68 percent of the current loan portfolio matures within one year and 32 percent is

due to mature within 5 years of the balance sheet date. Bank's Advance to Deposit (AD) ratio as at the end of 2014-end, improved to 77% from 63% in 2013, marking an efficient utilization of mobilized fund and equity in the most liquid banking industry.



Fixed assets and other assets

The aggregate amount of fixed assets of the Bank was BDT 166 million in 2014, compared to BDT 90 million in 2013, demonstrating a growth of 84% while other assets amounted to BDT 417 million in 2014, compared to BDT 310 million in 2013, depicting a growth of 35%.

Liabilities

Total liabilities excluding equity of the Bank registered an excellent growth of 215%, with a total volume of BDT 11,058 million in 2014, as against BDT 3,509 million in 2013. Borrowings from other Banks, Financial Institutions and Agencies were BDT 2,405 million with a growth of 315% in 2014, compared to BDT 580 million in 2013.

Borrowings from other banks, financial institutions and agents

The borrowing represents call borrowing, REPO of Treasury Bills and refinances against SME loans from Bangladesh Bank, etc. The borrowings were mainly used for Bank's liquidity, purchasing Treasury Bonds/Bills as PD Bank, which were devolved on the Bank in excess of CRR & SLR requirements.

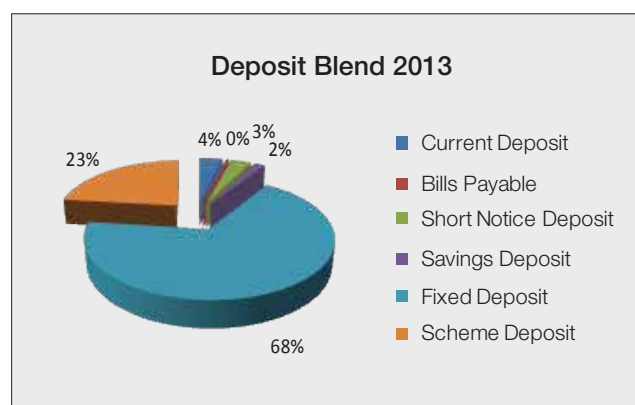
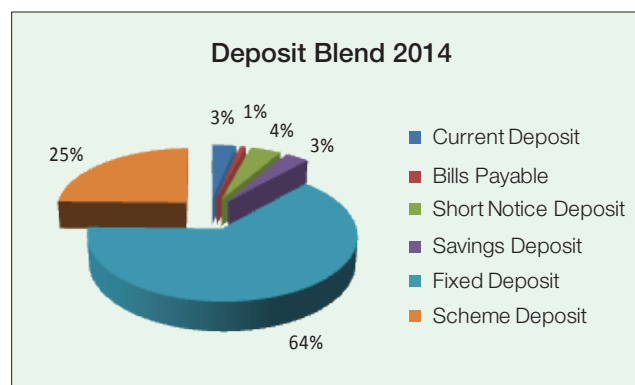
Deposit

Customer deposits are the prime source of funding for Commercial Banks. To attract the new customers was really challenging, being a new entrant as a fourth generation bank in the industry. However, we were able to manage efficient mobilization of deposit mix. The success was well supported by expansion of branch network, ATM booths, introduction of various lucrative deposit products, competitive interest rates and excellent customer services. Business promotion continued through liability campaign carried out by retail liability team for no-cost and low-cost deposits. The Bank also offered a number of attractive deposit schemes to cater to the needs of small and medium savers for improving not only the quantum of deposits, but also focusing on qualitative changes in future to the deposits structure.

The Bank quite successfully enhanced the deposit portfolio to BDT 8,479 million in 2014 with a growth of 192%, compared to BDT 2,902 million in 2013. The cost of deposit and cost of fund were brought down to 9.73% and 10% respectively in 2014, as against 10.12% & 12.18% respectively in 2013. Our deposit

customer base witnessed a speedy growth of 192% over the preceding year numbering a total of BDT 8,479 million as on the balance sheet date of 2014. The strong customer-base comprised individuals, Corporations, Small & Medium size Enterprises, NBFIs, Government Entities, NGOs and autonomous bodies and others.

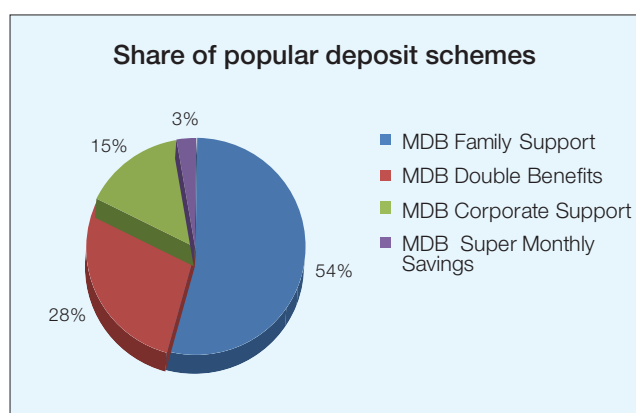
In 2014, MDB's deposit blend was stable with cost free and low cost deposits in comparison with the year 2013. High cost deposits in deposit mix such as FDR improved to 63.5% from 67.7% of 2013. Still, fixed deposits maintained its dominance occupying the highest share in the deposit line. At the year-end 2014, the ratio of customers' deposit to total liabilities stood at 77% compared to 83% of 2013. A wide range of liability products are now available at MDB to meet variant needs of deposit clients.



Deposit Mix	Outstanding on (BDT million)		Growth over 2013 (%)	Deposit Mix (%)	
	2014	2013		2014	2013
Current Deposits	282	110	245.45	3.34	3.79
Bills Payables	73	13	461.54	0.87	0.45
Special Notice Deposits	365	92	296.74	4.30	3.17
Saving Deposit	281	52	440.38	3.31	1.79
Fixed Deposits	5,385	1,964	174.19	63.51	67.68
Scheme Deposits	2,092	671	211.77	24.67	23.12
Total Deposits	8,479	2,902	192	100	100

Scheme Deposit

With a view to bringing all citizens of the country into banking network from all of geographical spots irrespective of their classes, clans, religions, incomes and in other way to bolster the propensity to savings, Midland Bank crafted some attractive Scheme Deposit products. The fascinating series of schemes, namely MDB Super Monthly Savings, MDB Double Benefit, MDB Family Support and MDB Corporate Support mobilized BDT 61.38 million, BDT 586.79 million, BDT 1,130.56 million and BDT 313.30 million respectively during the calendar year 2014. The Bank contemplates to devise new beneficial schemes with more attractive features in the near future.



Shareholders' Equity

The shareholders' equity increased by BDT 26 million to BDT 4,049 million in 2014 as against BDT 4,023 million in 2013. Statutory Reserve was up by BDT 22 million in 2014, while retained earnings rose by BDT 12 million during the year. The robust growth in shareholders' equity will help the Bank to grow on a strong foundation of capital, as well as expand its business as a whole.

INCOME STATEMENTS

Income and Expenses

The Bank registered net operating profit before tax and provision BDT 159 million in 2014, as against BDT 36 million in 2013, representing an outstanding growth of 342%. Net profit was more than double of 2013 (a rise of 218%), making a total of BDT 35 million in 2014, compared to BDT 11 million in 2013.

Income

The Bank registered total interest income on loans and advances BDT 971 million in 2014, as against BDT 347 million in 2013. The growth of interest income was mainly driven by real growth in overall asset portfolio,

good sales of loan products, rise in investment incomes, fees and commissions, as well as efficient utilization of fund. Yield on loans and advances was 14.69% in 2014 as compared to 15.23% in the previous year. The Bank also earned an amount of BDT 276 million from commission, exchange & brokerage, income from investment and other operating income in 2014, as against BDT 8 million in 2013.

Investment Income

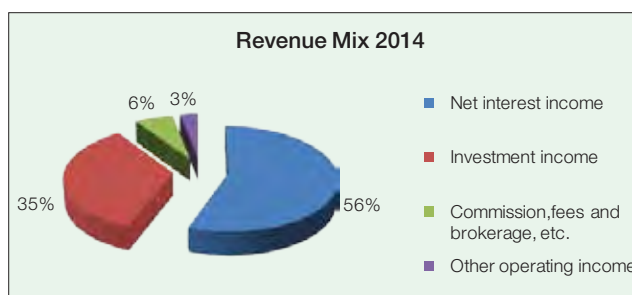
MDB's investment income consisted of interest/ discount earned on treasury bills/ bonds, gain on government security trading, interest on debentures so forth. Investment income in 2014 was as much as BDT 217 million compared to BDT 4 million of 2013. This enabled the Bank to post a significant growth of BDT 213 million (4,987%) over the preceding year. Investment Income was another major contributor to total income accounting for 35% of net operating income.

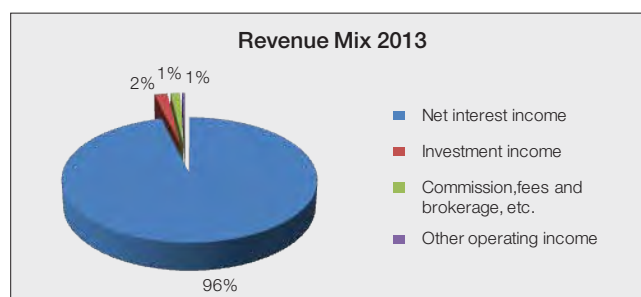
Commission, Fees & Brokerage

Income from commission, fees and brokerage during 2014 increased by BDT 37 million against the preceding year. Regulatory pressure continued to rationalize the rate of commission and charges in an effort to broaden wider access of mass people to modern banking. Increasing volume of banking business and transactions together with huge sales of banking products and cost effective measures enabled us to offset the loss from reduced commission and charges.

Details are showing in below table:

Particulars	BDT in Million		Growth (%)
	2014	2013	
Interest income	971	347	180
Interest paid	624	146	327
Net interest income	347	201	73
Investment income	217	4	5,325
Commission, fees and brokerage, etc.	40	3	1,233
Other operating income	19	1	1,800
Net operating income	623	209	198
operating expenses	464	173	168
Net operating profit	159	36	342





Expenses

Interest paid on deposits and borrowings, etc. was BDT 624 million in 2014 compared to BDT 146 million in 2013. Administrative expenses incurred by the Bank amounted to BDT 464 million in 2014, as against BDT 173 million in 2013. Interest paid on deposits and borrowings and administrative expenses mostly increased due to expansion of business, provisioning of gratuity, provident fund, performance bonus and broadening of branch network during the year. The cost of deposit and cost of fund stood at 9.73% and 10% respectively in 2014 as against 10.12% & 12.18% in 2013. The cost income ratio slightly decreased to 73% from 83% which indicates satisfactory operating efficiency of the Bank. Depreciation & repairs of fixed assets increased to BDT 25 million up by 525% from previous year. Addition of fixed assets by BDT 98 million included the expenses against establishment of new Branch premises, ATMs, investment in IT infrastructure and so forth.

Details are showing in below table:

Particulars	BDT in Million		Growth (%)
	2014	2013	
Interest paid on deposit and borrowing, etc.	624	146	327
Administrative expenses	336	154	118
Other operating expenses	103	15	587
Depreciation and amortization of banking assets	25	4	525
Total Expenditures	1,088	319	241

Operating expense BDT in million

Particulars	2014	2013	Change %
Salary and allowances	200	83	141%
Rent, taxes, insurance, electricity, etc	116	56	107%
Postage, stamp, telecommunication, etc	6	1	500%
Stationery, printing, advertisement, etc	6	4	50%
Managing Director's salary & fees	9	9	0%
Repairs, maintenance and depreciation	25	4	525%
Other expenses	103	16	544%
Total operating expense	465	173	169%

By and large, Bank rent and tax, utility bills, insurance premium, printing & stationeries, repair, maintenance, office security, advertisement & business promotion costs increased significantly during 2014 because of expansion of service delivery channels (Branch, ATM), renovation of Branches and Head Office, introduction of new products, improving brand image through increased promotion and advertisement, etc. Inflationary pressure that ended up with an upward trend in the last quarter of 2014 contributed partly to the growth of operational expenses.

As a new growing bank inclined to expand business, base and inclusive relationship as well as for smooth running of business under compliant environment, the Bank's operating expenses are usually high at the beginning stage. However, a prudent management of expenses and cost-control are our constant concern and we put in practice our commitment to fair expenses in all banking operations under a strong accounts and auditing system.

HR Productivity

The proficiency of the employee contributed to grow which is evident from the following table:

BDT in million

Particulars	2014	2013
Number of employee	198	150
Income per employee	3.15	1.39
Expenses per employee	2.35	1.15
Profit before provision per employee	0.80	0.24
Profit before tax per employee	0.51	0.13
Profit after tax per employee	0.18	0.07

General Provision

General provision against unclassified loans advances was BDT 46 million in 2014 as against BDT 16 million in 2013. The Bank also maintained general provision of BDT 11 million in 2014 against off-balance sheet exposure compared to BDT 2 million in 2013. General provision is considered as Tier-II capital of the Bank and acts as a safeguard against future default and for supporting business growth by strengthening the capital base of the Bank.

Specific Provision

Specific provision is required to make against classified loans and advances as per Bangladesh Bank guidelines. Due to no Non-Performing Loan (NPL) of MDB during the reporting year, the Bank did not preserve any specific provision.

Other Provision

No provision was made against diminution in value of investment in shares and protested Bills, as the Bank

has no investment in shares in secondary market and no Protested Bills created during the reporting period.

Net Profit before Tax

After making appropriate provision as stated above, net profit after provision stood at BDT 101 million in 2014 compared to BDT 19 million in 2013 depicting a growth of 432%.

Net Profit after Tax

The Bank has made a provision of current tax and deferred tax of BDT 67 million in 2014 as against BDT 8 million in 2013. After making appropriate provision of tax, net profit after tax stood at BDT 35 million in 2014 compared to BDT 11 million in 2013 depicting a growth of 218%.

Statutory Reserve

As per section 24 of the Bank Company Act (Amendment) 2013, every Bank has to transfer to the statutory reserve a sum equivalent to not less than 20% of its net profit (net profit as disclosed in the Profit and Loss Account prepared under section 38 and before any money is transferred to the Government or any dividend is declared). The Bank has made adequate reserve as guided by Bank Company Act and the statutory reserve stood at BDT 24 million in 2014 compared to BDT 2 million in 2013.

Key financial ratios of the Bank:

Particulars	2014	2013
Return on average equity (PAT/ Average Equity)	0.86%	0.27%
Return on average assets (PAT/ Average Assets)	0.23%	0.14%
Cost to income ratio (Operating expense/ Revenue)	75%	83%
Capital adequacy ratio	43.95%	97.60%
Advance to Deposit ratio	77%	63%
NPL ratio	Nil	Nil
EPS (in BDT)	0.087	0.054
Net Asset Value per Share (in BDT)	10.12	10.06

**Since the profit after tax (PAT) increased by 218% during 2014, all the ratios (including ROE & ROA) having PAT on the numerator have increased according.*

Maturity analysis

BDT in million

Assets	Below 1 Year	1-5 Year	Above 5 Year	Total
Interest earning assets	9,679	2,384	1,955	14,018
Non-interest earning assets	506	-	583	1,089
Total assets	10,185	2,384	2,538	15,107
Interest bearing liabilities	9,187	1,073	623	10,883
Non-Interest bearing liabilities	114	1	60	175
Total liabilities	9,301	1,074	683	11,058
Maturity Gap	884	1,310	1,855	4,049

The liquidity policy of the Bank has always been to carry a positive mismatch in the interest earning assets and interest bearing liabilities in the 1 to 30 days category.

Appropriation of Profit

Profit after Tax (PAT) stood at BDT 35 million for the year 2014. Profit available for distribution among shareholders is BDT 22 million after a mandatory transfer of statutory reserve of BDT 22 million (@20% on PBT). Directors have recommended no dividend for the year 2014.

BDT in million

Particulars	Year 2014	Year 2013
Profit after tax (PAT)	35	11
Retained earnings brought forward	9	-
To be appropriated	44	11
Transfer to statutory reserve	(22)	(2)
Transfer to general reserve	(-)	(-)
Dividend	(-)	(-)
Distributable profit		
Dividend for the year 2014 (recommended):	22	9
Stock dividend		

Correspondent Relationship

MDB has established correspondent relationship all over the world with a number of foreign Banks. The Bank continues to follow the needs and business opportunities of its clients. Bank maintains 8 (eight) Nostro Accounts in 4 (four) major international currencies with reputed international Banks in all the major financial centers around the globe, for settlement of trade finance and all other customer driven transactions denominated in foreign currency. We are constantly emphasizing the need for increasing correspondent partners and trying to develop business relationship with our correspondent banks worldwide.

Risk Management

For MDB, management of risk is a dynamic process interrelated with the philosophy, culture and functionalities of the Bank. Risk is evidently defined, mitigated or minimized to shield capital and to maximize value for shareholders. Midland Bank affixes utmost priority to establish, maintain and upgrade risk management infrastructure, systems and procedures. Adequate resources are allocated in this regard to improve skills and expertise of relevant banking professionals to enhance their risk management capacity. The policies and procedures are approved by the Board of Directors and regularly assessed to bring these up to optimum satisfaction level. Recognizing the impacts of internal and potential risk domains, the Bank

has laid down different risk management processes consisting of definition, identification, analysis, measurement, acceptance and timely management of risk profile.

It is always better to build a robust risk management culture in the banks and financial institutions as these primarily deal with depositors' money and work as a catalyst for building confidence in the economic or financial value chain. We therefore need highest attention and commitment for the highest authority in this regard. By all means, we should try to avoid surprises in banking transaction through building a strong operational procedure in banks and financial institutions.

Corporate Sustainability (CSR)

In order to uphold corporate sustainability, MDB has concentrated in the key areas i.e. nation building, creation of healthy and congenial works place, enhancing the market place, support to the community and fortification of the environment. As a socially conscious and responsible corporate body, MDB is committed to the improvement of the society as a whole. MDB is continuously trying to put its efforts to help the disadvantaged population of the country in the sector of education, health, disaster management, sports, arts and culture, etc.

The Bank is contributing @ 10% of its net profit after tax every year to the CSR Fund. The Bank conducted various CSR activities during the year 2014 (Details are discussed in CSR report of this annual report).

Corporate Governance

The Board of Directors of MDB is fully devoted to maintain the highest standards in corporate governance, professionalism and integrity in driving the Bank to create and deliver long-term sustainable value. In line with the Bank's ambitions, the Board has continued to ensure that the highest standards in corporate governance are upheld, with a view to enhancing stakeholder value, increasing investor confidence, creating customer trust in building a modest organization and creating a congenial working environment inevitably to meet the challenges in the coming years, whilst at the same time not losing sight of its stakeholders by establishing and managing requisite governance policies and processes. Since inception, MDB has taken into cognizance of good corporate governance practice as a core ingredient in protecting the interest of stakeholders (Details are discussed in Corporate Governance report of this annual report)

Remuneration of Directors and Managing Director

The Bank did not pay any remuneration to its Directors. As per BRPD circular # 9, dated September 19, 1996, the Chairman may be provided car, telephone, office chamber and private secretary. In addition to the above, Directors are entitled to get fees and other benefits for attending the Board, EC and Audit Committee meeting. The Managing Director & CEO is paid salaries and allowances as per approval of MDB Board and Bangladesh Bank. (Details provided in note 30 to the financial statement)

Accounting Records

The Directors of Bank are accountable for maintaining adequate accounting records and effective system of risk management as well as preparation of financial statements including relevant schedules. The Directors have made an assessment of the Bank's aptitude to continue as a going concern, and also have no reason to believe that the business will not be a going concern in the coming year.

Accounting Policy and Implementation of BAS/BFRS

The Board of Directors are responsible for the preparation and fair presentation of Bank's annual financial statements comprising Balance Sheet, Profit & Loss Accounts, Cash Flow Statement, Statement of Change in Equity and a summary of significant accounting policies and other explanatory notes, and the Director's report, in accordance with Bangladesh Financial Reporting Standards (BFRS) / Bangladesh Accounting Standards (BAS) and in the manner as required by the Company Act, 1994. The Directors are also responsible for designing, implementing and maintaining internal control relevant to 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 this context.

Internal Control

The Board of Directors is responsible for approving the overall business strategies and significant policies of the Bank, setting acceptable level for these risks and ensuring that senior management takes necessary steps to identify, measure, monitor and control of these risks. The Board of Directors also approves an effective internal control system that also requires to setting an appropriate control structure, with control activities defined at every business level. These include review by

top level management, appropriate activity controls for different departments/divisions, physical control, checking for compliance with exposure limits and follow-up on non-compliance, a system of approvals and authorizations, and a system of verification and reconciliation thereon.

Standard Reporting

The financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS)/Bangladesh Accounting Standards (BAS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and applicable provisions of Bank Companies Act, 2013 (Amendment) and Company Act, 1994. Midland Bank endeavors relentlessly to stay compliant in every aspect including corporate and financial reporting as per regulators' requirements. In this respect, the management accepts the responsibilities for the integrity and objectivity of these financial statements, as well as various estimates and judgments used therein. The estimates and judgments have been made on a prudent and reasonable basis, in order to ensure that the financial statements reflect the financial operations of the Bank in a true and fair manner.

Going Concern

The Conceptual Framework of BAS-1 is that financial statements are generally prepared assuming the entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations. Therefore, it is also assumed that the entity will realize its assets and settle its obligations in the normal course of business. IAS-1 requires management to make an assessment of an entity's ability to continue as a going concern. If management has significant concerns about the entity's ability to continue as a going concern, the uncertainties must be disclosed. If management concludes that the entity is not a going concern, it means that assets will be recognized at amount which is expected to be realized from its sale rather than from its continuing use in the ordinary course of business. Assets are valued for their individual worth rather than their value as a combined unit. Liabilities shall be recognized at amounts that are likely to be settled. In this case, the financial statements should not be prepared on a going concern basis.

Internal Control Environment

The Board of Directors sets the tone for an effective internal control background from end to end regular review of the process identifying, evaluating, and

managing the significant operational risks of the Bank. Management is responsible to formulate Standard Operation Procedures (SOP) duly approved by the Board of Directors, are signed off by each Head of Division/Branch to provide assurance that this SOP is communicated, understood and complied with accordingly. Every year top management team conducts a self-assessment of key control that affect the business and develop action plans to make the internal control environment stronger.

Review endorsement for Quality Assurance Team, Creating a MDB brand value by attractions customers to better products and Services.

Supplier Payment Policy

The Bank has developed and implemented a set of vendor's payment policy in its Procurement Policy and Procedures duly approved by the Board of Directors. Before processing any payment, General Services Division (GSD) and Financial Administration Division (FAD) dedicated team review the bills in compliance with the TOR of Work Order and necessary VAT, Withholding Tax and other applicable security charges are being deducted from bills and issue Pay Order in favour of the vendors. MDB is keen to build strong business relationship with its vendors and service providers. Hence, the Bank does not face any litigation from its any customer, stakeholder or Vendor.

Shareholders' Value

The Board of Directors is fully committed to adding high value of its shareholders investment by earning healthy profitability through delivering expected excellence in services to its valued clients and stakeholders. The Board was able to keep its commitment by clinching high profitability trends in the year 2014. The Earning Per Share (EPS) stood at BDT 0.087, Return on Average Assets (ROA) stood at 0.23% and Return on Shareholders' Equity (ROE) at 0.86% in 2014 as against BDT 0.054 (EPS), at 0.14% (ROA) and 0.27% (ROE) in 2013.

Meeting of the Board

The Board of Directors holds meeting on a regular basis: usually once a month but emergency meetings are called when deemed necessary. Management provides information, references and detailed working papers for each of the agenda to all Directors well ahead of the scheduled date for meeting. Each meeting allows the chairman and other members of the Board of Directors sufficient time to consider respective agenda item in a

prudent way and permits them to freely discuss, inquire, and express opinions on the issues of interest so that they can fulfill their duties to the best of their abilities. During the year 2014, a total 12 (twelve) Meetings of the Board were held.

Appointment of Auditors

M/S. S.F. Ahmed & Co., Chartered Accountants had conducted the audit of MDB for the year 2013. They are eligible for re-appointment as per Bangladesh Bank guidelines. The Board of Directors reappointed M/S. S.F. Ahmed & Co., Chartered Accountants for 2nd term in its 1st AGM held on April 26, 2014 for conducting the audit for the financial year 2014. The Shareholders will reappoint the auditors for third term (2015) until the next AGM.

Annual General Meeting

The second Annual General Meeting (AGM) of MDB will be held on April 25, 2015 at 7:00 p.m. at Six Seasons Hotel. The Board of Directors in its 26th meeting held on March 22, 2015 decided to present the financial statements before the shareholders in the second AGM for Adoption.

Outlook 2015

In 2015, the Bank will continue to fortify its position by expanding the core business activities, particularly in Trade Finance, Commercial Lending to SME and Agriculture, Structured Finance, Import and Export business. As regards liability management, the Bank will remain focused on growing its core customer deposits and also improving its deposit mix to have competitive funding cost. The Bank will continue to enhance its delivery of service standards, promotes fee-based activities and pursue greater cost efficiency, and staff productivity by promoting a proactive business process. In pursuit of its business growth, the Bank will invariably adhere to good corporate governance practice, appropriate risk management policies, prudent credit

policies and practices in order to upkeep sustainable long-term growth and profitability of the Bank for the benefit of all stakeholders. The Bank confidently looks forward to continue sharing its success in delivering superior shareholders' value in 2015.

Acknowledgements

Midland Bank Limited has gained the confidence of its shareholders, customers and other stakeholders within a short span of its operation. This success is primarily attributed to its teamwork, prompt and prudent decision-making, efficient and cordial services, economic use of resources and introduction of new financial products and technologies. The continued endeavors of the Management and Staff of the Bank under wise guidance and timely support of the Board of Directors have substantially contributed to success of the Bank. The Board of Directors take this opportunity of expressing its heart-felt appreciation and gratitude to the Government of the People's Republic of Bangladesh, Bangladesh Bank, Bangladesh Securities & Exchange Commission, Dhaka Stock Exchange limited, Chittagong Stock Exchange limited and Registrar of Joint Stock Companies and Firms and National Board of Revenue (NBR) for their cooperation, valuable guidance and advices provided to the Bank from time to time.

The Board of Directors also expresses heartiest appreciation to the Management and all members of staff for their dedicated and efficient services and also to the clients, sponsors, shareholders, stakeholders, patrons and well-wishers, whose continued support and patronage have, facilitate our path towards the magnificence achieved, so far, by the Bank.

On behalf of the Board of Directors



M. Moniruzzaman Khandaker
Chairman

REPORT ON ECONOMIC IMPACT

The Bank's overall mission is to deliver optimum value to its customers, employers, shareholders and the nation, the business strategy is geared towards achieving this. This section covers the value the Bank delivers to its shareholders and the nation at large.

The Bank's policy is to deliver optimum value in a manner that is consistent with the highest level of impartiality and transparency. For the Bank, it has not been a case of building financial value and enhancing the bottom line at any cost, but rather participating in a process of creating value through fair and ethical means. Building sustainable value of all stakeholders is an important corporate goal.

Maintaining Capital Adequacy

Capital adequacy symbolizes the financial strength and stability of a Bank. It limits the extent up to which Banks can expand their business in terms of risk weighted assets. Regulatory capital requirements are therefore necessary to prevent Banks from expanding beyond their ability to improve the quality of Bank's assets, to control the ability of the Banks to leverage their growth and to lead to higher earnings on assets, leading to peace of mind of all the stakeholders. The Bank keeps a careful check on its capital adequacy ratios.

The capital adequacy computation as on December 31, 2014 is given below:

BDT in Million

Particulars of Capital Fund	2014	2013
Paid up Capital	4,000	4,000
Statutory Reserve	24	2
Retained Earnings	21	9
Total Tier - I (Core) Capital	4,045	4,011
Supplementary Capital (Tier-II) :		
General Provision including Off Balance Sheet items	75	17
Revaluation Reserve on Investment in Securities	2	6
Total Tier - II (Supplementary) Capital	77	24
Total Capital	4,122	4,034
Total risk weighted assets	9,380	4,134
Core Capital Ratio (%)	43.13%	97.03%
Supplementary Capital Ratio (%)	0.82%	0.57%
Total Capital Adequacy Ratio (%)	43.95%	97.60%

Value Added and Distribution

BDT in Million

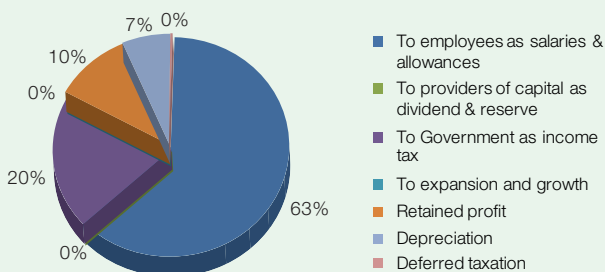
Particulars	2014	2013
Income from Banking services	1,247	355
Less: Cost of services & supplies	1,088	319
Value added by Banking services	159	36
Non-Banking income	-	-
Provision for loans and off-balance sheet exposure	(58)	(18)

Value Added and Distribution

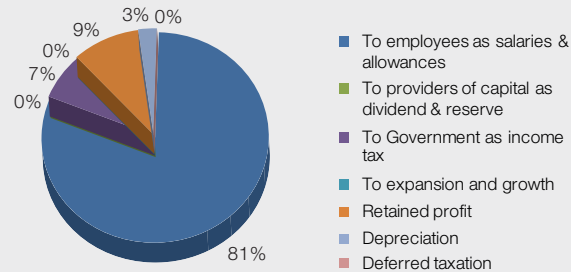
BDT in Million

Particulars	2014	2013
Distribution of value addition		
To employees as salaries & allowances	209	92
To providers of capital as dividend & reserve	-	-
To Government as income tax	66	8
To expansion and growth	-	-
Retained profit	35	11
Depreciation	22	3
Deferred taxation	1	-
	58	14
Total	333	114

Distribution of value addition-2014



Distribution of value addition-2013



Economic Value Added Statement

Economic value added is a measure of a company's financial performance based on the residual affluence calculated by deducting cost of capital from its operating profit. Shareholders / equity providers are always acquainted about their return on capital investment. As a commercial banking organization, we are deeply concerned for delivery of value to all of our Shareholders/ equity providers.

BDT in Million

Particulars	2014	2013
Shareholders' equity	4,049	4,023
Add: Accumulated provision for Loans & Advances and Off Balance sheet exposures	75	18
Total Invested fund by Shareholders	4,124	4,031
Average Shareholders' equity	4,078	4,031
Earnings		
Profit after tax	35	11
Add: provision for Loans & Advances and Off Balance sheet exposures	58	18
Less: written off during the year	-	-
Earning for the year	93	29
Average cost of equity (based on weighted average rate of ShanchayPatra issued by the Government of Bangladesh) plus 2% risk premium.	12.90%	12.90%
Cost of average equity	526	520
Economic Value Added	(433)	(491)

MDB PHOTO GALLERY



1st Annual General Meeting of MDB held at Hotel Sonargaon, Dhaka.

Meeting of the Board of Directors.



Annual Business Conference 2014 of the Bank. Senior Management, all Branch Managers and Divisional Heads were the key participants while the Members of Board of Directors were the Key Speakers.

MDB PHOTO GALLERY



Town Hall Business meeting with all employees of MDB.



Mr. Md. Ahsan -uz Zaman, Managing Director & CEO presided over the Half- yearly Business Conference Meeting- 2014.



Prize giving ceremony of No Cost, Low Cost Deposit Campaign of the Bank where the Chairman and Managing Director were present.

MDB PHOTO GALLERY



Mr. Md. Ahsan -uz Zaman, Managing Director & CEO inaugurated the interest Banking service “midland online” at Head Office.

Warm clothes distribution among poor and winter hit people under CSR programme.



Distribution of warm clothes among the winter-hit people under CSR programme of the Bank.

MDB PHOTO GALLERY



The Dhanmondi Branch saw the graceful presence of Honourable Chairman, Vice Chairman & Shareholders at the grand opening.

ATM Booth opening at Agrabad, Chittagong.



Opening of Gulshan Branch of the Bank.

The ATM Booth at Dhanmondi area was inaugurated by Mr. Md. Ahsan -uz Zaman, Managing Director & CEO.



MDB PHOTO GALLERY



Contract signing programme with SSL Wireless to provide Mobile top-up facility anytime anywhere.

Agreement signing with Rural Electrical Board (REB) for collection of Bills.



Agreement signing with Central Procurement Technical Unit (CPTU), Implementation Monitoring & Evaluation Division (IMED) under Ministry of Finance to collect fees from government contractors under e-GP.

Agreement signing with Premier Bank Ltd for Visa Card associate membership.



PERFORMANCE BY BANKING SEGMENTS



Highlights

In building trust with our customers, we persevere in enhancing our digital banking capability, providing customers with simpler, seamless interactions across online, mobile alert services, branches, and improving efficiency of products and services with innovation. Our endeavour in the digital transformation entails developing digital capabilities throughout the business, where branches will continue to play an important role in our multi-channel approach, in addition to centralized medium to corporate banking segments.

CORPORATE BANKING

MDB's Corporate Banking has been serving large clients of the country with efficient services and customized solutions. With the growth of the corporate client base and to match their business requirement, this business segment has been restructured and segregated into units to let the clients enjoy more specialized services as all units under Corporate Banking are run by experienced personnel in their specified areas.

General Credit: The unit deals with all credit needs of large clients.

Syndications & Structured Finance: Deals with arranging funds for large project diversifying the risk amongst the partner banks.

Project Finance: Deals with corporate houses to facilitate their project's financial requirement more in tune with expected cash flow. The unit financed various sectors like Auto Bricks, Jute Mills, ICT, energy saving bulb, Education and Health Care business, Infrastructure and shipping.

Export Finance: Caters to the unique need of exporters, specially the garments sector, which has positioned the country amongst the top global exporters.

Trade Finance: Provides financial solutions to customers of export processing zone and facilitates bill discounting, term financing etc. to on shore clients.

Geographical distribution of exposures, broken down in significant areas

Particulars	BDT in Million
Urban	
Dhaka Zone	4,011.53
Chittagong Zone	2,002.19
Sub-Total	6,013.72
Rural	
Dhaka Zone	486.26
Sub-Total	486.26
Grand Total (Urban + Rural)	6,499.98

RETAIL BANKING

Retail banking is the visible face of banking to the general people, with bank branches located across the country. Most retail banking is conducted by separate divisions of banks, large and small. Customer deposits garnered by retail banking represent an extremely important source of funding for most banks. To reach the unbanked population and for inclusive financial growth, Retail Banking plays a vital role in the country.

Keeping the above in view, our bank has a strong focus on selling different type of retail products and consequently we have a plan to establish a separate retail banking division with well-organized and experienced workforce.

There is a growing demand for retail products namely, term deposits, consumer durable loans, auto loans, debit card, credit cards, ATM facilities, insurance, online banking.

Products and Services – Retail Banking:

To fulfill the requirement of individuals, we have already introduced a competitive and attractive product line which will satisfy our individual existing customers as well as potential prospects:

Deposit Products		Loan Products
<ul style="list-style-type: none"> • Current Account. • Savings Account. • Foreign Currency Account. • Student Account. 	<ul style="list-style-type: none"> • Double Benefit Scheme. • Fixed Deposit. • SND Account. • Monthly Savings Scheme. 	<ul style="list-style-type: none"> • Personal Loan. • Car Loan. • Home Loan. • Credit Card.

Targeting a better customer segment of our society, considering their different needs and practical application we are to implement below mentioned steps in the upcoming year:

- Research present market scenario to develop new products.
- Effective branding focusing the retail products.
- Different consumer products for prospective professionals.
- Advertisement focusing the target market.
- Utilize our Contact Center for marketing through outbound calls.
- Arranging training programs for the personnel working with different retail loan products.
- Building a positive perception towards MDB leveraging Social Media.
- Building Mobile Application for branding MDB products & Services.
- Building a loyal customer base through different campaign programs.
- More engagement with customers for a unique digital experience.

ALTERNATE DELIVERY CHANNELS AND MDB CARDS

As alternative delivery channels continue to evolve, the impact of these options offer more convenience for our account holders and help branch staffs ensure more focused services. While many of today's account holders still value visiting their local branch, recent trends show a sizable decrease in transactions traditionally conducted in branches.

We, at Midland Bank, in pursuance of our drive on digital banking, endeavor towards branchless banking through a distribution channel strategy for delivering financial services without relying solely on our branches. While our strategy may complement an existing bank branch network for giving customers a broader range of channels through which they can access financial services, our endeavor on branchless banking can also be used as a separate channel strategy that entirely forgoes bank branches, ATM, Debit Card and Credit Card, for example.

A debit card is a very essential service for the customers offered by any bank. It does not only lessen the safety of carrying cash, rather it continues to add value to customers' daily life, by giving more convenience to fulfill their demands. The card business of Midland Bank comprises of three products- debit card, credit card and prepaid card.

Our promise on digital banking by our valued customers has inspired us in opening five ATMs throughout the country, and our drive will have more ATMs deployed in most sought after locations, in major cities. In providing a better service and happy experience by our valued clients, we have joined the Q-Cash Network, whereby around 2000 partner ATMs are available for use by cardholders. We started up issuing proprietary debit cards, and have already issued around 1100 cards.

Midland Bank has launched MDB Visa Credit & Debit Card with an ambition of enhancing customer experience. Highlights of the year 2014 include obtaining Visa Associate Member license sponsored by Premier Bank Limited, joining NPSB switch, deploying 5 ATMs around the country, launching visa debit card, structuring separate card division as profit making center and building various policy guidelines.

Priorities for the year-2015

- Launching of MDB Prepaid Card,
- initiating of EMV compliant chip card project,
- incorporating online CIB reporting for credit cards,
- introducing varieties of value added services for credit card through new product development initiatives i.e. card cheque, online payment, reward point, balance transfer & sales promotion campaign.

2015 will be a very challenging and exciting year for MDB Card Division.

CUSTOMER CARE AT MDB

Customers are at the heart of MDB's service strategy. By using our skills, resources and people effectively, we at Midland Bank, believe, we can deliver a superior customer experience by being pro-active and accountable. Our strategy puts customers truly at the heart of everything we do.

Midland Bank believes in simplifying, reshaping and strengthening the banks' business model to become a customer focused retail and commercial bank. Throughout 2015, our focus will be to implement a Centralised Business Model, keeping superior and fast customer service in mind and to adapt to the changes in the financial services brought about by shifts in technology, changing customer behavior, as well as the evolving competitive and regulatory environment. In 2015, our customer service will have 3 priorities:

- Creating the best customer experience,
- Becoming simpler and efficient, and
- Accountable for what we do.

In building trust with our customers, we will persevere in enhancing our digital banking capability, providing customers with simpler, seamless interactions across online, mobile alert services, branches, and improving efficiency of products and services with innovation. Our endeavour in the digital transformation entails developing digital capabilities throughout the business, where branches will continue to play an important role in our multi-channel approach, in addition to centralized medium to corporate banking segments.

We will continue to simplify how we operate for customers by investing in our digital capabilities, further improving our service. We will continue to reduce our operating costs, by providing centralized operation activities, making branches a centre-point of service delivery.

We have already developed a Central Customer Service & Complaints Management Cell, the names and emails of members of this Cell have already been published in our website. Even with the best of intentions, we know things can go wrong. Therefore, we expect our valued clients to keep us informed if they are not entirely satisfied with any aspect of our service. With any call or email, we'll investigate the situation and where necessary, set about getting things right, as quickly as possible. We may also take steps to avoid similar problems happening in the future. Our customers' views are important to us, and their feedback is key to improving the products and services we offer.

At Midland Bank, we seek to build long-term, sustainable and beneficial relationships with all our customers, based on the service commitments, and on our underlying values of mutual respect, the pursuit of excellence and integrity in all our dealings.

We promise to address all complaints quickly, courteously and accurately. We continue to believe in openness, integrity, transparency and accountability, and would endeavor to provide high standard of services to our valued customers, at all times.

SME BANKING

Bangladesh is rightly called the heart of Small & Medium Enterprises (SME) where SME is its "Growth Engine". It has already been recognized worldwide that SME has an important role to play in industrialization, employment, income generation and economic growth of the country. In the present world economic situation, bank especially commercial bank is treated as the lifeblood of economy of any developed or developing country and commercial banks need to find a sustainable way to get highly profitable and financially sound venture to satisfy its shareholders. Different survey result indicates that the perceived profitability of the SME segment is the most important drivers for banks' involvement with SMEs. The industrial economy of Bangladesh is densely populated with SMEs.

As on December 2014, the overall industry portfolio of SME Banking in Bangladesh was BDT 115,884.87 crore (approx), which is about 23.85 % of the total outstanding balance of the industry loans and advances i.e BDT 485,884.62 crore. Up to June'2014 all banks and NBFi(s) altogether achieved 55.32% i.e. BDT 49,097.47 crore against their total SME finance target of that year.

Global economic crisis and collapse of world famous financial institutions have added new urgency to diversification of bank loan portfolio. Financing in SME sector is a good break to diversify the portfolio risks. MDB has designed SME policies with plainly defined target segments that comply with the guidelines of regulatory authority and consequently established SME division with well-organized, professionally groomed, experienced workforces.

MDB SME performance in the year 2014

- Total SME portfolio as on December 31, 2014 stood at BDT 1,212.00 million.
- Total SME portfolio is 18.64% of total credit portfolio of MDB as on December 31, 2014.
- Sector wise SME loan distribution is as follows:

Fig. in BDT million

Sector	Rural		Urban		Total Outstanding as on December 2014
	No. of Entrepreneurs	Outstanding	No. of Entrepreneurs	Outstanding	
Manufacturing	08	33.20	13	454.70	487.90
Service	02	5.90	06	120.20	126.10
Trading	29	50.40	33	547.60	598.00

- Total BDT 49.90 million SME loan has been disbursed in favor of Women Entrepreneurs .
- Total NPL of SME portfolio is Nil.

MDB has disbursed SME loans in different thrust sectors with special concentration on manufacturing sector. Our vigilant SME team has been in every possible corners of the market to attain the prospective SME entrepreneurs. SME division assesses different credit appraisals procured by MDB branches for necessary approval by Management/ EC/Board ensuring better asset quality and assisting branches in SME relationship building. SME Banking Division also books customers in addition to branches to ensure attaining maximum SME customers with limited resources. As on December 31, 2014, SME Division Centrally disbursed BDT 359.10 million through different branches and booked 86 number of liability customers with substantial amount of initial deposit.

To ascertain the growth of root-level promising entrepreneurs, we have introduced unsecured PPG based product for different purpose both in asset & liability side, which are as follows:

Asset Products:

- MDB Praromvik
- MDB Orjon
- MDB Ogroj
- MDB Diptimoyi

Liability Products:

- MDB Nirbhorota

To extend the credit facilities to women entrepreneurs, agro based product processing industries and to the new entrepreneurs, the following refinance agreements have been signed with Bangladesh Bank:

- Scheme for refinance for setting up agro based product processing industries in rural areas
- Refinance Scheme for small enterprise sector
- Scheme for refinancing to the new entrepreneurs in cottage, micro and small enterprise sector

SME Target 2015:

We have made a well-measured budget planning to accomplish a very realistic and gradual growth in SME sector with a vision to enlarge our SME portfolio to 25% of total credit portfolio across the year 2015. Following strategies will be at works for the enhancement of SME Banking business:

- Competitive marketing to book quality asset portfolio, specially concentrated on manufacturing, service and women entrepreneurs
- Emphasis on deposit
- Effective branding
- New products for women entrepreneurs
- Customer awareness program

- Introduction of new asset and liability products
- Advertisement
- Arranging training programs for the employees
- Cluster development through SME finance according to the guidelines of regulatory authority

ANTI-MONEY LAUNDERING

Anti-Money Laundering activities globally became a vital issue especially in the domain of financial institutions. The inadequacy or absence of AML standards can lead a bank to serious customer and counterparty risks, especially reputational, operational, legal and concentration risks. It is worth noting that all these risks are interrelated. Any of these can result in significant financial cost to a bank, as well as the need to divert considerable management time and energy resolving problems that arise. Given the context, Midland Bank views Anti-Money Laundering as part of our overall risk management strategies and not simply as a stand-alone requirement that is being imposed by the legislative or regulatory authorities.

Anti-Money Laundering Division (AMLD) operates independently as a banking unit under the guidance of DMD & CAMLCO. The prime responsibility of AMLD is to mitigate the risk in respect to Money Laundering and Terrorist Financing. The key objective of AMLD is to assist and guide all employees of the bank using adequate resources to identify weaknesses / loopholes in anti money laundering operations and take appropriate measures to overcome the hurdle. The ultimate goal is to remain fully compliant with Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) regulations and guidelines.

AML functions in 2014

- Midland Bank has constituted a separate Anti-Money Laundering Division at its Head Office. AMLD implements and enforces Anti-Money Laundering and Anti-Terrorist Financing policies, procedures and measures of the bank. AMLD ensures the bank's full compliance with the government's AML and ATF legislations, central bank's prudential guidelines and also international directives, e.g., USA Patriot Act etc.
- In the event of enactment of Money Laundering Prevention ACT, 2012 and Anti-Terrorism Act, 2009 (Amendment Act 2012 & 2013), Midland Bank has developed Anti-Money Laundering Policy and Anti-Terrorism Financing Policy, which are implemented at all levels of the bank.
- Midland Bank has established self assessment system by all business units with a view to assessing their effectiveness to identify areas of risk or to assess the need for additional control mechanisms.

AML goals 2015

Our main goal is to improve our compliance culture in all levels of the bank. Specific plans are as follows:

- A broad based schedule has been developed to conduct review of all business units with an aim to ensure sound practices and compliance with AML & ATF laws and regulations.
- All officials of the bank shall be made fully aware of their duties and responsibilities relating to Anti-Money Laundering for the purpose of mitigating AML risk within the bank.
- The Bank will continue to communicate with branches to improve their AML & CFT compliance culture, identifying their needs and responding to their queries.
- Monitoring of branches shall be robust in 2015 which shall include conduct of special inspections of branches as a part of its own monitoring program apart from ICCD.
- AMLD will identify training needs and ensure adequate AML & CFT training sessions so all officials of the bank are fully aware of their duties and responsibilities for the purpose of mitigating ML & TF risk within the bank.

INFORMATION TECHNOLOGY

In the age of fast technological shift

The world has witnessed a technology revolution. This revolution has touched every aspect of our life, including banking. Today, technology has introduced new and innovative ways of delivering banking services and products to customers. Technology and banking business has now been closely integrated. At Midland Bank, we have adopted information and communication technology in the core of our business to facilitate faster decision making and to

provide superior services to our customers. The bank commenced banking operation with an online core banking system, running its daily activities in an efficient manner.

Customers offered a digital experience

MDB has embraced a 'Digital First' mindset - putting a digital system at the heart of its business - an effective way for us to redefine our relationship with our customers. We believe, by having a truly digital business, we can move away from reactive, transaction-based customer relationships, towards a more intimate, proactive and personalized experience, across multiple channels, products and services. Moving towards the goal, the bank launched SMS/Alert Services and Internet Banking Portal, expediting digital experience of our clients, keeping them abreast of changing scenarios. The bank has launched its first Contact Center in the year 2014.

Centralized banking

To further strengthen the service quality, Midland Bank decided to centralize its business operations, with the prudent application of information technology. This initiative which has re-defined our business, will ensure improved services for our valued clients while having better control over our risk assets and operations.

Intranet portal

Complementing information visibility and to facilitate paper-less office, our IT Division introduced an intranet portal, Corporate. Our portal now hosts all internal circulars, policies, processes, PPGs and events, centrally. Moreover, our portal contains all information about Midland Bank, detail information of employees, with a personalized access to their bank accounts.

Active Directory and IP Telephony

Over the years, we have established centralized Active Directory service, which is secure and user friendly. We have integrated our PC login credential with our active directory, hence avoiding memorizing multiple login credentials, ensuring security and seamless access. Eventually all our applications will be in sync with Active Directory. We have also deployed centralized IP Telephony system over the Bank, reducing overhead of legacy phone system. In the year 2014, we have introduced Online CIB, GoAML, and e-Recruitment system to receive prospect applicants.

Security and policy support

To ensure data security, every branch and all authorized parties are connected with Data Center through VPN. External party like Internet banking user, or internet connectivity user of the bank, use services through de-militarized zone, which is fully equipped with industry standard Firewall and Intrusion prevention system. In our endeavor for making our ICT infrastructure and systems more secured and robust, we have amended our ICT Policy. Our policies now describe essential Do's and Don'ts for ordinary users, as well as system administrators.

HUMAN RESOURCES MANAGEMENT

Setting strategies for the human resources management is one of the key components to augment the Bank's overall performance. Thus the main function of HR is to dig out the employee potential and utilize them properly towards achieving organizational objective. MDB family has a concerted commitment to serve in assigned areas with passion to grow and excel. The Bank has already established a work environment where excellence and performance help the employees to explore their prospects. MDB has a culture of inspiring employees to perform their responsibilities meticulously and efficiently in a productive way.

HR mission and objective

The Bank's policy on human resource management is proactive. The HR mission is to be the preferred employer of choice. MDB believes that investment in human resource development is the key to maintaining continued growth of the bank. The bank in support of its strategy for human resources development, focuses on attracting and motivating the most competent individuals and encourages talent management in the bank. The bank recruits best suited people from all sections of the society. The bank is offering congenial working environment and competitive compensation package. The management team of the bank has been working for business excellence with their talent and skill, commitment to professionalism, team work, strong bond of interpersonal relationship and good

governance. The new economies with increased global, regional and local competition coupled with socio-economic sensitivity have created enormous challenges in organizations like private commercial banks. To cope with challenges and changes, our strategic objective is to consolidate and strengthen our HR system and process. MDB is keen to develop the talent pool in bank management to lead Bank's goal to business synergy, consolidate KPI based performance and install enterprise culture based on values, enhance capability of employees in technology application through bringing structural changes i.e. centralized banking.

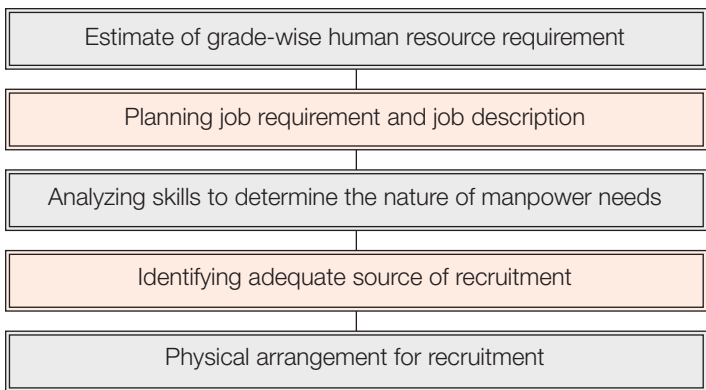
Employment

Most critical challenges encountered by a bank are acquisitioning and retaining talent. In the contemporary era of globalization, strong competition exists among homogenous business organization. To stay and survive in competition, capable human resource is the principal requirement. Obviously, human resource recruitment is of great importance in the pursuit of capable and potential employees. We believe, recruitment of people without any clear sense of direction does not bring in good outcome. Midland Bank Limited is very careful in recruiting human resources and their proper posting/placement. Placement of right number and right kind of people at the right place at right time yields positive results. At the time of recruitment, we follow a definite process.

Performance management

The ultimate goal of MDB performance management is to endorse and expand employee efficiency. It is a continuous process where employees work collectively to plot, monitor and review an employee's work objectives or goals and his or her overall impact to the organization. MDB is in a process of implementing KPI system to make the performance management more effective. Performance management system will be based on:

- Specify jobs, covering a comprehensive range of jobs in the organization.
- Align with MDB's strategic direction and culture.
- Develop process practical and easy to apprehend and use.
- Accurate picture of each employee's performance.
- Monitor and measure results and behaviors.
- Training and development opportunities for improving performance.
- Establish clear communication between supervisors and employees about what they are expected to accomplish.
- Constructive and continuous feedback on performance.
- Identify and recognize employee accomplishments.
- Identify areas of poor performance and establish plans for improving performance.



In 2014, total of 68 new members joined MDB family.

Employee motivation

MDB believes in equal opportunity and maintains that employees are the driving force behind quality business growth. Main objective of MDB is to bring in competitive advantage through steady adaptation to best HR practices and by constantly mounting newer heights in human excellence and capability to cope up with changes in a work culture based on values and customer satisfaction. Internal communication among the employees is admirable. MDB endeavors to be honest and encourages fair practice for all employees to establish good corporate environment. MDB believes in paying competitive compensation package. To this end, MDB introduced a lucrative employee benefit package that includes provident fund, gratuity fund, employees social security-superannuation fund, incentive bonus, annual increment, special increment, promotion, reward, transport facility etc. to the eligible employees which are considered to be contributory for employee satisfaction and career growth.

Training and development

To MDB, training and development is a continuous process. Training becomes a crucial stratagem to keep up with the fast shifting business synergies, product, profile, processes, customer preferences, technology applications and compliance and regulatory requirement.

To implement MDB development goal, the bank has planned to establish a training institute in 2015 at Zahid Plaza in Gulshan-2, Dhaka, with a vision to build up professionals with technical and conceptual skills. The institute will stress on ensuring a formal platform where employees can exchange their ideas, update knowledge base, and open up their eyes to complexities of the banking world. The bank training institute will have the latest training equipment, materials and adequate functional spaces for class rooms, seminar rooms, conference room, administrative corner, research unit, dining room, wash rooms, library space, computer lab, etc. The objective of the training programs at the institute will be to bridge the gap between present level and required level of competence of MDB human resources. The training institute will contribute to capacity build-up of human resources, exploiting their full potentials and updating them with latest banking theories and practices. This will create an effective base providing smart solutions to client's problems and record sound employee productivity for MDB. During the last year, MDB conducted quite a few training courses, seminars and workshops conducted through internal resources. In 2015, MDB plans to train and conduct various fundamental and refresher training.

Workplace safety

MDB has given an important concern on workplace safety. Many initiatives have been taken to make the working place a harmonious and safer place for all level of employees.

Drug free workplace

MDB is committed to provide a safe work environment and fostering the well-being health of its employees. As such employees should ensure that his workplace is healthy and productive and free from drugs.

Work place violence

The bank is committed to create and uphold a working environment which is free from violence. Mutual understanding and admiration toward all employees is an essential part for excellence in professionalism, existence of safe and healthy work place, and maintenance of a corporate culture. The bank outlaws violence, acts of threats, etc. Any employee, who commits or threatens to commit a violent act, is subject to disciplinary action. The bank has zero tolerance for violence against any member of the workforce or its property.

Employee hygiene

Purified water supply, cleanliness of working place for employees are ensured for hygiene.

Minority and gender issue

MDB prohibits harassment and coercion of employees in the workplace. Bank inspires an atmosphere where employees are deeply valued. Bank upholds equality of gender, race and religion and bars sexual or any other kind of discrimination, provocation or intimidation against a superior, coworker, customer, vendor or visitor.

Development strategies in 2015

- Introduction of Learning and Development Center to intensify and modernize employees' knowledge and skills in line with the modern technology.
- Introduction of KPI system in performance management.
- Transformation of Organization Structure with clarity roles to introduce Centralized Banking Model.
- Review and update HR policies to attract and reduce attrition of talents.
- Establish MDB as one of the preferred employers of the industry.

INTERNAL CONTROL AND COMPLIANCE

Bank is a highly leveraged financial institution. A small deviation/error may get magnified many folds causing multitudes of untoward effects. So the Internal Control & Compliance Division (ICCD) of a bank has to remain ever vigilant to guard against any such events. Our regulators give emphasis on internal control and compliance over traditional internal audit. To build the compliance culture more effective and enrich its areas of exercise, Bangladesh Bank issued guidelines for managing core risk in internal control and compliance in banks. Besides, Bangladesh Securities and Exchange Commission (BSEC) vide its Notification No. SEC/CMRRCD/2006-158/134/Admin/44 Dated August 07, 2012 section 2.1 has given instructions for appointment of Internal Auditor (Internal Control and Compliance). To allow Internal Control and Compliance Division (ICCD) to work more independently, the Bank Companies Act, 1991 (Amended in 2013) has made changes in Section 15C.

In order to stay compliant with the above guidelines, MDB has formed Internal Control and Compliance Division (ICCD) and employed adequate manpower in parallel to Bank's business expansion and growth. In order to establish an efficient, effective and compliant internal control system, ICCD has segregated its functions into three separate units:

- a. Audit and Inspection Department,
- b. Monitoring Department, and
- c. Compliance Department.

Effective internal control system results in better risk management practices in terms of identification, measurement, monitoring and mitigation of risks. The ICCD of MDB continually recognizes and assesses all of the material risks that could adversely affect the achievement of the Bank's goals. The risk assessment by internal control focuses more on compliance with regulatory requirements, social, ethical and environmental risks that could emerge as potential risks for the banking industry. It ensures reliable financial and managerial information that promote better strategic decision for the Bank. ICCD ensures compliance with laws and regulations, policies and procedures issued by both the bank's Board/Management and the regulators. We ensure better internal controls to help business to engage safely in more profitable activities that would be too risky for a competitor without those controls. Our Internal Control & Compliance enhances public confidence over the banks and facilitates risk based audit system of the Bank.

The Monitoring Department is responsible to monitor the operational performance of various Branches/Divisions/Departments. The Department follows up the Branches/Divisions/Departments for implementation/rectification of the findings/irregularities brought out in the Internal Audit Report. The Department collects relevant data and analyzes those to assess the risk of individual units. In case, any major deviation is found they recommend to the Internal Control Head for sending audit and inspection team for thorough review. The Department is also responsible to conduct surprise visit to the Branches and submit report on findings to the Managing Director/Audit Committee of the Board.

The Compliance Department is responsible to ensure that Bank complies with all regulatory requirements while conducting its business. The Department maintains liaison with the regulators at all levels and notifies other Departments regarding regulatory changes. This Department is also responsible to arrange timely submission of compliance report of Bangladesh Bank Inspection Report.

The Audit and Inspection Department performs periodic and special audit and also conduct investigation on specific issues as per Audit Plan and as and when needed.

At MDB, the Head of ICCD has dual reporting lines to Audit Committee of the Board and Managing Director and CEO and thus acts as a bridge between management and Board. ICC acts as a watchdog to ensure safe, sound and compliant operations of the Bank. It keeps the management and Board (where necessary) informed about any relevant update which is not routinely covered by financial reporting and other non-financial disclosures. Internal Audit Report is submitted to the BAC as directed by Bank Companies Act, 1991 (Amended in 2013).

Activities of ICCD in 2014

ICCD conducted Annual Internal Audit and Inspection and Risk Based Audit of Branches and Divisions/Departments, Surprise Inspection on Branches, Special Inspection as and when required, year-end cash counting and special Inspection on Anti Money Laundering activities of Branches and others. Besides, ICCD coordinated with BB Inspection Team while auditing coreriskareas and ensure compliance report of BB Inspection reports in different areas e.g. comprehensive inspection, Inspection on Branches etc.

ICCD completed the following major works in 2014

Annual Audit and Inspection and Risk Based Audit of Branches	: 09 Branches
Annual Internal Audit and Inspection of Head Office Divisions/Departments	: 10 Div./Dept.
Surprise Inspection on Branches	: 13 Times in different Branches
Special Inspection against instructions of Management/Board	: 06 Branches/Divisions
Special Inspection on Anti Money Laundering activities of Branches	: 09 Branches
Ensure compliance report of BB Inspection in different areas	: 02 Head Office and Branch

Major Initiatives

- Formation ICCD for the Bank
- Revision of ICC Policy and Process Manual for ICCD
- Revision of Risk Based Audit Report Format for Branches
- Revision of Surprise Inspection Report Format
- Formation of Internal Control Questionnaire (ICQ) of conducting Divisional Audit
- Formation of Risk Based Audit Report Format for Audit of Head Office Divisions

RESEARCH AND PLANNING (R & P)

A well-measured approach and analysis of the market and own business in the process of decision and functional engagement is inevitable for the survival of a bank in this competitive market. The goal of Research and Planning (R&P) at MDB is to carry out systematic search for information and market opportunities in the economy and the banking industry in particular to guide management decisions to maximize business performance of the Bank. In 2014, the bank focused on making investment in research and planning in order to consolidate its existing position and accelerate further growth. Research & Planning unit sprouted as a key segment of the bank by April of 2014. Ensuring competitiveness, product quality, services and well-timed exploration of our market were some of the keychallenges of R & P.

By the end of 2014, Midland Bank achieved significant growth in deposit, business and profitability through its network of 11 branches and proper utilization of innovative products as well as on-time management decisions. Even though Midland Bank achieved a certain degree of success in 2014, the Bank must aim high and face upcoming challenges with more speed and enthusiasm. A well-structured Research and Planning wing is now available to add stimulant to the bank and infuse dynamism to its operation by providing insight into how to achievethe bank's quest to be a model bank in the industry.

2014 Activites at a Glance in R & P

Publication

- Annual Report 2013 (Published in 2014)

Website

- Site Development

Branding Support

- Concept and Resource Support

MDB Research & Planning will try to open up new avenues of business. With the learning curve achieved through the just concluded year, R & P will continue to support business development of the Bank.

TREASURY

The main picture of treasury market in 2014 was excess liquidity and year end volatility in USDBDT rate. Although excess liquidity in banking system prevailed for the whole year and government Treasury Bill-Bond rate experienced major fall, there was some volatility in money market, with year-end rate move upward to 8.90%. Due to import growth and sluggish export performance on the last quarter of 2014, USDBDT market experienced major volatility and taka depreciated against USD for the first time since 2012.

Midland Bank Treasury

Midland Bank has a committed and well trained treasury team capable of providing all kind of treasury solutions within its capacity. Currently, Midland Bank Treasury have four separate desks:



Money Market Desk: MDB money market desk is one of the most active and efficient desk in the inter-bank market. Dealers exercise all kinds of money market product available including call money, term money, Swap, Repo and Reverse Repo etc.

Fixed Income & Investment Desk: MDB Fixed Income & Investment Desk is responsible for bank's investment in various Government securities like Treasury Bills and Bonds and other financial product available in market like Commercial paper, Subordinated Debt, Preference Share etc. This desk is an active participant in secondary market trading of government securities. Being a Primary Dealer (PD), this desk also performs all the responsibilities of primary dealer.

Foreign Exchange Desk: MDB Treasury is capable of vanilla and derivatives products in FX market. Being a new bank, this desk is building capacity as bank's import and export is growing and NRB business is catering in line.

Asset Liability Management Desk: The Bank has a highly efficient ALM desk capable of providing robust and on-time report as well as market intelligence. This desk provides analysis, instruction and guidance in the area of asset liability manage to promote proper balance sheet management as well as financial strength and wellbeing of the bank.

Treasury transaction volume

MDB treasury deliberately runs trading book with a view to earning profit by investing different asset classes of longer term and funding this trading book by borrowing on shorter term. As on December 31, 2014 Treasury ran a trading book of BDT 489 crore with a spread of 3.13%. Also, Midland Bank treasury was very active in secondary bond trading with transaction volume on both buy side and sell side.

Treasury Priorities in 2015

- Maximizing portfolio size as well as return by discovering new investment opportunities.
- Putting utmost effort in building and enhancing rapport with different banks.
- More active participation in secondary market of government securities.
- Explore bond market to corporate and individual customers.
- Managing balance sheet with specific focus on interest rate movement and business need.
- Overall, making Treasury major profit source of the bank.

Treasury Market Outlook for 2015

Market outlook always correlates with money growth, expected inflation, private sector credit growth, benchmark rate and level of government borrowing. Inflation in December 2014 was within expected level by Central Bank. Besides, global oil price slide and stable commodity price will not create any sudden pressure on inflation. As central bank is pursuing to reduce the lending rate, low level of inflation will give central bank the room to reduce benchmark rate. Main concern is level of government borrowing from banking system which may rise from salary revision of government officials and funding of large priority projects. Remittance performance expected to be good, with rise in foreign exchange reserve. Overall two opposite streams are in play in 2015 and performance of money market will be largely dependent on severity of the forces. Therefore, in our projection money market rate will be stable around reference rate (repo rate) with some volatility. Yield on government securities will also experience volatility with rates going up and down, with high probability that long term rates may experience fall in first half of 2015. USDBDT market will remain stable.



SUSTAINABILITY REPORT

Highlights

MDB's sustainability dream reflects the essence of its ambition 'long term bond & benefit' and takes into account the legitimate interest of its stakeholders – not only for today's world, but for future generations too.

Sustainability

It is time for rebuilding our banks, businesses and relationship for a stronger and safer identity in the community. With more responsibility for the stakeholders, society and the future, a financial institution can be rooted deep into the ground of people's trust, which is key to making the journey of a going concern safe and sound. Sustainability is becoming an integral part of corporate philosophy, contributing to the long-term performance of a Bank and its return to consistent profitability. This new vision is steering the Bank towards its goal with a direction of growth that meets expectations of shareholders, customers, employees, investors, international partners, regulators, business partners, above all the community we operate in. Our stakeholder engagement approach allows us to understand the issues that matter most to those who have an interest in our business.

MDB approach to sustainability

Midland Bank firmly believes in good corporate citizenship and helping clients and other key stakeholders achieve sustainable success. MDB's sustainability dream reflects the essence of its ambition 'here for a long term bond & benefit' and takes into account the legitimate interest of its stakeholders – not only for today's world, but for future generations too. Three key elements mould the central theme of sustainability:

- **Entrepreneurship**

A sustainable business model is based on the pursuit of a socially responsible and environmentally friendly market opportunities and supporting clients in becoming more sustainable themselves.

- **Stewardship**

Taking responsibility for clients, suppliers, employees and reducing the environmental impact.

- **Inclusion**

Responsible banking includes people by addressing social, environmental and financial conditions bonding with the immediate community that includes our clients, employees and place where we operate.

MDB Sustainability Model

Midland Bank Limited (MDB) is committed to integrating environmental, social and governance issues into their day-to-day operations. The banking industry is also becoming more competitive, with many new entrants using innovative and inclusive business models to offer differentiated products and services in areas such as social banking and social finance, which focus in particular on investing based on social responsibility. MDB is moving on with a long term customer relationship with customer led models, products and services.

The bank is emerging with a new set of banking capabilities, including better insights into customer behaviors and needs, and new approaches to reach and engage them. The bank is aware of more transparent and risk-aware, tries to improve their trust and relationships with clients, stakeholders, governments and regulators, which in turn will make the bank capable to respond more efficiently to future regulatory requirements, improve the bank's ability to manage risks and avoid costs and penalties of non-compliance. Looking at educating and protect customers is very important. MDB prioritizes on educating customers about services and products in a more transparent and honest way. We are inclined to responsible financing considering social and environmental impacts that cause from bank's financing and operational activities. We are incorporating our growing understanding of sustainability into risk management and portfolio assessment. The bank is moving with robust IT system to enable our growth and operational excellence. The bank is adopting green banking practices towards reducing the carbon footprint. Developing the human resources of the bank is very significant with a view to creating sound, efficient and responsive financial institution, where the management has focus and priority.

Fairness in Banking

MDB is bent on providing simple, accessible and innovative solutions to our customers in response to their requirements. Banking is central to the daily lives of almost everyone, and it's important that we understand their needs. In 2014, we have taken various initiatives to proactively identify people who may get into financial difficulty so we can work with customers to improve their situation. We have reviewed our rates structure (both corporate and retail) as we aim to place customers at the heart of our business decision.

Supportive Engagement

Our Bank's health is directly influenced by the health and success of the business it supports. We provide advice and guidance to businesses through our Branch Managers and online communication. We know it is a difficult time for some of our partners and that's why we created specialist team under 'Mentorship Programme' to provide that support.

An admired employer

Being good employer is fundamental to our success as a business. MDB employees are a diverse and talented group which we support and encourage through internal networks and training. We highly value our employees and seek to support them through this process with a range of tools and services to help them find other roles, either inside or outside the Bank.

Safe banking approach

Managing safety and security of our employees and customers is one of our fundamental responsibilities. We have adopted continued vigilance to keep up with challenging and changeable environment and constantly review and innovate the way we face new challenges.

Citizenship and Environmental Concern

As a large organization we have a responsibility to manage our internal and external impacts. A core part of this is the way we govern our environmental, social and ethical risks, not only within our own operations, but also in relation to companies we lend to. In 2014, we implemented sector policies which clearly define our lending criteria in certain sensitive industries. 2014 will also see the launch of revised and more stretching targets to reduce our environmental footprint across our travel and energy waste, water and paper use. These targets will drive forward the management of our own footprint, and allow our stakeholders to track our progress.

Financial inclusion

Multitudes of people across the country still remain unbanked or have limited access to banking services. MDB remains committed to agricultural and rural credit (micro finance) as a means of increasing financial inclusion in the country. We intend to support this sector by providing a range of financial services to microfinance institutions (MFIs) as well as through our own branch network. Small and Medium Enterprises played crucial role in generating jobs and economic growth in Bangladesh. In 2014, we continued to demonstrate our support for SMEs, increasing our lending to 78 entrepreneurs by more than 602% to BDT 1000.80 million enriching our SME products and services. WE disbursed agri credit of BDT 21.60 million to a total of 06 farms and farmers. During 2014, we have extended a total BDT 5.00 million to MFIs to serve financial needs of 194 individuals. We continued to explore new ways of increasing financial outreach.

Combating Financial Crime and money laundering risk

To stave off the risk of financial crime within our business, we focus in training our employees, strengthening our screening system and ensuring that our policies and procedures are effective and up-to- date. We devote our efforts to minimize the damaging effects of financial crimes. The following are key areas, we concentrate to tackle financial crime:

- Adherence all applicable laws, regulations, and sanctions
- Initiatives to prevent Money Laundering and Terrorism Financing
- Strengthening system for prevention of fraud.

Employee awareness about fraud trends and combating technique is the key to successful financial crime prevention. We have prioritized fraud prevention in coming years; hence planned to launch comprehensive fraud prevention strategy and training for our employees.

Suspicious Transaction Reporting (STR) and KYC procedure are tools, Bank is presently executing to prevent financial crimes and money laundering. Our core fraud combating units are security, compliance and internal audit, IT security, human resource, and risk management unit. These units are working together to strengthen fraud prevention management system in the bank.

Promoting Sustainable Finance

Steps are taken to introduce green banking products which can in some way or other contribute to the reduction of carbon emissions. We are making every effort for the utilization of 'Green Finance' budget and 'Climate Risk Fund' approved by the Board. Our green finance priorities include ETP, modernization of brick kiln by advanced technology, Bio-gas Plant, Solar Power System and other renewable energy sectors. In our attempt for green finance in 2014, we have disbursed a good sum of BDT 28.08 million to a number of 05 Zig Zag on account of eco-friendly Brick Kilns and so forth.

The Bank has already approved green banking policy and in accordance with the policy guidelines, the Board of Directors approves budget for green finance and climate risk fund. Independent green banking and sustainability report is under the consideration of bank management. Besides, specific environment risk management plan and guidelines are in place with the Bank.

Highlights of Sustainable Finance 2014

1. Financed BDT 28.08 million to 05 Zig Zag on account of eco-friendly Brick Kilns.
2. Encouraged paperless banking by expanding online banking, mobile banking and internet banking, use of e-mail and introduction of IP message system. Added deposit alert to Mobile Banking Solution (MBS).

Investment in sustainability

Outlay of investment in building sustainability platform has increased manifold over the last few years. This banking philosophy has been shaped into a tangible chase for business goal and achievement. In 2014, we allocated an amount of BDT 4.65 million (10% of profit) towards meeting our CSR objectives. We spent a total of BDT 1.5 million in various CSR projects in Bangladesh. To keep our commitment afloat for SME business, woman entrepreneur finance, agri farms, we have made necessary restructuring in our operations, launched campaign for SME promotion, participated in SME fairs, added and upgraded delivery channels and build alliance with various banks and micro finance organizations for a nationwide banking outreach. We have designed new products for various segments in the community for wider financial inclusion and took up promotional initiatives in the market. Together with this approach, our investment in a number of green projects like solar panel, eco-friendly modernization of brick kilns, biogas plants, etc carried more of our passion for preservation of Mother Nature than of commercial benefit. Our costs in sustainability build-up are taking an upturn every year and we are expecting their positive reflection in our present and future well-being. Furthermore, the Bank made considerable investment to strengthen capacity and preparedness to combat money laundering and terrorist financing in the field of manning & training, software development, building liaison & awareness, etc to ensure regulatory compliance. Around the year 2014, we actively pursued the expansion of our business with particular focus on greater welfare of the economy.

Contribution to Government Exchequer

MDB contribution to government exchequer is adding incentive to government effort to mobilize revenues. The strength of our socio economic development generates mainly from government revenues. Revenues are widely spent to comfort the lives of common people, carry out development plans, subsidize real economies to spur growth and provide salary and benefits to millions of government employees and their families. As per tax law, the Bank deducts at source income tax, VAT and excise duty from various payments and services for ultimate credit to government exchequer.

MDB for inclusive growth

In line with Bangladesh Bank guidelines and recommendation, the banks have committed to the introduction of a number of market place initiatives to stimulate growth in the economy. MDB has committed to these initiatives already launched or planned.

MDB has decided to increase lending target to small and medium enterprises. The Bank is targeting SME finance to the undeniable but underserved segment of the economy. To this effect, the Bank finance to small enterprises, manufacturing sector and women entrepreneurs is getting momentum. New strategy has been set out to expanded cluster base financing program. MDB disbursed BDT 49.90 million in loans to Women Entrepreneurs in the calendar year 2014. Bangladesh Bank refinance for SE and Women Entrepreneurs has enabled the Bank to open up a soft loan window for small sized business and women owned projects. The Bank is committed to the implementation of statutory codes of practice on business lending within agreed timeframes.

MDB is continuing to improve the transparency of its customer communications. All customer-facing material is being reviewed to meet 'simple & smart Bangla and English standard' and transparency objectives are set out.

The Bank has taken up paperless banking initiatives through using modern computer software, effective email service for official correspondence. We have already been using robust banking computer software and email connectivity for intra bank official correspondence and with the other organizations on similar platform. MDB also has taken the policy to use energy savings light and rational use of air conditioner in its all offices for reducing electricity consumption. The bank has also policy support to install solar panel in its rural branches as their source of power. Policy also exists to take coverage of Green Travel Insurance for the carbon emission to be caused by the banking activities of MDB.



GREEN BANKING: TOWARDS A SAFE LIVING HABITAT



Green vision

Green banking is an eco-friendly socially responsible banking initiative for building the world as safe living habitat and preserving resources for generation next. A green bank takes into consideration all sorts of social and environmental factors to merge into a financial gain shared by all. Green banking initiatives have been undertaken by global communities to reduce environmental pollution and to protect future generations from its impact. Green finance makes great contribution to creating resource efficient and low carbon industries. Investment in greener and sustainable projects and agriculture activities offer multiple economic and social benefits. Environmentally significant in another way are bank's all sorts of IT-based online services to its customers. For example, online banking as a strong weapon of paperless banking helps protect forest and heal environmental wounds from global warming.

Banks are believed to have unique position to bring about positive impact on global climate change and biological diversity in the earth. Climate change is the planet's greatest environmental challenge. Green banks are engaged in creation of socially responsible investment funds and sustainable project finance activities.

Banking perspectives

Green banks involve pursuing financial and business policies that are friendly to environment. With a view to developing better green banking practices in the country Bangladesh Bank issued a circular on February 27, 2011 on policy guidelines for Green Banking and advised all the banks to implement the guidelines in three phases:

Phase one Timeline: June 30, 2014	Phase Two Timeline: June 30, 2014	Phase Three Timeline: June 30, 2015
<ol style="list-style-type: none"> 1. Policy formulation and governance 2. Incorporation of environmental risk in credit risk management (CRM) 3. Initiating in-house environment management 4. Introducing green finance 5. Creation of climate risk fund 6. Introducing green marketing 7. Online banking 8. Supporting employee training, consumer awareness and green event 9. Disclosure and reporting of green banking activities 	<ol style="list-style-type: none"> 1. Sector specific environmental policies 2. Green strategic planning 3. Setting up green branches 4. Improved in-house environment management 5. Formulation of bank specific environmental risk management plan and guidelines 6. Rigorous programmes to educate clients 7. Disclosure and reporting of green banking activities 	<ol style="list-style-type: none"> 1. Designing and introducing innovative products 2. Reporting in standard format with external verification

Compliance

- Report green banking practices, initiatives and activities to Green Banking and CSR Department of Bangladesh Bank on quarterly basis.
- Keep their annual report and websites updated with the disclosures on green banking initiatives/activities.

Green incentives

The Central Bank promises preferential advantages to banks for green banking practices:

- Award points on management component which will add value to better CAMELS rating.
- Recognize Top Ten banks for their overall performance in green banking activities in the BB websites.
- Consider green banking activities/practices of a bank while according permission for opening new bank branch.

Green activities of MDB

Midland Bank Ltd. (MDB) is much more aware to implement and promote green banking initiatives in line of the Bangladesh Bank policy guidelines. Bank's board and management have committed every support, resources and required strategies to the growth of green business and practices as well as green compliance.

Towards the goal, the Bank has taken a number of initiatives to enrich the green banking practices, which are as follows:

- Formulated Green Banking Policy approved by the board of the bank
- Introduced green banking unit
- Allocated annual budget for green banking
- Incorporated environmental risk in CRM
- Introduces online or paper less banking that eliminate paper waste, saving gas, carbon emission, reducing printing cost and postage expenses
- Signed agreement with BB for re-finance in projects
- Developed green financing product encouraging finance to eco-friendly and energy efficient projects
- Introduced e-recruitment system
- Facilitated employee training and customers awareness
- Discharged CSR activities
- Disclosure of green banking report

MDB Green Report 2014

BDT in million

A. Introducing Green Finance		Total		Remarks
		No of Projects	Amount	
01	Effluent Treatment Plant (ETP)			
02	Bio-gas Plant			
03	Solar Panel/Renewal Energy Plant			
04	Hybrid Hoffman Kiln (HHK)			
05	Green Finance at reduced rate of interest			
	Others (if any) Zig Zig Brick Project	05	28.08	
	Total	05	28.08	
B. Online Banking				
01	No of ADCs (own ATM & ADM)	05		
02	Shared ADCs	1,530		
03	No of Branches with online coverage	11		
04	No of total accounts	-		
04	No of accounts facilitated with internet banking	-		
05	No of accounts facilitated with Mobile/SMS Banking	2,361		
C. Awareness Building				
01	Training Programmes on Green Banking (In-house)			
02	Participants in the Training			
D. Disclosure				
01	Website	Yes		
02	Annual Report	Yes		
03	Preparation of Green Banking & Sustainability Report	Yes		
	Others (if any)			

A. Introducing Green Finance		Total		Remarks
		No of Projects	Amount	
E.	Sector Specific Environment Policy			Policy formulation is under process
01	Formulation of Sector Specific Environment Policy			
	(Under phase)			
	Others (if any)			
F.	Green Strategic Planning			
01	Formulation of Green Strategic Planning			
02	Formulation of Bank's Specific Environment Risk			
	Management Plan & Guideline	Yes		
	Others (if any)			

In-house green banking development

In view of Green Banking Policy, the Bank has taken measures or started building awareness to promote Green Banking within the bank. Details as follows:

Electricity Consumption

- Ensure economic use of electricity
- Use energy saving lights in bank premises
- Shutdown the computer properly and switch off the computer monitor before leaving office each day
- Ensure that light, fans, air conditioner have been switched off before leaving office each day
- Use energy efficient electronic equipments

Fuel Consumption

- Ensure economic use of fuel
- Buy energy efficient cars to reduce gas and petroleum consumption

Paper Consumption

- Where possible use online communication (e-mail, IP message etc.) instead of printed communication
- Think twice before taking a print
- Take print on the both side of paper to save paper consumption
- Use scrap paper for taking draft print and as note pads

Water Consumption

- Do not misuse drinking water
- Ensure economic use of water in all other cases

Others

- Avoid use of disposable cups/glasses to become more eco-friendly
- Bank's way forward to a safer, greener & cleaner habitat

Carbon Footprint Reduction

We have taken the following measures to reduce the carbon footprint:

(a) paperless banking (b) energy consciousness and (c) establishment of green building for its own use etc.

Environmental risk

MDB uses Environmental Risk Rating (EnvRR) for both financing for new, green field projects as well as those pertaining to existing facilities.

Social Responsibility Services

The Bank has initiated a number of social responsibility services like tree plantation campaign, autism care etc. As a caring partner, we will concentrate more on building green infrastructure, enhancing living standard of city life and colouring the world green in 2015 and beyond.

Green banking has lot of advantages. It can reduce the need for expensive branch-banking and customer services. It enhances productivity of the employees. It creates mass awareness regarding healthcare, environment and pollution. So the time is to think and go green. MDB is on the way to greening.

CORPORATE SOCIAL RESPONSIBILITY (CSR)



Context

Businesses without addressing the needs and expectations of stakeholders in a community cannot remain competitive in the contemporary era. A strategic approach to Corporate Social Responsibility (CSR) can bring benefits in terms of building reputation, brand value, customer relationships, operational risk management, efficiency, access to new markets and better human resource management through employee motivation and retention. CSR offers a set of values on which a more cohesive society can be built and on which the transition to a sustainable financial and economic system can be based.

With increased integration by the age of globalization, local businesses are being exposed to the global economy and international compliance more than ever. Hence the pressure is mounting on local businesses to converge on international standards of socially responsible business. As an emerging force in the global economy, Bangladesh is aware of the need to take positive initiative to establish an image of environmentally and socially responsible business. In the process, some of the banks and financial institutions have set up foundations with an objective to allocate, spend and nourish their funds for CSR initiatives in areas of priority social needs. This type of foundation requires entities having a forward-looking approach to addressing the social issues of wider concern. The benefits here should not be considered in terms of immediate rate of return on funds so deployed, but these should rather be viewed in the context of shared benefits in the community.

Incentive on CSR

In 2011 the National Board of Revenue (NBR) of Bangladesh issued Statutory Regulatory Order (SRO) by providing tax exemption on the expenditure made by the institutions for CSR activities. The regulations stipulated in the SRO were further amended in 2012 and the area of CSR applicable for tax exemption was enhanced.

BB Guidelines for CSR activities

Historically, the banking sector of Bangladesh has been amply participating in various social activities especially, in the areas of education, health, sports, benevolent activities like donations to different charitable

organizations, poor people and religious institutions, beautification of the cities and patronization of art and culture, etc. In June 2008, Bangladesh Bank issued a comprehensive circular titled 'Mainstreaming Corporate Social Responsibility (CSR) in banks and financial institutions in Bangladesh'. According to the circular, CSR was defined as (i) considering the economic, social and environmental consequences of a business (ii) mitigating the negative impacts and bolstering the benign effects (iii) initiating action programs and community investments to trim down social exclusion and inequality as well as to address the core sustainable development challenges. BB kept motivating banks to formulate their own CSR policy with the annual outlay for CSR programs and include the CSR programs in their mainstream banking activities instead of short-term social works like providing grants, aids and donations. In December 2010, Bangladesh Bank instructed the banks to establish separate CSR desk to pay special attention on this issue.

CSR activities of Midland Bank

MDB wants to eliminate the imbalance in the society, to create fellow feeling among the citizens of the country, motivate people to do good and conserve nature. Thus education, health care, human resource development, conservation of nature, creation of social awareness, rehabilitation of the destitute, communication and address human sufferings arising out of man-made natural causes are some of the important areas where the Bank focuses its social and philanthropic responsibilities.

Midland Bank started CSR activities from the very beginning of its Banking operation. The Bank, as per BB guidance, has established separate CSR Desk to pay special attention on to the CSR activities. The Bank has already formulated its own CSR policy with the annual outlay for CSR programs.

In 2013-14, CSR expenditure of Midland Banks total BDT 4.6 million

BDT in million

Particulars	2014	2013
Net Profit After Tax (NPAT)	35.00	11.00
Provision for CSR @ 10% on NPAT	3.50	1.10
Accumulated Provision for CSR	4.60	1.10
CSR expenses already performed/paid:		
Blanket Distribution	0.50	-
Religion (Mosque)	0.30	-
Education (PROYASH)	0.70	-
Total CSR expenses paid up to Dec, 14	1.50	-
Rest of the unspent amount	3.10	-

MDB CSR 2014

Donation to PROYASH

Our country is troubled every year by the burden of autism down syndrome and other neurological disorder that restricts child's power to communicate and react normally. The total number of such children is unknown. These children need special care, fund allocation and management to turn them into productive human resources. Proyash, an institution run by Bangladesh Army, is dedicated to the wellbeing of children with special needs through education and training. The institute is also working to generate awareness

about disability in Bangladesh; develop quality teachers, therapists and caregivers; and empower persons with disability to ensure equal opportunities and promote disability friendly right based society. MDB came forward to work together with Proyash for the welfare of autistic and disable children of the institution providing funds.

Midland Bank Limited donated a cheque to PROYASH to assist its mission for caring the disabled children. Mr. Md. Ahsan-uz Zaman, Managing Director of the Bank handed over a cheque to Colonel Md. Mostagousur Rahman Khan, afwc, psc Executive Director & Principal of PROYASH at a program held on 22nd October 2014 at the Head Office of the Bank.

Saving the destitute out of the bitter winter cold

Thousands of destitute people were left helpless in the chilling cold of December 2014 across the country. To alleviate the distress of winter victims, MDB stood by the poor sufferers at different location of the county. From the members of the Board to the Management to Branch Officials, there was wholehearted participation in this CSR move.

The flashes of our CSR commitment to the winter-hit people of Bangladesh are captured below:



REPORT ON RISK MANAGEMENT



The Bank is mindful of achieving its objective in the best interest of all stakeholders. So bank's risk management strategy is to achieve a sound balance between risk and return to the business, while maintaining strong liquidity and adequate capital position at all times combined with a robust asset quality. MDB is also keen to lever its business using new technologies, innovative products and services to customers.

REPORT ON RISK MANAGEMENT BY CHIEF RISK OFFICER

Sound health of a bank and the financial system as a whole mostly hinges on identifying, measuring, monitoring and controlling various types of risks. Besides the traditional risks confronted by the banks i.e. credit and market risks, various operation of risks, other risks are:

- The rising use of automation and related technologies.
- IT integration and shared services among financial institutions and entities.
- Necessity of reducing earnings volatility and achieving cost efficiencies.
- Shifting paradigm of banking products from basic financial domain to technology based platform and product development.
- Exponential growth in customer needs.
- Growing dependency on outsourcing arrangements.
- Focus on regulatory compliance on legal, fraud, and compliance issues.

This has given rise to the development of enterprise wise risk management framework for the banks. MDB is increasingly emphasizing development of appropriate risk management framework for managing risks of the Bank. The Bank has established Risk Management Division to monitor and report various type of risks and also to develop appropriate risk culture within the Bank. The key activities of RMD include preparing risk management paper, process manuals, performing stress testing, developing various risk models and mechanism and most importantly the responsibility for Internal Capital Adequacy Assessment.

All through 2014, MDB has taken various measures for managing risks of the Bank.

Credit Risk

Our credit portfolio was focused on active participation in the expansion of our national economy and we had to align our strategy to sustainable measured growth in our policy. Logically, existing and new clients with proven track record, traders supply and work orders with acceptable funding source, quality exporters, less dependency on large proprietary commodity traders, diverse manufacturing units, became the building block of the portfolio as this will allow the desired growth to the bank in the future. The Bank started out with a sector-wise exposure in 2014. To ensure sustainable earning stream it became evident, the sheer necessity to reduce dependency on large trade transaction (especially in commodity), unplanned large capital machinery opening (without in-depth analysis of the cash-flow), percentage of investment in one single industry /single name depending on the balance sheet size etc. To attain the objective, we have to have a critical understanding of MDB's current portfolio. To reduce the residual risks the security related documents were revalidated by legal firms and also cross examined by the independent audit firms. Corrective measures have been taken as per the report issued. Periodical stock verification and insurance coverage has been made mandatory before sanctioning or renewing any credit proposals.

Looking forward, quality credit, debt collection, strict monitoring, systems and policy development to align with changes will remain our top priority; so that the existing book remains stable.

Operational Risk

Unlike other risks as faced by the bank, this particular risk is more difficult to manage and inherent in any operation of the bank and cannot be separated from other risks. Therefore operational risk ensues from the bank's overall environment, employee competence, integrity, management strategies, philosophies, extent and degree of process centric approach to business etc. The Risk Management Division was strengthened with the hiring of highly technical hands and formulation and adoption of different standard operational risk management model is underway. The strategic approach that the bank took in managing operational risk was focused towards the following;

- Establish a strong operational risk management culture throughout the Bank.
- Integrate operational risk management activities into the Bank's overall risk management processes.
- Ensure the implementation of all policies, processes and systems effectively at all decision making levels.

- Developing a clear, effective and robust governance structure with well defined, transparent and consistent lines of responsibility
- Ensure the identification and assessment of the inherent operational risk in all products, activities, processes and systems
- Ensure a strong control environment

Information Technology Risk

MDB came up with new ICT Policy (Version 2) to cope up with the Bangladesh Bank Guideline on ICT security for scheduled banks and financial institutions in respect to centralized on-line real time banking. Within the security protocol we further upgraded our core fire wall. The MDB data center equipped with sophisticated technology, network and security systems. Our IT Division upgrades the existing system regularly.

Market Risk

Market risk is actively monitored by the Treasury Division of the Bank. As per stress testing, the Bank is unlikely to face any major risks in liquidity, interest rates and foreign exchange.

In 2014, we further refined and added a few globally recognized and used advanced models like:

- Value-at-Risk (VaR), loss projection model for assessment of FX and equity risk
- Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) for liquidity risk analysis
- Stress testing on regular basis (i.e. quarterly) to assess the sensitivity with regard to interest rate risk, FX risk, equity risk and liquidity risk.
- With regard to capital assessment under Basel III, the bank has been forward looking as it has already put up a framework for adopting advanced approach (i.e. Internal Model based) for the first time in the country.
- Assessment of additional capital requirement (Pillar II, Basel III) against market risk is also conducted on yearly basis

MDB is focusing on optimal deposit mix which leads MDB to pursue low cost deposits and reduce high cost deposits dependency that enable to offer our loan clients industry best competitive pricing at the same time ensure uninterrupted liquidity support. We are also monitoring bucket wise maturity mismatch of assets and liabilities so that MDB is unlikely to face liquidity risk.

Environmental risk

The environmental policies facilitating “Green Banking” made it mandatory for the credit clients to have the necessary compliance and as such we incorporated environmental due diligence (EDD) in all our credit proposals. We have complied to our policy of no new financing in “red” category and existing ones were also brought up to a “green” or acceptable level.

Conclusion

Midland Bank Limited has the proper foundation to take on a robust risk management system which will provide us with a sustainable footing. Our commitment to remain fully devoted to compliance and transparency to mitigate risk at an optimal level has extended the confidence to build a stable book and we are ready to run our operations and reap the benefits ahead. In addition to that, as per the Bank Company (Amended) Act 1991 and as guided by Bangladesh Bank Circular No. 11 dated October 27, 2013 the Board Risk Management Committee (RMC) has been formed to look after the overall risk management of the Bank which will definitely make MDB more risk-resilient and compliant.



Khondoker Nayeemul Kabir

Deputy Managing Director & Chief Risk Officer

REPORT ON RISK MANAGEMENT

Risk Management at Midland Bank

Business environment changes continuously with varying nature of competition, policies, geopolitical events, consumers' perception and so many other factors. Such changes increase both the scope and potential impact of the risks banks face in their day-to-day operations. Managing risk is not static on some ratios and benchmarks, rather a dynamic process of continuous innovation and reinvention. MDB's risk management framework is established under the Integrated Risk Management Guidelines (2012) of Bangladesh Bank focusing on management of accelerated growth. The journey of the MDB in last two years was challenging since the external environment was not conducive for growth. The Bank started its operations in a time when the country registered lowest GDP growth compared to last five years average, private sector credit growth demonstrated lackluster performance, non-performing loan was on the rise and image of the industry was shattered by some large scale scams. Investors' confidence was frustrated by uncertainty in political front and weak infrastructure.

While MDB was committed to maximize shareholders' value by growing its business without taking risk aggressively, actual performance of the bank in 2014 was average convincing to the sponsors, who patiently revisited the balance between expectation and risk appetite, and preferred sustainability rather giving emphasis on short term profit. The Bank is mindful of achieving this objective in the best interest of all stakeholders. So bank's risk management strategy is to achieve a sound balance between risk and return, while maintaining strong liquidity and adequate capital at all times combined with a robust asset quality. MDB is also keen to lever its business using new technologies, innovative products and services to customers.

Key Initiatives in 2014

Centralization of Operations	Bank has initiated centralization of its operations related to general services, trade services and credit administration for better risk management and control.
Strengthening Policy Initiatives	Bank has reviewed its existing policies to adopt changes in the regulatory and business environments and introduced new policies to enhance efficiency in risk management functions.
Re-enforcement of Anti-Money Laundering (AML) system	Additional human resources have been allocated for governance of the AML system across the bank. Bank successfully completed integration with 'go AML'. Bank also purchased 'Online Compliance' solution from one of the reputed B2B service provider to check its transactions with the list of global sanctions.
Enhancement of Asset-Liability Management (ALM) process	Comprehensive ALM policy has been initiated. Additional human resources have been deployed. Responsibilities for front, middle and back office have been clearly segregated.
Formation of Risk Committee of the Management Team	Management risk committee has been formed to oversee the policy framework, review of bank's risk profile in comparison of the risk appetite set by the Board of Directors.
Development of Management Information System	Bank has given priority to develop quality MIS to take informed decisions, which is essential for risk management function.

Major Risk and Uncertainties in 2015:

Risks	Description	Response
Political uncertainty	Violent and continuous political demonstration like strike, seizure, agitation, arson and other violent programs disrupt transports and shipment of business. As a result, cash cycle of the business extends to trigger chance of default.	Bank monitors political developments and maintain close contacts with the customer for potential problems and way out.
Changes in regulatory policies and compliances	Changes in regulatory policies may affect strategy of the bank. Such changes are difficult to predict and could be material to the bank.	Bank reviews such changes, and may raise concerns through ABB.
Geopolitical Strategies	Adverse geopolitical events may change repayment capacity of our borrowers due to disruption in trade flows, supply channels, export, remittance, and lower demand.	Active monitoring of socio-political developments in the major trading partner countries of Bangladesh.
Weak Infrastructure	Weak infrastructure remains key bottleneck for investment. Inadequate supply of gas, electricity, roads and highways are not new but planned improvements are yet to exist.	Bank does not have any direct control on this risk indicator. Bank examines availability of infrastructural support while financing any expansion or new projects.
Climate Change	Extreme weather condition or changes in climate cycle are becoming more frequent, powerful and erratic. Natural calamity is perennial in Bangladesh that can disrupt our customers business and damage business assets.	Insurance is widely used as mitigate to such risk.

Priorities for 2015

Process/ Planning	Description
Enterprise Risk Management (ERM) Policy	Bank already has established policies to manage key risks like credit, market, AML, and ICT. ERM policy will be implemented to enhance integration and to support holistic approach towards risk management across the organization.
Refining the Credit Appraisal Process	Revisit the credit appraisal process to maintain a disciplined approach for identification of risks so that bank can manage there risks better.
Strengthening Operational Risk Management system	Foundation for robust operational risk management framework will be prioritized. Bank will primarily focus on designing and reporting of key risk indicators.
Redesigning the Environmental Risk Rating Tool	Environmental risk rating tool will be refined to ease its effective use. More awareness will be created among relationship managers and credit risk managers.
Development of Management Information System	Bank shall continuously improve its capacity to generate accurate and meaningful information to enhance the ability of taking timely decisions.
Formation of collection and recovery team	A team for collection and recovery to be formed for focused and dedicated performance in managing bank's troubled assets.

Risk Governance at MDB

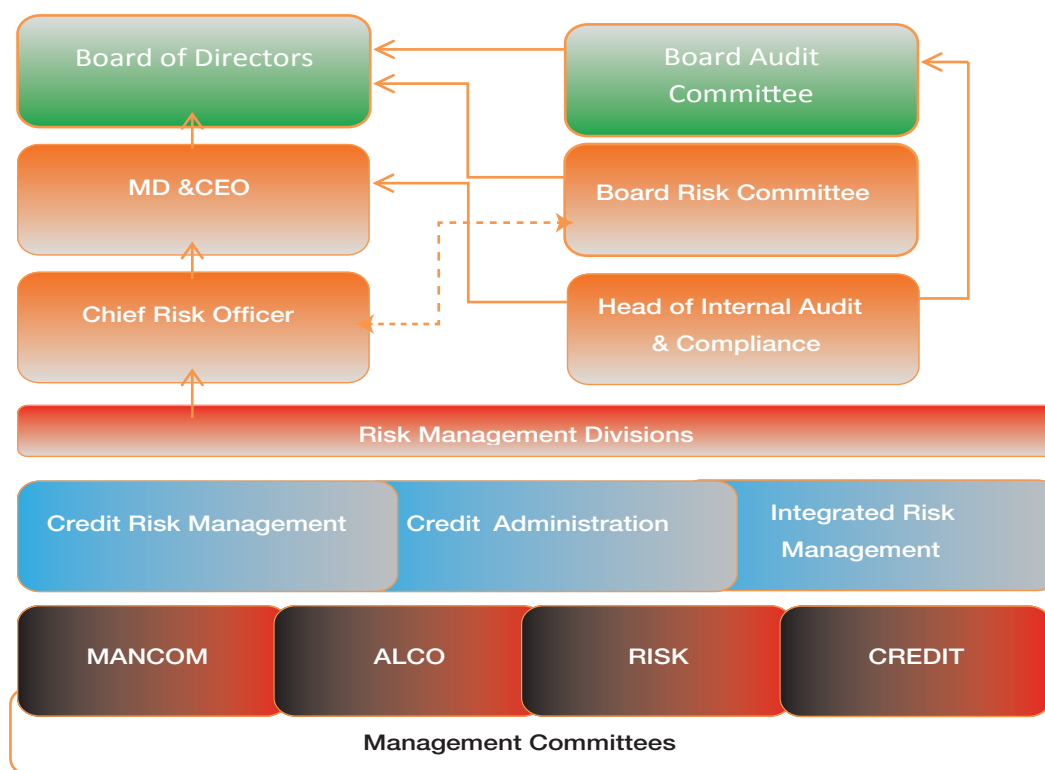
The Board of Directors and Board Sub-Committees work together with Senior Management of the Bank to combine specialized knowledge of the risk professionals with the experience of the corporate oversight functions. MDB's Board has the ultimate responsibility for risk management and sets the tone at the top for an effective management of risk through defining its strategic goals and high-level objectives. MDB's Board manages and control risk through two Committees:

Board Risk Management Committee, which ensures that risk management strategies, policies and processes are in place to manage events that could impact Bank's earnings, reputation and capital. The approach involves active monitoring of the level of risk exposure against the Bank's risk appetite.

Board Audit Committee, which oversees and assess the effectiveness of internal audit, compliance, and external disclosure in line with accounting policies, financial reporting standards, regulations and internal control mechanism.

The various Executive Management Committees, each with specialized focus, support the integrated risk management functions run by the Risk Management Division. These committees are responsible for implementation of approved policy, over sight and co-ordination of risk matters for the business areas. In MDB, risk management function is independent of the business units it monitors. It plays a central role in monitoring Bank's risk appetite and risk strategy and partners with the business lines to ensure that risk management is truly embedded in MDB's culture.

Risk Governance Structure at MDB:



Risk Appetite

Risk appetite can be expressed as the amount of risk the Bank is willing to accept in pursuit of its return objectives. The risk appetite framework is overseen by MDB's Board and adherence is monitored and controlled by the Risk Management function. Key performance and risk measures are tracked and reported regularly to the Board, the responsible Committees and Corporate Management with escalation at each level depending on the basis of its severity of the breach. MDB is yet to have detailed risk appetite statement but the framework works on some prudent risk limits. Qualitatively, monitoring takes place through sound policies, procedures and controls meant to limit risk. The defined risk tolerance limits provide a basis for controlling Bank's business activities. It sets boundaries aligning Bank's business strategy with stakeholders expectations.

Risk Management Processes

MDB's Risk Management Processes are based on a clear understanding of the various risks the Bank faces, and disciplined assessment, measurement and continuous monitoring in the form of risk dashboards against the predetermined risk appetite approved by its Board. Core component of risk management process are:

- a. Risk managers clearly understand risks;
- b. Risk taking decisions conform with the appetite of the organization;
- c. Risk taking decisions are explicit and clear;
- d. Expected returns compensate for the risks taken;
- e. Adequate capital buffer is available to take the risk.

Major Risks

Typically MDB distinguishes the following risk categories:

- i. Credit Risk
- ii. Market Risk
- iii. Operational Risks
- iv. IT Risks
- v. Liquidity Risks
- vi. Reputation Risk
- vii. AML Risk

Credit Risk Management

Credit risk can be defined as the risk of a potential loss to the Bank when a borrower or counterparty is either unable or unwilling to meet its financial obligations. Granting loans and advances is the core business of MDB and as such credit risk is its most material risk. The credit risk that we face arises primarily from Corporate Banking, SMEs and Retail loans and advances. Given the scale and materiality of the Bank's loan book, managing the credit quality of the lending portfolio is a key focus area with the objective of minimizing probable losses and maintaining credit risk exposure within acceptable parameters. The Bank's credit portfolio is now slightly concentrated on top 10 borrowers and couple of business sectors. Given the age and balance sheet size of the bank, such concentration is acceptable to bank's appetite. Enhancement of capacity and logistics to increase exposure on retail and small business is focused for diversification of portfolio.

Credit Risk Policy

MDB's Credit Policy which is approved by the Board of Directors, plays a central and strategic role in managing daily business activities. The policy defines the principles encompassing client selection, due diligence, early alert reporting, tolerable levels of concentration risk and portfolio monitoring, in line with the Bank's risk appetite. The approach is to avoid excessive credit risk on a counterparty or portfolio level by applying stringent underwriting standards combined with sound collateralization, where feasible. The policy is reviewed regularly by the Board of Directors to ensure consistency with the Bank's business strategy.

Credit Appraisal Process

Component	Description
Loan origination and Risk Appraisal	Screening and appraisal where the evaluation focuses on the borrower's ability to meet its obligations in a timely manner with collateral and guarantees forming an important part of the credit risk mitigation process.
Credit Approval and Sanction	Independent risk appraisal for loan approvals/renewals by adopting an individual approval structure, where the approver takes lending decision if recommended by the credit committee. All signatories recommend the credit carry equal responsibility for credit risk.

Credit Administration and Disbursement	Availability of any credit limit is controlled and managed by the centralized Credit Administration Division which ensures that credit transactions are done within the approved limit. However, documentation is completed at branches. The bank is at the verge of centralized operation as the bar.... will come under CBM by end of next year.
Credit risk monitoring and reporting	The Credit Risk Management Division jointly with the business units, and credit administration division tracks the status of the credit portfolio, undertakes impact studies and detects early warning signals pointing to a deterioration in the financial health of a borrower.
Recoveries and credit quality	Currently, respective credit officers at branch follow up recovery of all performing and non-performing loans. Dedicated recovery and collection team is not formed in 2014 considering no classified loans and very small size of retail portfolio. Since the bank will grow in 2015 with greater focus on retail and small portfolio, a dedicated recovery and credit quality division is to be formed. This team will be responsible for all aspects of an overdue facility, non-performing loans, follow up of rescheduled facilities, monitoring the value of the applicable collateral and liquidation, scrutiny of legal documents and liaising with the customer until all recovery matters are finalized. This division's activities will be seamlessly integrated with Credit Administration and Credit Risk Management to ensure effective follow up.

Approval Structure

The delegated credit approval structure and the associated processes ensure efficient administration and control of the lending limits given to the senior management staffs of the bank. Board of Directors, Executive Committee of the Board, Managing Director & CEO and Deputy Managing Director currently have credit approval authority. All credit proposals except secured by financial assets and other bank's acceptance are recommended by the credit committee.

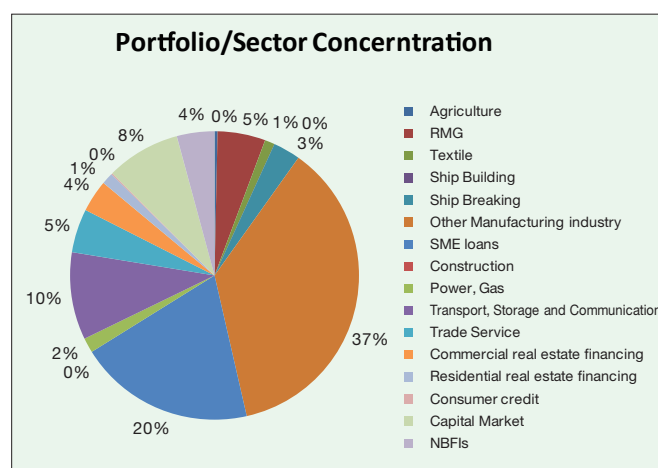
Credit Rating Models

Bank uses a numerical grading system for all corporate and SME clients. The grading system is called 'Credit Risk Grading Matrix' (CRGM), which is introduced by Bangladesh Bank and mandatory before taking lending decision. CRGM ascertains risk grade of borrower analyzing range of quantitative and qualitative measures. The numeric grade from 1 to 8 indicates creditworthiness of the borrower, while 6 to 8 grades are assigned to default borrowers. Lower grade number indicates higher credit worthiness and lower likelihood of default. There is a regulatory restriction on lending to new large loan customer (exposure on which customer is 10% or more than banks capital) if its CRG is 4 (marginal) or below.

MDB is in process of using internal rating model for retail and small borrowers. Currently, borrowers of these segments are assessed against pre-approved criteria outlined in Product Program Guidelines (PPG) approved by the Board of Directors.

Credit Concentration Risk

Credit concentration risk is the risk of a loss to the Bank as a result of excessive build-up of exposure to a single counterparty or counterparty segment, industry, product or geographical location. This concentration typically exists where a number of counterparties are engaged in similar activities and have similar characteristics, which could result in their inability to meet contractual obligations being similarly affected by changes in economic or environmental conditions. The monitoring of credit concentration is an integral part of the credit risk monitoring process. Methodology based on indexing techniques such as the Herfindahl-Hirschman Index (HHI), Gini Coefficient, etc is used to assess concentration risk.



Regulatory limit for single borrower adds another dimension in measuring and monitoring credit concentration risk. The individual industry limits are set internally and monitored and reported periodically.

Credit Risk Mitigation

The Bank uses a range of strategies to actively mitigate credit risk such as netting and set-off, use of collateral and guarantees and risk transfer through insurance. Detailed policies and processes are in place to ensure that credit risk mitigation is appropriately applied and recorded.

Collateral

Collateral is a key mechanism used by the Bank to mitigate credit risk when granting loans. Collateral can be seen as security provided by borrowers in the form of an asset or third party obligation which helps the Bank to mitigate a possible credit loss in the event of a default. It also ensures a satisfactory degree of protection for depositors' funds which are used for lending activities. While collateral can be an alternative and secondary source of repayment, the Bank is aware that accepting security from creditors does not replace the necessity for high quality standards in its credit approval process. The Bank as a policy calls for collateral/security when granting credit facilities. The amount and type of security taken by the Bank generally depends on the degree of risk associated with business of the customer. Determination of security is based on the following factors:

- a. The ownership and title to the security must be good and mortgageable wherever applicable and should be free of any defects, disputes and other encumbrances.
- b. Such security must always have a stable minimum value.
- c. The Bank should be in a position to realize such security in the event of default without difficulty.

Note: Land & Building mortgage with Bank. Deposit under lien against the loan and share traded in stock exchange etc.

Non-Performing Loans (NPL)

The Bank closed its books of business in 2014 without any Non-performing Loan, which Meets the expectation of stakeholders. NPL may increase in 2015, and bank's appetite is to keep the ratio below one percent. However, Bank shall focus on strengthening risk governance and credit assessment process to avoid any NPL in 2015 so that the profit target is not hampered by unexpected loan loss.

Market Risk Management

Market Risk arises from the possibility that changes in the price of equity, bond and commodity as well as movements in foreign exchange rate and interest rate may adversely affect the Bank's trading and banking books. MDB's Board approves the market risk appetite and related limits for both the banking and the trading portfolios. Treasury Middle Office (TMO) which is part of the independent Risk Management Division reports on market risk. TMO keeps track of price movements and other developments in the market that affect the Bank's risk profile and monitors primarily exchange rate, interest rate and equity price risks. Presently exposure to the Bank's trading book is only 33% of its banking book. The Bank does not deal in commodities and therefore has no direct commodity risk. However Bank's borrowers involved in commodity business or any other business may be impacted from changes in the price of commodities like grain, metal, oil, etc. The Bank's market risk on long term investments is managed in accordance with the purpose and strategic benefits of such investments, rather than purely on mark to-market considerations. Reviews and assessments on the performance of the investments are undertaken regularly by the Bank's Management Committee. Some of the market risk mitigating measures applied by the Bank include, limiting concentration of exposures, applying stop loss, maximum tenor and dealer limits. The Bank also has a comprehensive Board approved Treasury Policy in place to reflect regulatory and market developments. TMO also independently reviews activities of the Treasury Front Office and adherence to regulatory/internal policy guidelines.

MDB evaluates market risk for three-core market exposures, namely interest rate risk, foreign exchange risk and equity price risk as follows:

Interest rate risk: Interest rate risk is defined by the extent to which changes in the market interest rates impact margins, net interest income and the economic value of the Bank's equity. Interest rate risk is managed by the Bank's asset liability management process through the structuring of on-balance sheet and off-balance sheet portfolios. MDB exercises modern tools and techniques like stress testing to assess and manage the interest rate risk and its adverse impact on balance sheet as well as on profitability. For managing Interest rate risk, ALM Desk regularly monitors certain key ratios like Liquid asset to Total Asset, Volatile Liability Dependency Ratio, Medium Term Funding ratio, Maximum Cumulative Outflow and presents these ratios regularly at ALCO. Also, ALCO regularly monitors bank's interest rate risk on banking book to keep it at the optimum level. ALCO prices and offers deposit and loan products accordingly.

Foreign exchange risk: This is a potential risk to earnings and capital due to adverse movements in currency. FE risk refers to the impact of adverse movement in currency exchange rates on the value of open foreign currency position. To mitigate the risk, MDB has made the following progress: (a) Asset Liability Committee in place (b) segregated Back Office from Front Office (c) expertise in dealing activities (d) regular review of risk to NII (e) measuring risk to economic value, earnings at risk and value at risk (VAR). MDB Treasury manages Exchange rate risk keeping in mind short term price forecast of USD/BDT and bank's own requirement. Bangladesh Bank has set the Net Open Position (NOP) limit of the bank at USD 5.00 million and Treasury always maintains NOP within set limit.

Equity price risk: This is defined as the risk to earnings or capital resulting from adverse changes in the value of equity relating to portfolio of the Bank.

Liquidity Risk Management

Liquidity risk arises when the Bank cannot maintain or generate sufficient funds to meet its payment obligations as they fall due or can only do so at a material loss. This can arise when counterparties who provide funding to the Bank withdraw or do not roll over a line of funding or as a result of a general disruption in financial markets which lead to normal liquid assets becoming illiquid. The main sources of the Bank's funding are capital, core deposits from retail and commercial clients, wholesale deposits and access to borrowed funds from the interbank money market. The Bank also maintains a portfolio of readily marketable securities to further strengthen its liquidity position. MDB manages liquidity risk in accordance with regulatory guidelines and internal benchmarks. A Board approved Liquidity Policy to manage liquidity on a day-to-day basis and a Contingency Funding Plan to deal with crisis situations are in place. Contractual maturity of assets and liabilities, adherence of liquidity ratios to regulatory requirements and monthly liquidity forecasts are reviewed at ALCO meetings. Furthermore, liquidity stress tests are carried out quarterly to assess the impact of extreme events.

Liquidity Ratios

The following table includes some of ratios of liquidity risk that the Bank monitors. Internal Limits are applied in order to monitor the liquidity movements in the Bank's assets and liabilities.

Ratios	Internal Limits 2014	Position as of 31 Dec 2014
Gross Loans to Total Assets	Max 60%	-44%
Gross Loan to Customer Deposit	Max 90%	-77%
Liquidity Coverage Ratio	Min 100%	-
Cash Reserve Requirement	Min 6.5%	-6.88%
Statutory Liquidity Reserve	Min 13.0%	-30.42%
Medium Term Funding Ratio	>30 to <45%	33.1%
Liquid Asset to Total Asset	>30% to <50%	45.3%

Equity price risk: This is defined as the risk to earnings or capital resulting from adverse changes in the value of equity relating to portfolio of the Bank. Midland Bank has teamed up a circle of banking experts to manage the equity position risks. Besides, MDB has adopted advanced mechanism for measuring the impact of market movement of stock prices as well as capital adequacy of MDB.

Market Risk hiding in operational process in the Bank

Possible Sources	Control & Mitigation
<ul style="list-style-type: none">• Complex structured transactions	<ul style="list-style-type: none">• Daily monitoring and reporting of market risk limits
<ul style="list-style-type: none">• Highly leveraged positions	<ul style="list-style-type: none">• Clear position limits consistent with adequate risk diversifications
<ul style="list-style-type: none">• Large open positions	<ul style="list-style-type: none">• Integration of market risk monitoring with other risk management discipline and
<ul style="list-style-type: none">• Aggressive trading practice	<ul style="list-style-type: none">• Solid capitalization and diverse sources of funding

Operational Risk Management

Operational Risk is the risk of losses incurring due to human errors, inadequate or failed internal processes or systems or external events including legal risk. Legal risk arises when the Bank's business is not conducted in accordance with applicable laws, when the Bank may be liable for damages to third parties or when contractual obligations may be enforced against the Bank resulting from legal proceedings. The objective of the Operational Risk Management (ORM) is to establish sound control practices to increase the effectiveness of the Bank's resources and minimize financial losses. MDB is in process to establish operational risk management unit for management and reporting of operational risk. Currently, Bank uses the Basel II defined event types for loss classification but a comprehensive loss reporting, recording and tracking database yet to establish.

Insurance

Insurance continues to be the key risk mitigation tool for Operational Risk. The adequacy and effectiveness of insurance coverage is independently reviewed by the General Service Department at least annually.

Business Continuity

The Bank is in process to develop a Business Continuity Plan in order to protect the business functions, assets and employees. Contingency plans for core services, key systems and priority business processes will be developed and reviewed periodically to ensure that continuity plans remain relevant. Currently, the bank has a Disaster Recovery Site for data protection.

Compliance Risk

Compliance risk stems from regulatory sanctions, financial loss or loss to reputation that the Bank may suffer as a result of its failure to comply with laws, regulations, code of conduct and standards of good practice applicable to its financial services activities. MDB conducts its business in accordance with the Bank's code of conduct, laws and regulations imposed by the regulatory authorities with zero tolerance for failure to identify and remedy any breaches of such obligations. The Compliance Division continues to support the business in complying with current and emerging regulatory developments, including money laundering and terrorist financing control.

Business/Strategy Risk

Business/Strategy risk can be seen as the impact on a company's earnings or capital, due to poor business policy decisions, improper implementation of business strategies or lack of responsiveness to industry changes. This type of risk is a function of the compatibility of a bank's strategic objectives, business decisions developed to achieve these goals, resources deployed and the quality of implementation. In pursuing its strategic goals and business objectives, MDB has established clear communication channels at all levels within the organization, allocated resources for operating systems and delivery networks and increased managerial capacities and capabilities.

ICT Risk Management

Policy Support: The ICT Policy of the Bank has been revised and amended to cope up with the recent ICT trends as instructed by Bangladesh Bank. The ICT Policy will be further revised and amended in the year 2015 to minimize ICT Risks.

IT Audit: Audit Team performed comprehensive IT Audit on different aspects of IT for the Data Centre and for branches. The audit recommendations and suggestions were considered and accordingly steps were taken to minimize associated ICT Risks.

Training & Learning: Information Technology Division has started awareness programs and trainings on the field of ICT Risk and its mitigation for both business and technical human resources. The idea behind this practice was to increase average ICT knowledge of the Bank which will mitigate probability of occurrence of policy noncompliance in the Bank.

International IT Framework: Midland Bank is gradually moving towards internationally recognized frameworks of Risk Management (i.e. COBIT and Risk IT Framework of ISACA). This will ensure a safe, secured and efficient work-flow process yielding the highest benefit from ICT operation.

Data Risk Mitigation: In order to mitigate data loss and data corruption risk, MDB has taken different measures to implement state-of-the-art IT Infrastructure comprising all necessary protection and prevention system for both Hardware and Software point of view. Fault tolerant hardware systems were implemented in almost all cases, and redundant systems were maintained to minimize system downtime risk.

Supply Risk Mitigation: The annual maintenance contract with different ICT vendors have been continued to ensure maximum system uptime through availability of expert service support and spare parts.

Change Control: All changes to application, and internal developments, are going through stringent change control, and conducting proper User Acceptance Testing (UAT) by business.

The quest to minimize and control ICT risks was continued throughout the year. This pursuit will continue with certain objectives for the next year.

Reputational Risk

Reputational risk results from damage to the Bank's image among stakeholders due to negative publicity regarding the Bank's business practices or management, and whether true or false, it can result in a loss of revenue or decline in shareholders' confidence. The reputation of a company can be perceived as an intangible asset similar to goodwill. MDB considers reputational risk as a consequence of a failure to manage its key risks. The Bank is therefore committed to managing reputational risk by promoting strong corporate governance and risk management practices at all levels of the organization, by understanding how different aspects of its business activities affect stakeholders' perception of the organization, through effective communication in the form of timely and accurate financial reports and news bulletins, by maintaining strong media presence, valuable client service and investor relationships and by complying effectively with current laws and regulations. The Bank also recognizes the importance of making a positive contribution to society by promoting Corporate Social Responsibility (CSR) through ethical banking practices, environmental awareness and a commitment to the local community. In 2014, the Bank's Corporate Social Responsibility (CSR) budget allocation was concentrated in the areas of wellbeing of children with special needs and distribution of winter cloths to homeless people.

Stress Testing

Formulated under the guidelines of Bangladesh Bank, MDB's stress testing framework is a basic sensitivity test under some hypothetical odds. The focus being to assess how the Bank's portfolios would react if business conditions deteriorated significantly and the consequent impact of these risk scenarios on our capital base. Stress testing may reveal a reduction in surplus capital or a shortfall in capital under specific scenarios. This may then serve as a leading indicator to the Bank to follow different avenues such as raise additional capital, reduce capital outflows/increase capital inflows or adjust the Bank's risk appetite.

Stress Testing Methodology and Results

The Bank uses a number of sensitivity tests to measure the impact on the value of its portfolios due to extreme market movements, applying low, moderate and high impact shocks on hypothetical scenarios. Management reviews the outcomes of the stress tests and where necessary, determines appropriate mitigating actions such as limiting exposures or reviewing and changing risk limits in order to manage the risks induced by potential stresses. Stress tests scenarios are recommended by Risk Management Division (RMD) and reviewed by the management risk committee before perusal of Board Risk Committee.

Summary of Stress Test result as on December 31, 2014 is given below

MDB conducts the stress testing of the Bank on quarterly basis and reports the same to Bangladesh Bank. The Stress Testing report provides a structured way of assessing the vulnerability of a Bank to extreme but plausible market condition. The Stress Testing report also enable Banks to accurately assess the impact of risks and define the 'risk appetite' of the organization and also provide critical information to the top Management as well to Board of Directors for decisions around capital allocation and contingency planning.

Increase of NPLs in Particular 2 Sectors

Individual Shocks	Minor (3%)	CAR after shock (%)	Moderate 9%	CAR after shock (%)	Major 15%	CAR after shock (%)
	Change		Change		Change	
Performing loan directly downgraded to BL: RMG	- 0.03	43.91	- 0.09	43.85	- 0.16	43.78
Performing loan directly downgraded to BL: SME	- 0.07	43.87	- 0.22	43.72	- 0.37	43.58

Sector 1: Performing loan directly downgraded to BL: RMG

The result shows that in minor level shock if NPL rises by 3% in RMG sector the Capital Adequacy Ratio (CAR) of the Bank will fall by 43.95% to 43.91% and if NPL increase by 15% (major shock), CAR will decreased to 43.78 This means Bank can still maintain regulatory capital adequacy (43.78%) ratio in the worst case scenario.

Sector 2: Performing loan directly downgraded to BL: SME

The result shows that in minor level shock if NPL rises by 3% in SME sector the Capital Adequacy Ratio (CAR) of the Bank will fall by 43.95% to 43.87% and if NPL increase by 15% (major shock), CAR will decreased to 43.58%. This means in the worst case Bank may maintain adequate level of the capital adequacy ratio.

Increase of NPLs due to default of Top large loan borrowers

Individual Shocks	Minor (3%)	CAR after shock (%)	Moderate 7%	CAR after shock (%)	Major 10%	CAR after shock (%)
	Change		Change		Change	
Increase in NPLs due to default of Top large loan borrowers	- 10.20	33.75	- 14.81	29.14	- 20.20	23.75

The result shows that in minor level shock if top 3 (three) borrowers default and downgraded to bad/loss the Capital Adequacy Ratio (CAR) of the Bank will fall by 43.95% to 33.75% and if top 10 (ten) borrowers default and downgraded to bad/loss; CAR will decreased to 23.75%. This means Bank can still maintain regulatory capital adequacy (23.75) ratio in the worst case scenario.

Negative shift in NPLs categories

Individual Shocks	Minor (5%)	CAR after shock (%)	Moderate 10%	CAR after shock (%)	Major 15%	CAR after shock (%)
	Change		Change		Change	
Negative shift in NPLs categories	Nil	43.95	-	43.95	-	43.95

The result shows that in minor level shock if negative shift in SMA by 5% downgraded to SS, SS to DF and DF to BL, the Capital Adequacy Ratio (CAR) of the Bank will fall by 43.95% to 43.95%. This means the Bank can still maintain regulatory Capital Adequacy Ratio (10%) in the worst case scenario. But the scenario is not much more different in case of major shock (15% downgrade) and the CAR will fall by 43.95% to 43.95% which is sufficient for regulatory requirement.

Decrease in the Forced Sale Value (FSV) of the Collateral

Individual Shocks	Minor (10%)	CAR after shock (%)	Moderate 20%	CAR after shock (%)	Major 40%	CAR after shock (%)
	Change		Change		Change	
Decrease in the FSV of the Collateral	-	43.95	-	43.95	-	43.95

The result shows that in minor level shock if forced sale value decrease by 10% (minor shock), the Capital Adequacy Ratio (CAR) of the Bank will fall by 43.95% to 43.95%. This means the Bank can still maintain regulatory Capital Adequacy Ratio (10%) even in minor shock. But in case of major shock bank may maintain CAR by 43.95 to 43.95%.

Interest Rate Risk

Individual Shocks	Minor (1%)	CAR after shock (%)	Moderate 1%	CAR after shock (%)	Major 1%	CAR after shock (%)
	Change		Change		Change	
Interest Rate	- 1.42	42.52	- 2.84	41.10	- 4.26	39.68

Stress Test has been done to find what happens to bank's capital if the interest rate changes at different shock level. The result shows that in minor level shock if interest rate change by 1%, the Capital Adequacy Ratio (CAR) of the Bank will reduce by 43.95% to 42.52% and major level shock CAR will reduce to 39.68%. This means the Bank can still maintain regulatory Capital Adequacy Ratio (39.68%) 1% negative change in interest rate.

Exchange Rate Risk: FEX Currency Depreciation

Individual Shocks	Minor (5%)	CAR after shock (%)	Moderate 10%	CAR after shock (%)	Major 15%	CAR after shock (%)
	Change		Change		Change	
FEX: Currency Depreciation	- 0.02	43.92	- 0.05	43.89	- 0.07	43.87

The stress test for exchange rate assesses the impact of change in exchange rate on the value of equity. The result shows that in minor level shock if exchange rate change by 5%, the Capital Adequacy Ratio of the Bank will reduce by 43.95% to 43.92% and major level shock CAR will reduce to 43.87%. This means the Bank can still maintain regulatory Capital Adequacy Ratio (43.87%) even in the worst case scenario of exchange rate change.

Equity Shock

Individual Shocks	Minor (10%)	CAR after shock (%)	Moderate 20%	CAR after shock (%)	Major 40%	CAR after shock (%)
	Change		Change		Change	
Equity Shock	Nil	43.95	Nil	43.95	Nil	43.95

The stress test for equity price risk assesses the impact of downturn in the stock market index. The result shows that in minor level shock if market value falls by 10%, the Capital Adequacy Ratio (CAR) of the Bank will diminish by 43.95% to 43.95% and major level shock CAR will reduce to 43.95%. This means the Bank may fall behind maintaining regulatory Capital Adequacy Ratio (43.95%) in the worst case scenario of downturn in stock market index.

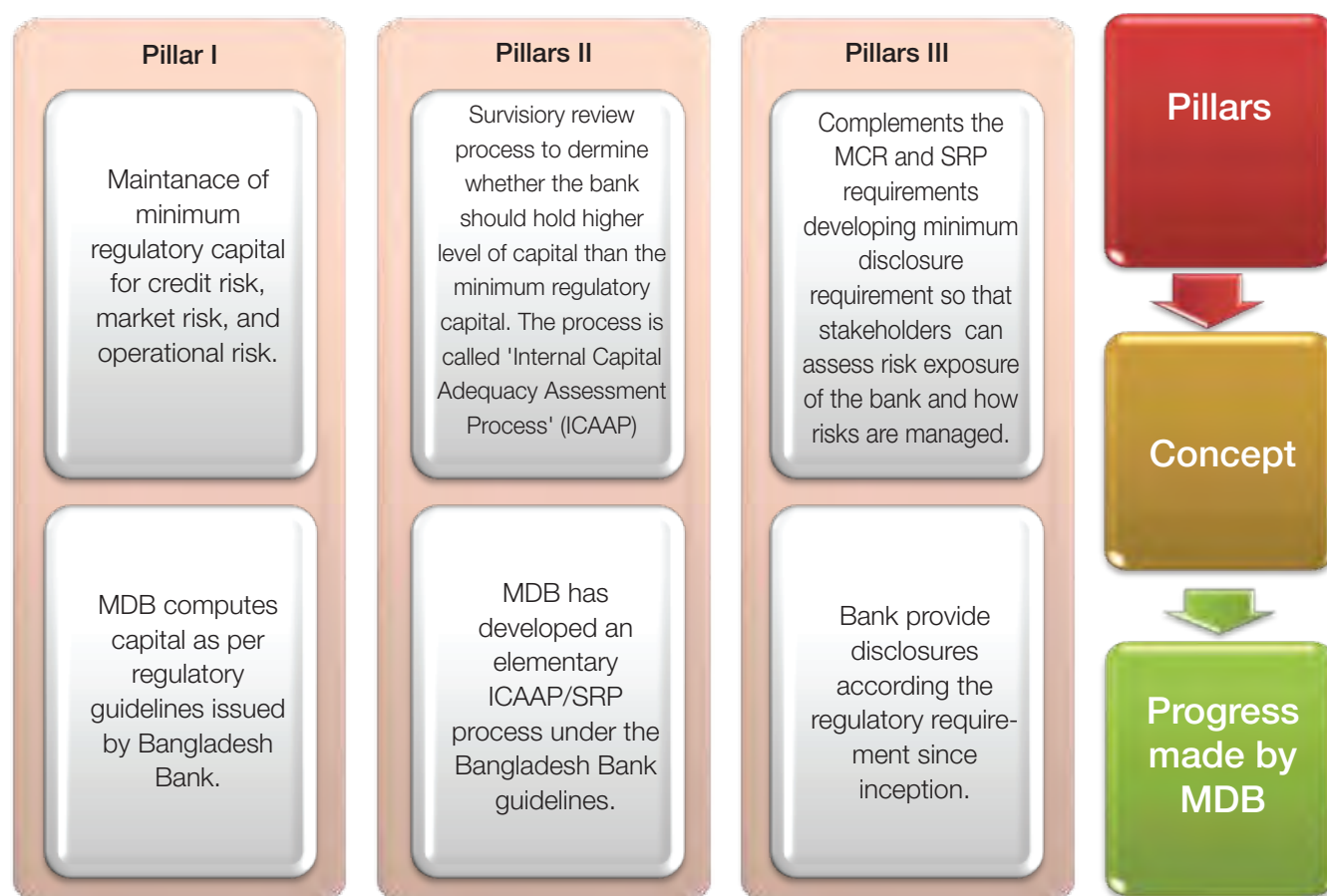
Stress test through combined shocks

RMD has tested the resiliency of the Bank under the scenario of all the individual shocks occurred at the same time (combined), the capital adequacy of the Bank will be impacted as followings:

Combined Shock	Minor Shock Change	Moderate Shock Change	Major Shock Change
Decrease in the FSV of the Collateral	0.00	0.00	0.00
Increase in NPLs	- 0.76	- 2.33	- 4.00
Negative shift in NPLs categories	0.00	0.00	0.00
Interest Rate	- 1.42	- 2.84	- 4.26
FEX: Currency Depreciation	- 0.02	- 0.05	- 0.07
Equity Shock	0.00	0.00	0.00
Total Change	- 2.20	- 5.22	- 8.34
CAR after shock (%)	41.74	38.72	35.60

BASEL II FRAMEWORK

The Basel II framework is built on three pillars and the progress made by the bank in achieving these standards are discussed below:



Adoption of Pillar I approaches

Risk Type	Approaches prescribed	Approaches adopted by MDB	Future plan
Credit Risk	1. Standardized Approach 2. Internal Rating Based (foundation) approach 3. Internal Rating Based (advanced approach)	Standardized Approach	Investment in credit risk management solution will be planned in line with the road map of Central Bank.
Market Risk	1. Standardized Measurement Method 2. Internal Models Approach	Standardized Measurement method	In 2015, Bank has plan to apply VaR model to measure Fx risk. However, capital assessment will be done following standardized method.
Operational Risk	1. Basic Indicator Approach 2. The Standardized Approach 3. The Advanced Measurement Approach	Basic Indicator Approach	Bank has plan to apply the Basic Indicator Approach for next couple of years and shall develop loss data capturing tools.

BASEL III

An Enhanced Measure for Capital Adequacy, Liquidity and Stability

The emergence of Basel III

The Basel Committee for Banking Supervision (BCBS) identified several factors that contributed to the Global Financial Crisis.

Before the crisis, there was a period of excess liquidity. As a result, liquidity risk had, for many banks and supervisors become practically invisible. When liquidity turned scarce (particularly as wholesale funding dried up at the arrival of crisis), banks found that they had insufficient liquidity reserves to meet their obligations. Likewise, banks had insufficient good quality (i.e. loss absorbing) capital. Low inflation and low return had led investors to seek ever more risks to generate returns. This led to increased leverage and riskier financial products. The crisis was compounded by pro-cyclicality and the interconnectedness of systematically important 'too big to fail' financial institutions. Banks had to turn to their central banks or governments for liquidity support in dealing with assets of uncertain value, for which there were no other buyers. Furthermore, individual banks had inadequate risk management and corporate governance processes and regulatory supervision was not robust enough. Basel III came to the stage to introduce new or enhanced rules including a new stricter definition of capital. However Basel II does not go away. Basel III just introduces enhancements to the Basel II framework.

Basel III proposals have five main objectives

1. Raise quality, quantity, consistency and transparency of the capital base to make sure that banks are in a better position to absorb losses;
2. Strengthen risk coverage of the capital framework by enhancing the capital requirement for counterparty credit risk exposures;
3. Introduce a leverage ratio as a supplementary measure to the Basel II risk-based capital;
4. Introduce series of measures to promote the build-up of capital buffers in good times that can be drawn upon in period of stress;
5. Set a Global Minimum Liquidity Standard for internationally active banks that include a 30-day liquidity coverage ratio requirement underpinned by a longer-term structural liquidity ratio.

The expansion of Basel II to Basel III

Key Components	Particulars	BASEL II	BASEL III
	Common Equity Capital	2% of RWA	4.5% of RWA (Min)
	Tier 1 Capital	4% of RWA	6.0% of RWA (Min)
Capital	Tier 2 Capital	4% of RWA	4% (Max) of RWA
	Tier 3 Capital	2% of RWA	Nil
	Minimum Total Capital plus Conservation Buffer	10.00%	12.50%
Capital Buffer	Capital Conservation Buffer	N/A	2.5% of RWA
	Discretionary Countercyclical Buffer	N/A BB direction	(0% - 2.5% of RWA) as per
Leverage	Leverage Ratio	Not Required	Minimum 3%
Liquidity	Liquidity Coverage Ratio	N/A	≥ 100
	Net Stable Funding Ratio	N/A	≥ 100
Deduction	Asset Revaluation Reserve the capital	50% to be included in capital	Not to be included in the

*RWA: Risk Weighted Assets

BASEL III CONSTITUENTS: a short view

a. New capital enhancement

At the company level, Basel III seeks to improve the quality of capital that bank hold and make the definitions of type of capital more comprehensive. The amount of required regulatory capital increased, particularly in the trading book where increased capital allocations will be enforced for securitized and OTC derivatives products. Furthermore, counterparty risk must be taken into consideration. On the top of this, a fixed conservation buffer has been introduced. Additional Tier 1 capital must be accrued in boom times in order to absorb losses of the core capital if the Bank is under financial or economic pressure.

Composition of Required Capital under Basel III

Common Equity Tier-1	Additional Tier 1 capital	Tier 2 Capital
Common shares issued by the bank that meet the criteria for classification as common shares for regulatory purposes (or the equivalent for non-joint stock companies); Stock surplus (share premium) resulting from the issue of instruments included Common Equity Tier 1; Retained earnings; Accumulated and other comprehensive income and other disclosed reserves; Common shares issued by consolidated subsidiaries of the bank and held by third parties (ie minority interest) that meet the criteria for inclusion in Common Equity Tier 1 capital. Regulatory adjustments applied in the calculation of Common Equity Tier 1	Instruments issued by the bank that meet the criteria for inclusion in Additional Tier 1 capital (and are not included in Common Equity Tier 1); Stock surplus (share premium) resulting from the issue of instruments included in Additional Tier 1 capital; Instruments issued by consolidated subsidiaries of the bank and held by third parties that meet the criteria for inclusion in Additional Tier 1 capital and are not included in Common Equity Tier 1. Regulatory adjustments applied in the calculation of Additional Tier 1 Capital	Instruments issued by the bank that meet the criteria for inclusion in Tier 2 capital (and are not included in Tier 1 capital); Stock surplus (share premium) resulting from the issue of instruments included in Tier 2 capital; Instruments issued by consolidated subsidiaries of the bank and held by third parties that meet the criteria for inclusion in Tier 2 capital and are not included in Tier 1 capital. Certain loan loss provisions; and Regulatory adjustments applied in the calculation of Tier 2 Capital.

b. Leverage Ratio

The Committee is introducing a leverage ratio which simply measures the ratio of capital to total assets. The Leverage Ratio addresses the build-up of excessive leverage in the financial system. BCBS hopes to avoid the destabilizing effect of deleveraging at the time of stress. This ratio includes both on- and off-balance sheet items and securitizations. The basis of calculation is the average of the monthly leverage ratio over the quarter based on the definitions of capital (the capital measure) and total exposure (the exposure measure). Leverage Ratio will be calculated through dividing the adjusted Tier 1 Capital by adjusted Exposure (both on balance and off balance sheet)

$$\text{Leverage Ratio} = \frac{\text{Adjusted Tier 1 Capital}}{\text{Adjusted exposures}}$$

c. Capital Buffer

Capital conservation buffer of 2.5% of RWA, comprised of Common Equity Tier 1, which will be above the regulatory minimum capital requirement. Countercyclical buffer has been recommended to address excess credit growth that can lead to the build up of system-wide risk. The national authority of countries will decide about on the basis of the country specific situation and the standard is 0%-2.5% of RWA. The Countercyclical ratio addresses the problem of pro-cyclicality or 'credit bubbles'. With this measure, the BCBS aims to protect banking systems against the risks involved with excess credit growth, which has proven to be lethal in many jurisdictions. It is the first time, the regulatory community is availing itself of a macro tool that complements its traditional approach of measuring risk at institutions. Unlike the conservation buffer which is fixed, the Counter-Cyclical Ratio evolves with a defined range.

d. Liquidity Standard

Basel III introduces new liquidity regulations which aim to ensure banks have sufficient liquidity over both short and longer term. The global financial crisis highlighted the problem that banks did not maintain sufficient levels of liquid asset. When the crisis struck, some banks were unable to meet their obligations and governments had to step in and provide liquidity support. One striking example of this was Northern Rock in the U.K. With a view to reducing the risk of this happening again, bank will have to comply with two new ratios:

Liquidity Coverage Ratio (LCR)

LCR is designed to improve bank's resilience to short-term liquidity shortages by ensuring that they have sufficient liquid reserves to cover net cash outflows over a 30-day period (i.e. withstand an acute stress scenario lasting one month). Cash and central bank eligible securities are considered liquid reserves for this purpose.	$\text{LCR} \geq \frac{\text{Stock of liquid high quality assets}}{\text{Net cash outflow over 30 days}} \geq 100$
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Net Stable Funding Ratio (NSFR)

NSFR is designed as an incentive for banks to improve the longer-term structural funding of their balance sheet, off-balance sheet exposures and capital market activities.	$\text{NSFR} \geq \frac{\text{Available stable funding}}{\text{Required stable funding}} \geq 100$
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Challenges for Banks

Tough test for weaker banks: Under the adverse economic conditions with regulatory scrutiny ever more intensive, the weaker banks will likely to find it more difficult to raise the required capital and funding, leading to a reduction in different business model and potentiality in competition.

Significant pressure on profitability and ROE: Increased capital requirement, increased cost of funding and the need to recognize and deal with regulatory reform will put pressure on margins and operating capacity. Investors' returns will likely to decrease at a time when firms need to encourage enhanced investment to rebuild and restore buffer.

Change in demand from short-term to long-term funding: The introduction of two liquidity ratios to address the short and long term nature of liquidity will likely drive firms away from sourcing short-term funding arrangements and more towards longer term funding arrangements with the consequent impact on the pricing and margins that are achievable.

The roadmap

Basel III regulations will be implemented in phases as per following timeline:

Action	Deadline
Issuance of Guidelines on Risk Based Capital Adequacy	December 2014
Commencement of Basel III implementation process	January 2015
Capacity Building of Banks and the Central Bank	Jan 2015 – Dec 2019
Full Implementation of Basel III	January 2020

Midland Bank with a promising start on a strong capital foundation and excellent asset quality is engaging with Basel III to position itself competitively in the new post-crisis global financial risk and regulatory landscape. As the regulations phase in with each passing year till 2020, MDB is ready to take up the challenge with the advantage of being a well-capitalized bank.

MARKET DISCIPLINE



MARKET DISCIPLINE DISCLOSURES ON RISK BASED CAPITAL (BASEL-II)

1. Scope of Application

Qualitative disclosure	a)	The name of the top corporate entity in the group to which this guidelines applies.	Midland Bank Limited
	b)	An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).	<p>Midland Bank Limited has no subsidiary.</p> <p>A brief description of the Bank is given below:</p> <p>Midland Bank Limited</p> <p>Midland Bank Limited ("the Bank") was incorporated (Registration # C-108070/13, Dated 20/03/2013) as a Public Limited Company in Bangladesh under Companies Act, 1994 with the registered office at N.B. Tower (6th-9th floor), 40/7 North Avenue, Gulshan-2, Dhaka-1212. The company was incorporated on March 20, 2013 under Banking Companies Act 1991. It commenced its Banking business on the same day under the license # BRPD (P-3)745(67)/2013-1665 issued by Bangladesh Bank on April 9, 2013. The Company started its Banking operation on June 20, 2013 at the Dilkusha Corporate Branch. Presently the Bank has 11 (6 Urban and 5 Rural) branches all over the country.</p> <p>The principal activities of the Bank are to provide all types of commercial banking services to customers through its branches and SME center / branches in Bangladesh. The Bank also entitled to provides money market operations, investment in merchant Banking activities, financial intermediary services and any other financial services.</p>
	C)	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Not Applicable
Qualitative disclosure	D)	The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries.	Not Applicable

2. Capital Structure

Qualitative disclosure	a)	Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier-1 or in Tier-2.	<p>As per the guidelines of Bangladesh Bank, Tier-1 Capital of MDB consists of (i) Fully Paid-up Capital, (ii) Non-repayable Share Premium Account, (iii) Statutory Reserve, (iv) Retained Earnings and (v) Minority Interest in Subsidiaries.</p> <p>Tier-2 Capital consists of (i) General Provision against unclassified Loans and Off-balance sheet exposure, 50% of Asset revaluation reserve, 50% of Revaluation gain / loss on investment (HFT), 10% of Revaluation reserve for equity instruments, unsecured nonconvertible subordinated bond as approved by Bangladesh Bank and Exchange equalization fund, etc.</p>
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BDT in Million

Qualitative disclosure	b)	The amount of Tier-1 capital with separate disclosure of:	Solo
	I.	Fully Paid up capital	4,000.00
	II.	Non repayable share premium account	-
	III.	Statutory reserve	23.99
	IV.	General reserve	-
	V.	Retained earnings	21.49
	VI.	Minority interest in subsidiaries	-
	VII.	Non-cumulative irredeemable preference shares	-
	VIII.	Dividend equalization account	-
		Sub-Total (A)	4,045.48
	c)	The total amount of Tier 2 and Tier 3 capital (B)	76.90
	d)	Other deductions from capital	-
	e)	Total eligible capital (A+B)	4,122.38

3. Capital Adequacy

Qualitative disclosure	a)	<p>A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities.</p> <p>The Bank has adopted Standardized Approach (SA) for computation of capital charge for credit risk and market risk, and Basic Indicator Approach (BIA) for operational risk. Assessment of capital adequacy is carried out in conjunction with the capital adequacy reporting to the Bangladesh Bank.</p> <p>The Bank has maintained capital adequacy ratio on the basis of "Solo" is 43.95% against the minimum regulatory requirement of 10%. Tier-I capital adequacy ratio for "Solo" is 43.13% against the minimum regulatory requirement of 5%. The Bank's policy is to manage and maintain its capital with the objective of maintaining strong capital ratio and high rating. The Bank maintains capital levels that are sufficient to absorb all material risks. The Bank also ensures that the capital levels comply with regulatory requirements and satisfy the external rating agencies and other stakeholders including depositors. The whole objectives of the capital management process in the Bank are to ensure that the Bank remains adequately capitalized at all times.</p>
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BDT in Million

Qualitative disclosure		Particulars	Solo
	b)	Capital requirement for credit risk	8,395.20
	c)	Capital requirement for market risk	360.40
	d)	Capital requirement for operational risk	624.30
	e)	Total and Tier-1 capital ratio:	
		• For the consolidated group; and	-
		• For stand alone	98.13%
		Minimum capital requirement (10% of RWA or paid up capital which is higher)	4,000.00
		Total Risk Weighted Assets (RWA)	9,379.90
		Total and Tier-1 Capital Ratio:	
		Total CAR	43.95%
		Tier-1 CAR	43.13%
		Tier-2 CAR	0.82%

4. Credit Risk

Qualitative disclosure	<p>a) The general qualitative disclosure requirement with respect to credit risk, including</p> <p>i) Definitions of past due and impaired (for accounting purposes);</p> <p>With a view to strengthening credit discipline and bring classification and provisioning regulation in line with international standard, a phase wise program for classification and provisioning was undertaken by the Bank as per Bangladesh Bank circulars issued from time to time. In this regard, all the loans and advances are grouped into four categories for the purpose of classification, namely (i) Continuous Loan, (ii) Demand Loan, (iii) Fixed Term Loan and (iv) Short-term Agricultural and Micro Credit. They are classified as follow:</p> <p>Continuous & Demand Loan are classified as</p> <ul style="list-style-type: none"> » Sub-standard- if it is past due/overdue for 03 (three) months or beyond but less than 06 (six) months; » Doubtful- if it is past due/overdue for 06 (six) months or beyond but less than 09 (nine) months; » Bad/Loss- if it is past due/overdue for 09 (nine) months or beyond. <p>In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting upto BDT 1 million is not repaid within the due date, the amount of unpaid installment(s) are treated as “past due or overdue installment”. Such types of Fixed Term Loans are classified as under:</p> <ul style="list-style-type: none"> » Sub-standard- if the amount of past due installment is equal to or more than the amount of installment(s) due within 06 (six) months, the entire loans are classified as “Sub-standard”. » Doubtful- if the amount of past due installment is equal to or more than the amount of installment(s) due within 09 (nine) months, the entire loans are classified as “Doubtful”. » Bad/Loss- if the amount of past due installment is equal to or more than the amount of installment(s) due within 12 (twelve) months, the entire loans are classified as “Bad/Loss”. <p>In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting more than BDT 1 million is not repaid within the due date, the amount of unpaid installment(s) are treated as “past due or overdue installment”. Such types of Fixed Term Loans are classified as under:</p> <ul style="list-style-type: none"> » Sub Sub-standard- if the amount of past due installment is equal to or more than the amount of installment(s) due within 03 (three) months, the entire loans are classified as “Sub-standard”. » Doubtful- if the amount of past due installment is equal to or more than the amount of installment(s) due within 06 (six) months, the entire loans are classified as “Doubtful”. » Bad/Loss- if the amount of past due installment is equal to or more than the amount of installment(s) due within 09 (nine) months, the entire loans are classified as “Bad/Loss”.
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			<p>Short-term Agricultural and Micro Credit will be considered irregular if it is not repaid within the due date as stipulated in the loans agreement are classified as under:</p> <p>» Sub-standard- if the irregular status continues after a period of 12 (twelve) months, the credits are classified as “Sub-standard”.</p> <p>» Doubtful- if the irregular status continue after a period of 36 (thirty six) months, the credits are classified as “Doubtful”.</p> <p>» Bad/Loss- if the irregular status continue after a period of 60 (sixty) months, the credits are classified as “Bad/Loss”.</p> <p>A Continuous loan, Demand loan or a Term loan other than SME loan which remained overdue for a period of 02 (two) months or more, are treated as “Special Mention Account (SMA)”.</p>																								
		ii) Description of approaches followed for specific and general allowances and statistical methods;	<p>The Bank is required to maintain the following general and specific provision in respect of classified and unclassified loans and advances on the basis of Bangladesh Bank guidelines issued from time to time:</p> <table><tr><th>Particulars</th><th>Rate</th></tr><tr><td>General provision on unclassified Small and Medium Enterprise (SME) financing.</td><td>0.25%</td></tr><tr><td>General provision on unclassified general loans and advances</td><td>1%</td></tr><tr><td>General provision on interest receivable on loans.</td><td>1%</td></tr><tr><td>General provision on off-balance sheet exposures (Provision has been made on the total exposure and amount of cash margin or value of eligible collateral were not deducted while computing off-balance sheet exposure).</td><td>1%</td></tr><tr><td>General provision on unclassified loans and advances for housing finance, loans for professionals to set-up business under consumer financing scheme.</td><td>2%</td></tr><tr><td>General provision on the unclassified loans to Brokerage House, Merchant Banks, Stock Dealers, etc.</td><td>2%</td></tr><tr><td>General provision on unclassified amount for Consumer Financing.</td><td>5%</td></tr><tr><td>General provision on Special Mention Account (SMA) except Short Term Agriculture Loans</td><td>0.25%-1%</td></tr><tr><td>Specific provision on Sub-Standard loans and advances</td><td>20%</td></tr><tr><td>Specific provision on Doubtful loans and advances</td><td>50%</td></tr><tr><td>Specific provision on bad / loss loans and advances</td><td>100%</td></tr></table>	Particulars	Rate	General provision on unclassified Small and Medium Enterprise (SME) financing.	0.25%	General provision on unclassified general loans and advances	1%	General provision on interest receivable on loans.	1%	General provision on off-balance sheet exposures (Provision has been made on the total exposure and amount of cash margin or value of eligible collateral were not deducted while computing off-balance sheet exposure).	1%	General provision on unclassified loans and advances for housing finance, loans for professionals to set-up business under consumer financing scheme.	2%	General provision on the unclassified loans to Brokerage House, Merchant Banks, Stock Dealers, etc.	2%	General provision on unclassified amount for Consumer Financing.	5%	General provision on Special Mention Account (SMA) except Short Term Agriculture Loans	0.25%-1%	Specific provision on Sub-Standard loans and advances	20%	Specific provision on Doubtful loans and advances	50%	Specific provision on bad / loss loans and advances	100%
Particulars	Rate																										
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Specific provision on Sub-Standard loans and advances	20%																										
Specific provision on Doubtful loans and advances	50%																										
Specific provision on bad / loss loans and advances	100%																										
Qualitative disclosure	b)	Total gross credit risk exposures broken down by major types of credit exposure.	Total gross credit risk exposures broken down by major types of credit exposure of the Bank:																								

			Particulars Term Loan Overdraft Time Loan Cash Credit Loan Against Trust Receipts (LTR) Consumer Loan Packing Credit Staff Loan Other Loans & Advances Bill purchased/discounted-Inland Bill purchased/discounted-Foreign Total	BDT in Million 2,025.76 1,707.87 1,042.56 494.12 988.69 9.91 3.86 105.78 5.87 87.27 28.29 6,499.98
	c)	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure of the Bank: Particulars Urban: Dhaka Zone Chittagong Zone Sub-Total Rural: Dhaka Zone Sub-Total Grand Total (Urban + Rural)	BDT in Million 4,011.53 2,002.19 6,013.72 486.26 486.26 6,499.98
	d)	Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.	Industry or counterparty type distribution of exposure, broken down by major types of credit exposure of the Bank: Particulars Agriculture RMG Textile Industries Ship Breaking Other Manufacturing Industries Small & Medium Enterprises (SME) Power & Gas Transport, Storage and Communication Trade Services Commercial real estate financing Residential real estate financing Loans, Advances & Lease to Managing Director / CEO and other senior executives Consumer Credits Capital Market NBFIs Other Industries including bills purchased and discounted Total	BDT in Million 20.80 329.10 68.40 186.40 2,248.80 1,212.00 102.10 602.70 300.50 220.70 79.60 105.78 9.10 508.80 259.00 246.20 6,499.98

	e)	Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.	Residual contractual maturity break down of the whole portfolios, broken down by major types of credit exposure of the Bank:	
			Particulars	BDT in Million
			Repayable on demand	302.78
			Not more than 3 months	707.40
			More than 3 months but less than 1 year	3,412.90
			More than 1 year but less than 5 years	1,441.70
			More than 5 years	635.20
			Total	6,499.98
	f)	By major industry or counterparty type		
		i) Amount of impaired loans and if available, past due loans, provided separately;	There is no classified loans and advances of the Bank as per Bangladesh Bank's Guidelines.	
			Particulars	
			Continuous Loans & Advances	-
			Demand Loans & Advances	-
			Term Loans & Advances	-
			Short Term Agro Credit and Micro Credit	-
			Total	Nil
		ii) Specific and general provisions; and	Specific and general provisions were made on the amount of classified and unclassified loans and advances, off-balance sheet exposure, interest on receivable, diminution in value of investment and other assets (suspense) of the Bank according to the Bangladesh Bank guidelines.	
			Particulars	BDT in Million
			Provision on classified loans and advances	-
			Provision on unclassified loans and advances	62.54
			Provision on Off-balance sheet exposure	12.63
			Provision for interest receivable on loans & advances	-
			Provision for other assets	-
			Provision for diminution in value of invests.	-
			Total	75.17
		iii) Charges for specific allowances and charge-offs during the period.	During the year the specific and general provisions were made on the amount of classified and unclassified loans and advances, off-balance sheet exposure, interest on receivable, diminution in value of investment and other assets (suspense) of the Bank as per Bangladesh Bank guidelines.	

			Particulars	BDT in Million
			Provision on classified loans and advances	-
			Provision on unclassified loans and advances	46.49
			Provision on Off-balance sheet exposure	11.05
			Provision for interest receivable on loans & advances	-
			Provision for other assets	-
			Provision for diminution in value of investment	-
			Total	57.54
	g)	Gross Non Performing Assets (NPAs).		
		Non Performing Assets (NPAs) to Outstanding loans and advances.		
		Movement of Non Performing Assets (NPAs).	Particulars	BDT in Million
			Opening balance	-
			Addition/adjustment during the year	-
			Closing balance	-
		Movement of specific provisions for NPAs.	Particulars	BDT in Million
			Opening balance	-
			Provisions made during the period	-
			Transferred from unclassified loan & advances	-
			Write-off	-
			Write-back of excess provisions	-
			Closing Balance	-

5. Equities: Disclosures for Banking Book Positions

	a)	The general qualitative disclosure requirement with respect to equity risk, including:		
		<ul style="list-style-type: none"> Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons. 	<p>Investment in equity securities are broadly categorized into two parts:</p> <p>i) Quoted Securities (Common or Preference Shares & Mutual Fund) that are traded in the secondary market (Trading Book Assets).</p> <p>ii) Unquoted securities are categorized as banking book equity exposures which are further sub-divided into two groups: unquoted securities which are invested without any expectation that these will be quoted in near future i.e. held for maturity (HFM), and securities those are acquired under private placement or IPO and are going to be traded in the secondary market after completing required formalities. Unquoted securities are valued at cost.</p>	

	<ul style="list-style-type: none"> Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices. 	<p>The primary aim is to investment in these equity securities for the purpose of capital gain by selling them in future or held for dividend income. Dividends received from these equity securities are accounted for as and when received. Both quoted and un-quoted equity securities are valued at cost and necessary provisions are maintained, if the prices fall below the cost price.</p> <p>As per Bangladesh Bank guidelines, the HFT equity securities are revalued once in each week using marking to market concept and HTM equity securities are amortized once a year according to Bangladesh Bank Guideline.</p> <p>The HTM equity securities are also revalued if any, are reclassified to HFT category with the approval of Board of Directors.</p>
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BDT in Million

		At cost	At market value
b)	Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	-	-
c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.		-
d)	<ul style="list-style-type: none"> Total unrealized gains (losses) Total latent revaluation gains (losses) Any amounts of the above included in Tier-2 capital. 		-
e)	Capital requirements broken down by appropriate equity groupings, consistent with the Bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements (10% on market value).		-
	• Specific Market Risk		-
	• General Market Risk		27.70 million

6. Interest Rate Risk in the Banking Book (IRRBB)

Qualitative disclosure	a)	<p>The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of IRRBB measurement.</p>	<p>Interest rate risk is the risk where changes in market interest rates might adversely affect a Bank's financial condition. Changes in interest rates affect both the current earnings (earnings perspective) as well as the net worth of the Bank (economic value perspective). Re-pricing risk is often the most apparent source of interest rate risk for a Bank and is often gauged by comparing the volume of a Bank's assets that mature or re-price within a given time period with the volume of liabilities that do so.</p>
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			<p>The short term impact of changes in interest rates is on the Bank's Net Interest Income (NII). In a longer term, changes in interest rates impact the cash flows on the assets, liabilities and off-balance sheet items, giving rise to a risk to the net worth of the Bank arising out of all re-pricing mismatches and other interest rate sensitive position.</p> <p>Maturity grouping of rate sensitive assets and liabilities of the Bank shows significant positive gap in the first quarter and moderate gap during the rest three quarters. The impact is very insignificant compared to total revenue of the Bank and also within the acceptable limit as stipulated by Bangladesh Bank.</p>
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Interest Rate Risk Analysis (for 1% change in the market rate of interest)

Qualitative disclosure	b)	The general qualitative disclosure requirement with respect to credit risk, including:					
		The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant).	Particulars	1-90 days	Over 3 months to upto 6 months	Over 6 months to upto 9 months	Over 9 months to upto 1 year
			BDT in Million				
			Loans & Advances	1,010.20	1,975.40	788.20	582.40
			Balance with other Banks & Financial Institutes	2,582.40	1,900.00	50.00	-
			Government Securities	282.70	347.10	-	158.20
			Investment in other Securities	-	-	200.00	-
			A. Total Risk Sensitive Assets	3,875.30	4,222.50	1,038.20	740.60
			Demand Deposits	972.60	180.00	400.00	405.00
			Term Deposits	4,085.80	438.00	400.00	461.80
			Saving Deposits	84.30	28.10	14.10	14.00
			Borrowing from other Banks	2,402.00	-	-	-
			B. Total Risk Sensitive Liabilities	7,544.70	646.10	814.10	880.80
			GAP (A-B)	(3,669.40)	3,576.40	224.10	(140.20)
			Cumulative GAP	(3,669.40)	(93.00)	131.10	(9.10)
			Adjusted Interest Rate Changes (IRC) 1.00%	1.00%	1.00%	1.00%	
			Quarterly earnings impact (Cum. GAP*IRC)	(9.17)	8.94	0.56	(0.35)
			Cumulative earnings impact to date	(9.17)	(0.23)	0.33	(0.02)
			Earning impact / Average quarterly net profit	(70.57%)	(1.79%)	2.52%	(0.18%)

7. Market Risk

Qualitative disclosure	a)	i) Views of Board of Directors (BOD) on trading or investment activities.	<p>Market risk is the possibility of losses of assets in balance sheet and off-balance sheet positions arising out of volatility in market variables i.e., interest rate, exchange rate and price. Allocation of capital is required in respect of the exposure to risks deriving from changes in interest rates and equity prices in the Bank's trading book, in respect of exposure to risks deriving from changes in foreign exchange rates and commodity price in the overall Banking activities. The total capital requirement for Bank against its market risk shall be the sum of capital charges against:</p>
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			<ul style="list-style-type: none"> i. Interest rate risk ii. Equity position risk iii. Foreign exchange (including gold) position risk throughout the Bank's balance sheet and iv. Commodity risk.
		ii) Methods used to measure Market risk.	<p>Measurement Methodology</p> <p>As Banks in Bangladesh are now in a stage of developing risk management models, Bangladesh Bank suggested the Banks for using Standardized Approach for credit risk capital requirement for Banking book and Standardized (rule based) Approach for market risk capital charge in their trading book.</p> <p>Maturity Method has been prescribed by Bangladesh Bank in determining capital against market risk. In the maturity method, long or short positions in debt securities and other sources of interest rate exposures, including derivative instruments, are slotted into a maturity ladder comprising 13 time-bands (or 15 time-bands in case of low coupon instruments). Fixed-rate instruments are allocated according to the residual term to maturity and floating-rate instruments according to the residual term to the next repricing date.</p> <p>In Standardized (rule based) Approach the capital requirement for various market risks (interest rate risk, price, and foreign exchange risk) are determined separately.</p> <p>The total capital requirement in respect of market risk is the sum of capital requirement calculated for each of these market risk sub-categories. e.g.:</p> <ul style="list-style-type: none"> a) Capital Charge for Interest Rate Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk. b) Capital Charge for Equity Position Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk. c) Capital Charge for Foreign Exchange Risk = Capital Charge for General Market Risk. d) Capital Charge for Commodity Position Risk = Capital charge for general market risk.
		iii) Market Risk Management system.	<p>Treasury Division manages the market risk and ALCO monitors the activities of Treasury Division in managing such risk.</p>
		iv) Policies and processes for mitigating market risk.	<p>To mitigate the several market risks, the Bank formed Asset Liability Management Committee (ALCO) who monitors the Treasury Division's activities to minimize the market risk. ALCO is primarily responsible for establishing the market risk management and asset liability management of the Bank, procedures thereof, implementing core risk management framework issued by the regulator, best risk management practices followed by globally and ensuring that internal parameters, procedures, practices / policies and risk management prudential limits are adhere to.</p>

		<p>The Treasury Division are taking following measures to minimize the several market risks:</p> <p>i) Foreign exchange risk management</p> <p>it is the risk that the Bank may suffer losses as a result of adverse exchange rate movement during a period in which it has an open position in an individual foreign currency. This risk measured and monitored by the Treasury Division. To evaluate the extent of foreign exchange risk, a liquidity gap report prepare for each currency.</p> <p>ii) Equity Position Risk</p> <p>Equity risk is defined as losses due to changes in market price of the equity held. To measure and identify the risk, mark to market valuation to the share investment portfolios are done. Mark to market valuation is done against a predetermined limit. At the time of investment, following factors are taken into consideration:</p> <ol style="list-style-type: none"> Security of Investment Fundamentals of securities Liquidity of securities Reliability of securities Capital appreciation Risk factors and Implication of taxes, etc.
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BDT in Million

Qualitative disclosure	b)	The capital requirements for:	Solo
		• Interest rate risk	27.70
		• Equity position risk	-
		• Foreign exchange risk and	8.35
		• Commodity risk	-
		Total Capital Requirement	36.05

8. Operational Risk

Qualitative disclosure	a)	<p>i) Views of BOD on system to reduce Operational Risk</p> <p>Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputation risk. It is inherent in every business organization and covers a wide spectrum of issues. The Board of Director (BOD) of the Bank and its Management firmly believe that this risk through a control based environment in which processes see documented, authorization as independent and transactions are reconciled and monitored. This is supported by an independent program of periodic reviews undertaken by internal audit, and by monitoring external operational risk events, which ensure that the group stays in line which industry best practice and takes account or lessons learned from publicized operational failures within the financial services industry.</p> <p>The BOD has also modified its operational risk management process by issuing a high level standard like SOP, supplemented by more detailed formal guidance. This explains how the Bank manages operational risk by identifying, assessing, monitoring,</p>
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			<p>controlling and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with local regulatory requirements.</p> <p>The Bank maintains and tests contingency facilities to support operations in the event of disasters. Additional reviews and tests are conducted in the event that any branch of the Bank is affected by a business disruption event, to incorporate lessons learned in the operational recovery from those circumstances. Plans have been prepared for the continued operation of the Bank's business, with reduced staffing levels.</p>
	ii) Performance gap of executives and staffs.		<p>Human Resources</p> <p>MDB family has a concerted commitment dedication to serve in assigned areas. The Bank has already established a work environment where excellence and performance help them to explore their prospect.</p> <p>The Bank's policy on Human Resource Management is proactive. The Bank recruits people from all sections of the society, as it believes that competent human resources are vital to growth & success of the Bank. The Bank is offering congenial working environment & competitive compensation package. The management team of the Bank with their talent & skill has now been working for business excellence of the Bank with new pledge based on professionalism, team work, strong bondage of interpersonal relationship with good governance. In line with our objective, MDB organizational focus is to introduce developing the talent pool in leading the competitive business synergy, consolidate KPI based performance management, re-design reward & recognition system linked to performance, install enterprise culture based on values, enhance capability of employees in technology Banking through bringing structural changes i.e. centrized Banking.</p> <p>Midland Bank Limited is very conscious and careful in recruiting human resource and their proper posting/placement. Placement of right number and right kind of people at the right place at right time yields positive results. In 2014, total of 48 new members joined MDB family.</p> <p>MDB is in a process of implementing KPI system to make the performance management more effective.</p> <p>MDB endeavors to be honest and practices fair practice for all employees to establish good corporate environment. MDB believes in paying competitive compensation package. In line with that MDB introduced a good number of employee benefits like provident fund, gratuity fund, Employees Social Security-Superannuation Fund, incentive bonus, Annual Increment, Special Increment, Promotion, Reward, transport facility to the eligible employees which considered to be contributory for employee satisfaction.</p>

			<p>In 2015 MDB plans to train and conduct various fundamental and refresher training. In implementation of MDB Development strategy, the Bank will establish a training institute in 2015 at Zahid Plaza in Gulshan 2, Dhaka, with the vision to build up professionals with technical and conceptual skills.</p> <p>HR and Organization Development Strategies for 2015</p> <ul style="list-style-type: none"> • Introduction of Learning and Development Center to intensify and modernize employees' knowledge and skills in line with the modern technology. • Introduction of KPI system in performance management. • Transformation of Organization Structure with clarity roles to introduce Centralized Banking Model. • Review and update HR policies to attract and reduce attrition of talents. • Establish MDB as one of the preferred employers of the industry.
		iii) Potential external events	<p>Risk factors/Potential external events</p> <p>It is needless to say that there are certain risk factors which are external in nature and can affect the business of the Bank. The factors discussed below can significantly affect the business:</p> <ul style="list-style-type: none"> • General business and political condition <p>MDB's performance greatly depends on the general economic conditions of the country. The effect of recession is still unfolding which may result to slow down in business environment. Political stability is must for growth in business activities.</p> <ul style="list-style-type: none"> • Changes in policies and practices of regulatory bodies to revise practices, pricing and responsibilities of the financial institutions <p>MDB is subject to regulations and compliance of regulation is must. Changes in policies with regard to interest rates, pricing have significant effect on the performance of the Bank. Bangladesh Bank is expected to continue its persuasion to reduce the spread and charges further which is likely to affect the performance. Changes in provisioning requirement will also affect the performance of the Bank.</p> <ul style="list-style-type: none"> • Implementation of Basel-III <p>Alongside Basel-II, Basel III has taken effect from 2015 in Bangladesh requiring Banks to maintain more capital and follow more stringent rules. Besides, the Bank while maintaining relationship with international correspondent Bank will have to follow more strict compliance. Effective control also calls for higher investment in technology and increased operating expenses.</p>

		<p>New directive has emphasized on increasing quality capital (particularly, Tier-1 capital). However, it might not adversely affect MDB, as Tier-1 capital contributes the lion's share of eligible capital such as, Tier-1 capital of MDB is BDT 4,045 million out of BDT 4,122 million of total eligible capital. Minimum total capital plus capital conservation buffer will have to be reached at 12.50% of RWA by 2019. MDB's CAR is 43.95% as on December 31, 2014 which denotes very advantageous situation.</p> <p>New directive does not give any restriction on raising subordinated debt although Tier-2 Capital can be admitted maximum up to 4% of total RWA or 89% of CET1 whichever is higher. MDB is well equipped in terms of capital adequacy in accordance with Basel-II & III accord. Besides, MDB has the opportunity to extend capital base through issuing subordinate debt as per latest directive of Bangladesh Bank.</p> <p>Despite many challenges, it is quite evident that the Basel-III framework will definitely make MDB more risk-resilient and shock-absorbent than ever before.</p> <ul style="list-style-type: none"> • Changes in market conditions <p>Changes in market conditions particularly interest rates on deposits and volatility in Foreign Exchange market is likely to affect the performance of the Bank. Depositors are becoming increasingly price sensitive and any unilateral upward change by a Bank will exert pressure on interest rate structure of the Banking sector. It is feared that wage earners remittances may decline due to fall in job opportunity in international market. Unless offset by export performances, there may be pressure in the Foreign Exchange market.</p> <ul style="list-style-type: none"> • The risk of litigation <p>In the ordinary course of business, legal actions, claims by and against the Bank may arise. The outcome of such litigation may affect the financial performance of the Bank.</p> <ul style="list-style-type: none"> • Success of strategies <p>MDB is proceeding with its strategic plan and its successful implementation is very important for its financial performance. Major deviation due to external and internal factors will affect the performance of the Bank.</p>
	iv) Policies and processes for mitigating operational risk.	<p>Midland Bank limited (MDB) has formed a separate 'Risk Management Division' under Chief Risk Officer to ensure following things:</p> <ul style="list-style-type: none"> • Designing of organizational structure by clearly defining roles and responsibilities of individuals involved in risk taking as well as managing it • Formulation of overall risk assessment and management policies, methodologies, guidelines and procedures for risk identification, risk measurement, risk monitoring, defining an acceptable level of risk, mitigation of all the core risks in line with their respective guidelines provided by Bangladesh Bank

		<ul style="list-style-type: none"> • Reviewing and updating all risks on systematic basis as necessary at least annually, preferably twice a year, ensuring that adequate controls exist and that the related returns reflect these risks and the capital allocated to support them. The main risk areas will be (i) Balance sheet Risk Management, (ii) Credit Risk, (iii) Foreign Exchange Risk, (iv) Internal Control and Compliance Risk, (v) Money Laundering Risk and (vi) IT Risk. The following risks have also to be reviewed: <ul style="list-style-type: none"> • Operational Risk • Market Risk • Liquidity Risk • Reputation risk • Insurance Risk • Sustainability Risk • Setting the portfolio objectives and tolerance limits/parameters for each of the risks • Formulation of strategies and different models in consistency with risk management policy based on IT Policy and in house IT support which can measure, monitor and maintain acceptable risk levels of the Bank • Development of information systems/MIS inflow and data management capabilities to support the risk management functions of the Bank. • Ensure compliance with the core risks management guidelines at the department level, and at the desk level • The unit will work under Bank's organizational structure and suggest to the CEO to take appropriate measures to overcome any existing and potential financial crisis • Analysis of self resilience capability of the Bank • Initiation to measure different market conditions, vulnerability in investing in different sectors • The unit will also work for substantiality of capital to absorb the associated risk in Banking operation. <p>Activities undertaken by "Risk Management Division" since inception and recent approaches:</p> <ul style="list-style-type: none"> • Risk Management Division of MDB is currently arranging monthly meeting on various issues to determine strategies in consistency with risk management policy, which can measure, monitor, and maintain acceptable risk level of the Bank. Minutes of each meeting is submitted to Bangladesh Bank on monthly basis • Besides, Risk Management Paper has also been prepared on the basis of 03 months' monthly minutes addressing different areas of risk and their mitigating tools & techniques guided by the members of Risk Management Division
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		<ul style="list-style-type: none"> • In order to perform the risk management function smoothly, RMD had invited all the Operational Divisions to the Head of respective Divisions to form an internal committee along with defined duties of concerned officials. It is to be noted here that due to continuous and successful persuasion, all the Operational Divisions have formulated and established internal risk management committees. <p>Stress Testing in MDB</p> <p>Risk Management Division (RMD) of MDB has prepared a stress testing model in line with the Bangladesh Bank's guideline which initially focused on "Simple Sensitivity and Scenario Analysis" on the following five risk factors:</p> <ul style="list-style-type: none"> • Interest rate • Forced sale value of collateral • Non-performing loans (NPLs) • Share prices; and • Foreign exchange rate. <p>The stress testing based on the financial performance of the Bank as on December 31, 2014 has also been completed which shows that the Bank has adequate capital to absorb minor, moderate and major level of shocks. However, in case of cumulative shocks, some additional capital may be required.</p>
	v) Approach for calculating capital charge for operational risk.	<p>The Banks operating in Bangladesh shall compute the capital requirements for operational risk under the Basic Indicator Approach (BIA). Under BIA, the capital charge for operational risk is a fixed percentage, denoted by α (alpha) of average positive annual gross income of the Bank over the past three years. Figures for any year in which annual gross income is negative or zero, should be excluded from both the numerator and denominator when calculating the average. The capital charge may be expressed as follows:</p> $K = [(GI_1 + GI_2 + GI_3) \alpha] / n$ <p>Where-</p> <p>K = the capital charge under the Basic Indicator Approach</p> <p>GI = only positive annual gross income over the previous three years (i.e., negative or zero gross income if any shall be excluded)</p> <p>α = 15 percent</p> <p>n = number of the previous three years for which gross income is positive.</p> <p>Gross income: Gross Income (GI) is defined as "Net Interest Income" plus "Net non-Interest Income". It is intended that this measure should:</p> <ol style="list-style-type: none"> be gross of any provisions be gross of operating expenses, including fees paid to outsourcing service providers exclude realized profits/losses from the sale of securities held to maturity in the Banking book exclude extraordinary or irregular items exclude income derived from insurance

BDT in Million

Qualitative disclosure	b)	Particulars	Solo Basis
		b) The capital requirement for operational risk	624.30

STATEMENT OF DIRECTORS ON ADEQUACY OF THE SYSTEM OF INTERNAL CONTROL

The Board of Directors of MDB has defined roles as stipulated in the 'Bank Company (amended) Act 2013'. Therefore, the Directors have worked for maintaining good corporate governance and persistently discharged their responsibilities. The Directors have also established extensive business strategies, adopted significant policies for internal control and risk management and implemented risk based internal audits as per 'sections 15 Kha & 15 Ga of the Bank Company (amended) Act 2013' for ensuring that the Bank is suitably and efficiently managed and controlled.

The Board of Directors have reviewed the policies and manuals of various segments of businesses in order to establish an effective internal control system, which is adequate for achieving viable growth through systematic and efficient conduct of business. The Directors have also checked and reviewed the control procedures for ensuring the upkeep of the Bank's assets, the prevention and detection of fraud and error, the adequacy and completeness of accounting records, timely preparation of financial statements and the efficient management of risks.

The Board of Directors monitored the adequacy and usefulness of internal control systems through formation of audit committee. While preparing the audit committee, all the conditions mentioned in "sections 15 Kha & 15 Ga of the Bank Company (amended) Act 2013, Bangladesh Bank guidelines and Corporate Governance Guidelines by Bangladesh Securities and Exchange Commission (BSEC) have been appropriately addressed. The committee has reviewed the system of internal control and management of core risks faced by the Bank. They have also reviewed the audit process, the Bank's process for monitoring the compliance with laws and regulations and codes of conduct of business.

The Audit Committee has reviewed the arrangements made by management for adding the control features to the existing Management Information System (MIS). The committee has also reviewed the remedial measures taken by management relating to fraud-forgery and deficiencies in internal control revealed in previous years. The committee has placed all the compliance reports before the Board of Directors and regulators in time and has performed all other oversight functions relating to internal control systems of the Bank.

On behalf of the Board of Directors



M. Moniruzzaman Khandaker
Chairman

DIRECTORS' RESPONSIBILITY IN RELATION TO FINANCIAL STATEMENTS

The Board of Directors has developed the internal financial control system and also continuously monitoring its effectiveness. The Directors are assured that relevant accounting records have been maintained and reasonable steps as far as practicable have been taken to ensure the accuracy and reliability of accounting records for preparation of financial statements. These provide reasonable assurance for protection of Bank's assets, maintenance of proper accounting records and reliability of financial information.

The Directors are satisfied that the Bank has the resources to continue in business for the foreseeable future and therefore, these financial statements have been prepared on a going concern basis.

The Board has reviewed the external auditors' report and considered that these financial statements for the year 2014 have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates and in compliance with Bangladesh Accounting Standards (BAS), Bangladesh Financial Reporting Standards (BFRS), Bank Companies Act. 2013 (Amendment), as per guidelines of the Bangladesh Bank, the Company Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations issued by the regulatory bodies time to time. Any change to accounting policies and reasons for such change is disclosed in the "Notes to the Financial Statements" of this annual report.

The Board Audit Committee comprised 05 Directors who have required qualifications and experience. The Committee has made an independent assessment of the financial reporting system of the Bank and confirmed that the financial statements of the year 2014 have been prepared in compliance with relevant accounting principles and regulatory requirements.

The Committee also discussed and exchanged views with the representatives of external auditors and reviewed the financial statements and recommended to the Board of Director for consideration and approval of these financial statements for year 2014.

The Directors are in agreement with the assessment of the Audit Committee on the reliability of financial reporting system of the Bank and confirm that these financial statements have been prepared for external use is in accordance with relevant accounting principles and regulatory requirements.

On behalf of the Board of Directors,



M. Moniruzzaman Khandaker
Chairman

DECLARATION OF MANAGING DIRECTOR & CEO AND CHIEF FINANCIAL OFFICER TO THE BOARD OF DIRECTORS

The financial statements of MDB have been prepared in compliance with the Bangladesh Accounting Standards (BAS), Bangladesh Financial Reporting Standards (BFRS), Bank Companies Act 2013 (Amendment), the rules and regulations issued by the Bangladesh Bank, the Company Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations issued by regulatory bodies time to time. The accounting policies used in preparation of these financial statements are appropriate and consistently applied, unless otherwise stated in the notes accompanying of these financial statements.

In accordance with the notification of Bangladesh Securities and Exchange Commission (SEC/CMRRCD/2006-158/134/Admin/44, dated 07, August 2012), we declare to the Board that:

- (i) We have reviewed the financial statements for the year ended December 31, 2014 and that to the best of our knowledge and belief:
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.
- (ii) There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.



Md. Zahirul Islam, FCA
Chief Financial Officer



Md. Ahsan-uz Zaman
Managing Director & CEO

FINANCIALS STATEMENTS 2014



Midland Bank Limited
Independent Auditors' Report to the Shareholders
For the year ended 31 December 2014

We have audited the accompanying financial statements of Midland Bank Limited (the Bank) which comprise the balance sheet as at 31 December 2014, profit and loss statement, statement of changes in equity, cash flow statement and liquidity statement for the year then ended, and a summary of significant accounting policies and other explanatory notes and annexures thereto.

Management's responsibility for the financial statements and internal controls

Management is responsible for the preparation and fair presentation of financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards as explained in the relevant notes and 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 and the Bangladesh Bank regulations 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.

Auditors' responsibility

"Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance about whether the financial statements of the Bank are free from material misstatements."

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud and error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements of the Bank.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above which have been prepared in the format prescribed by Bangladesh Bank vide circular no. 14 dated 25 June 2003 and in accordance with relevant Bangladesh Financial Reporting Standards and Bangladesh Accounting Standards give a true and fair view of the state of affairs of the Bank as at 31 December 2014 and results of its operations and its cash flows for the year then ended and comply with the Companies Act 1994, the Banking Companies Act 1991, rules and regulations issued by Bangladesh Bank and other applicable laws and regulations.

Report on other legal and regulatory requirements

In accordance with the Companies Act 1994, the Banking Companies Act 1991 and the rules and regulations issued by Bangladesh Bank, we also report the following:

- (a) 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;
- (b) to the extent noted during the course of our audit work performed on the basis stated under the auditors' responsibility section in forming the above opinion on the financial statements of the Bank 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:
 - (i) internal audit, internal control and risk management arrangements of the Bank appeared to be materially adequate;
 - (ii) 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 Bank and its related entities;
- (c) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books;
- (d) the balance sheet and profit and loss statement of the Bank dealt with by the report are in agreement with the books of account;
- (e) the expenditures incurred during the year were for the purposes of the business of the Bank;
- (f) the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as with related guidance issued by Bangladesh Bank;
- (g) adequate provisions have been made for advances, and other assets following the guidelines of Bangladesh Bank;
- (h) the information and explanations required by us have been received and found to be satisfactory; and
- (i) we have reviewed over 80% of risk-weighted assets of the Bank and we have spent approximately 2,000 man hours for the audit of the books and account of the Bank.

Dhaka, Bangladesh
Dated, 19 March 2015


S. F. AHMED & CO
Chartered Accountants

Midland Bank Limited
Balance Sheet
As at 31 December 2014

	<u>Notes</u>	2014 BDT	2013 BDT
PROPERTY AND ASSETS			
Cash	3	505,725,934	283,475,817
In hand (including foreign currencies)	3.1	107,099,541	65,876,812
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	3.2	398,626,393	217,599,005
Balance with other banks and financial institutions	4	4,532,369,368	4,496,170,028
In Bangladesh	4.1	4,264,347,964	4,495,371,590
Outside Bangladesh	4.2	268,021,404	798,438
Money at call on short notice	5	-	-
Investments	6	2,985,905,067	521,208,973
Government	6.1	1,985,905,067	421,208,973
Others	6.2	1,000,000,000	100,000,000
Loans and advances	7	6,499,978,994	1,831,431,854
Loans, cash credits, overdrafts, etc	7.1	6,384,418,036	1,780,487,752
Bills purchased and discounted	7.2	115,560,958	50,944,102
Fixed assets including premises, furniture and fixtures	8	165,765,891	90,001,737
Other assets	9	417,003,715	309,581,222
Non-banking assets		-	-
Total assets		15,106,748,970	7,531,869,630
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	10	2,404,500,000	580,000,000
Deposits and other accounts	11	8,478,577,992	2,902,377,253
Current deposit and other accounts		282,430,519	109,885,580
Bills payable		72,610,022	13,090,253
Short notice deposit		365,061,737	91,861,088
Savings deposit		281,258,615	52,323,946
Fixed deposit		5,385,181,567	1,964,112,389
Scheme deposits		2,092,035,532	671,103,996
Other liabilities	12	174,946,998	26,787,544
Total liabilities		11,058,024,990	3,509,164,797
Capital/ Shareholders' equity			
Total shareholders' equity	13	4,048,723,980	4,022,704,833
Paid-up capital	14	4,000,000,000	4,000,000,000
Statutory reserve	15	23,990,793	2,158,350
Revaluation reserve on investment in securities	16	3,258,030	11,913,084
Retained earnings	17	21,475,158	8,633,400
Total liabilities and shareholders' equity		15,106,748,970	7,531,869,630

Midland Bank Limited
Balance Sheet
As at 31 December 2014

OFF-BALANCE SHEET ITEMS	<u>Notes</u>	<u>2014</u> BDT	<u>2013</u> BDT
Contingent liabilities	18	1,263,380,722	157,881,326
Acceptances and endorsements	18.1	151,346,392	-
Letters of guarantee	18.2	766,771,493	112,834,989
Irrevocable letters of credit	18.3	342,531,801	45,046,337
Bills for collection	18.4	2,731,036	-
Other contingent liabilities		-	-
Other commitments		-	-
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Total Off-Balance sheet		1,263,380,722	157,881,326
Exposure including contingent liabilities		1,263,380,722	157,881,326

These financial statements should be read in conjunction with annexed notes 1 to 42

for and on behalf of Board of Directors of Midland Bank Limited


Managing Director & CEO


Director


Director


Chairman

See annexed report of the date

Dhaka, Bangladesh
Dated, 19 March 2015


S. F. AHMED & CO
Chartered Accountants

Midland Bank Limited
Profit and Loss Statement
For the year ended 31 December 2014

	Notes	2014 BDT	2013 BDT
OPERATING INCOME			
Interest income	20	970,821,334	347,427,117
Less: Interest paid on deposit and borrowing, etc	21	623,732,122	146,027,980
Net interest income		347,089,212	201,399,137
Income from investments	22	217,068,004	4,267,187
Commission, exchange and brokerage	23	40,374,052	2,387,658
Other operating income	24	18,706,614	1,196,780
		276,148,670	7,851,625
Total operating income (A)		623,237,882	209,250,762
LESS: OPERATING EXPENSES			
Salary and allowances	25	200,117,592	82,899,294
Rent, taxes, insurance, electricity, etc	26	115,636,357	56,353,860
Legal expenses	27	206,610	1,194,576
Postage, stamp, telecommunication, etc	28	6,045,613	1,384,572
Stationery, printing, advertisement, etc	29	5,873,379	3,795,467
Managing director's salary and fees	30	8,811,794	8,716,667
Directors' fees	31	295,250	120,000
Auditors' fees	32	115,000	115,000
Depreciation and repairs of bank's assets	33	24,667,492	3,536,529
Other expenses	34	102,731,097	14,729,960
Total operating expenses (B)		464,500,184	172,845,925
Profit before provision (C = A-B)		158,737,698	36,404,838
Provision for loans and advances			
General provision		46,497,001	16,057,765
Specific provision		-	-
Provision for off-balance sheet exposure		11,054,994	1,578,813
Total provision (D)	35	57,551,995	17,636,578
Profit before taxation (C-D)		101,185,703	18,768,260
Less: Provision for taxation			
Current tax		65,974,287	7,976,510
Deferred tax		537,216	-
	36	66,511,503	7,976,510
Net profit after taxation		34,674,200	10,791,750
Retained earnings brought forward from previous year		8,633,400	-
		43,307,600	10,791,750
Appropriations			
Transferred to statutory reserve	37	21,832,443	2,158,350
Transferred to general reserve		-	-
		21,832,443	2,158,350
Retained surplus carried forward		21,475,158	8,633,400
Earnings per share (EPS)	38	0.087	0.054

These financial statements should be read in conjunction with annexed notes 1 to 42

for and on behalf of Board of Directors of Midland Bank Limited


Managing Director & CEO


Director


Director


Chairman

See annexed report of the date

Dhaka, Bangladesh
Dated, 19 March 2015


S. F. AHMED & CO
Chartered Accountants

Midland Bank Limited
Cash Flow Statement
For the year ended 31 December 2014

	<u>Notes</u>	2014 BDT	2013 BDT
A. Cash flows from operating activities			
Interest received		1,082,428,055	266,114,038
Interest paid on deposits, borrowings, etc		(567,778,829)	(100,493,396)
Dividend income		-	-
Fees and commission income		40,374,052	2,387,659
Cash paid to employees as salaries and allowances		(195,878,136)	(91,615,960)
Income tax paid		(49,601,743)	(20,343,017)
Cash received from other operational income	39	18,706,613	1,196,780
Cash paid for other operational expenses	40	(228,053,361)	(77,099,157)
Cash flow from operating activities before changes in net current asset		100,196,652	(19,853,053)
Changes in net current asset :			
Investment in treasury bonds		(1,186,536,628)	(8,074,465)
Loans and advances		(4,668,547,140)	(1,831,431,854)
Other asset		47,640,531	(203,657,939)
Customers' deposit		5,520,247,447	2,856,842,668
Borrowing from other banks, financial institutions and agents		1,824,500,000	580,000,000
Other liabilities		5,838,043	340,558
Net cash flows from operating activities		1,543,142,253	1,394,018,967
B. Cash flows from investing activities		1,643,338,905	1,374,165,914
Investment in shares and bonds		(900,000,000)	(100,000,000)
Purchase of fixed asset (net)		(98,074,928)	(93,298,644)
Net cash used in investing activities		(998,074,928)	(193,298,644)
C. Cash flows from financing activities			
Receipts from issue of shares		-	4,000,000,000
Dividend paid		-	-
Net cash flows from financing activities		-	4,000,000,000
D. Net increase in cash and cash equivalent (A+B+C)		645,263,977	5,180,867,270
E. Effects of exchange rate changes on cash and cash equivalents		-	-
F. Opening cash and cash equivalents		5,180,867,270	-
G. Closing cash and cash equivalents (D+E+F)		5,826,131,247	5,180,867,270
The above closing cash and cash equivalents include:			
Cash in hand		107,099,541	65,876,812
Balance with Bangladesh Bank and its agents		398,626,393	217,599,005
Balance with other banks and financial institutions		4,532,369,368	4,496,170,028
Money at call and short notice		-	-
Treasury bills		787,967,444	401,161,925
Prize bonds		68,500	59,500
Net operating cash flows per share (Taka)		4.11	6.87

These financial statements should be read in conjunction with annexed notes

for and on behalf of Board of Directors of Midland Bank Limited


Managing Director & CEO


Director


Director


Chairman

See annexed report of the date

Dhaka, Bangladesh
Dated, 19 March 2015


S. F. AHMED & CO
Chartered Accountants

Midland Bank Limited
Statement of Changes in Equity
For the year ended 31 December 2014

Particulars	Paid-up capital	Statutory reserve	Share premium	Revaluation reserve	General reserve	Retained earnings	Total
Balance at 09 April 2013	4,000,000,000	-	-	-	-	-	4,000,000,000
Statutory reserve	-	2,158,350	-	-	-	-	2,158,350
Revaluation reserve	-	-	-	11,913,084	-	-	11,913,084
Issue of bonus shares	-	-	-	-	-	-	-
Issue of right shares	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	8,633,400	8,633,400
Balance at 31 December 2013	4,000,000,000	2,158,350	-	11,913,084	-	8,633,400	4,022,704,834
Balance at 01 January 2014	4,000,000,000	2,158,350	-	11,913,084	-	8,633,400	4,022,704,834
Statutory reserve	-	21,832,443	-	-	-	(21,832,443)	-
Revaluation reserve	-	-	-	(8,655,054)	-	-	(8,655,054)
Issue of bonus shares	-	-	-	-	-	-	-
Issue of right shares	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	34,674,200	34,674,200
Balance at 31 December 2014	4,000,000,000	23,990,793	-	3,258,030	-	21,475,158	4,048,723,980

These financial statements should be read in conjunction with annexed notes

for and on behalf of Board of Directors of Midland Bank Limited


Managing Director & CEO


Director


Director


Chairman

See annexed report of the date

Dhaka, Bangladesh
Dated, 19 March 2015


S. F. AHMED & CO
Chartered Accountants

Midland Bank Limited
Liquidity Statement (Analysis of Maturity of Assets and Liabilities)
As at 31 December 2014

Particulars	Maturity					Total BDT
	Less than 1 month BDT	1-3 months BDT	3-12 months BDT	1-5 years BDT	Above 5 years BDT	
Assets						
Cash in hand and balance with Bangladesh Bank	505,725,934	-	-	-	-	505,725,934
Balance with other banks and financial institutions	1,593,000,000	932,000,000	2,007,369,368	-	-	4,532,369,368
Money at call on short notice	-	-	-	-	-	-
Investments	143,268,500	64,300,000	516,700,000	941,800,000	1,319,836,567	2,985,905,067
Loans and advances	302,778,994	707,400,000	3,412,900,000	1,441,700,000	635,200,000	6,499,978,994
Fixed assets including premises, furniture and fixtures	-	-	-	96,584,490	69,181,401	165,765,891
Other assets	-	-	-	-	417,003,715	417,003,715
Non-banking assets	-	-	-	-	-	-
Total assets (A)	2,544,773,428	1,703,700,000	5,936,969,368	2,480,084,490	2,441,221,684	15,106,748,970
Liabilities						
Borrowing from other banks, financial institutions and agents	2,050,000,000	352,000,000	-	2,500,000	-	2,404,500,000
Deposit and other account	3,566,240,000	1,970,757,992	1,245,840,000	1,073,140,000	622,600,000	8,478,577,992
Provision and other liabilities	37,680,000	39,800,000	34,826,998	1,240,000	61,400,000	174,946,998
Total liabilities (B)	5,653,920,000	2,362,557,992	1,280,666,998	1,076,880,000	684,000,000	11,058,024,990
Net liquidity excess/ (shortage) (A-B)	(3,109,146,572)	(658,857,992)	4,656,302,370	1,403,204,490	1,757,221,684	4,048,723,980

for and on behalf of Board of Directors of Midland Bank Limited


Managing Director & CEO


Director


Director


Chairman

See annexed report of the date


S. F. AHMED & CO
Chartered Accountants

Dhaka, Bangladesh
Dated, 19 March 2015

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2014

1. Midland Bank Limited

Midland Bank Limited ("the Bank") was incorporated (Registration C-108070/13, Dated 20 March 2013) as a Public Limited Company in Bangladesh under Companies Act, 1994 with the registered office at N.B. Tower (6th -9th floor), 40/7 North Avenue, Gulshan-2, Dhaka-1212. It commenced its banking business on the same day under the license BRPD (P-3) 745 (67)/2013-1665 issued by Bangladesh Bank on 9 April 2013. The Company started its banking operation on 20 June 2013 at the Dilkusha Corporate Branch. Presently the Bank has 11 (6 Urban and 5 Rural) branches all over the country.

Principal activities

The principal activities of the Bank are to provide all types of commercial banking services to customers through its branches and SME center/ branches in Bangladesh. The Bank also entitled to provide money market operations, investment in merchant banking activities, financial intermediary services and any other financial services.

2. Significant accounting policies and basis of preparation of financial statements

2.1 Basis of accounting

2.1.1 Statement of compliance

The financial statements of the Bank are made up to 31 December 2014 and are prepared under the historical cost basis, except for certain investments which are stated at fair/ market value, in accordance with the First Schedule (Sec 38) of the Banking Companies Act 1991, BRPD Circular # 14 dated 25 June 2003 and DFIM Circular # 11 dated 23 December 2009, other Bangladesh Bank Circulars, Bangladesh Accounting Standards ("BAS") and Bangladesh Financial Reporting Standards ("BFRS"), the Companies Act 1994 and other laws and rules applicable in Bangladesh. Where the requirements of Bangladesh Bank differ with those of BAS/ BFRS, Bangladesh Bank's requirements have been applied.

2.1.2 Use of estimates and judgments

In the preparation of the financial statements management required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed considering business realities. Revisions of accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The most critical estimates and judgments are applied to calculate provision for loans and advances.

2.1.3 Foreign currency transaction

a) Foreign currencies translation

Foreign currency transactions are converted into equivalent BDT using the ruling exchange rates on the dates of respective transactions as per BAS-21 "The Effects of Changes in Foreign Exchange Rates". Foreign currency balances held in US Dollar are converted into BDT at weighted average rate of inter-bank market as determined by Bangladesh Bank on the closing date of every month. Balances held in foreign currencies other than US Dollar are converted into equivalent US Dollar at buying rates of New York closing of the previous day and converted into BDT equivalent.

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2014

b) Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent liabilities/ commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in BDT terms at the rates of exchange ruling on the balance sheet date.

c) Translation gains and losses

The resulting exchange transaction gains and losses are included in the profit and loss account.

d) Foreign operations

The results and financial position of the Bank's operations whose functional currency is not Bangladeshi Taka are translated into Bangladeshi Taka as follows:

Assets and liabilities in foreign currencies as at 31 December 2014 are converted into BDT currency at the average of the prevailing buying and selling rates of the relevant foreign currencies at that date except "balance with other banks and financial institutions" which have been converted as per directives of Bangladesh Bank vide its circular no. BRPD (R) 717/2004-959, dated 21 November 2004. Differences arising through buying and selling transactions of foreign currencies on different dates of the year have been adjusted by debiting/ crediting the exchange gain or loss account.

2.1.4 Statement of cash flows

Statement of cash flows have been prepared in accordance with the Bangladesh Accounting Standard-7 "Statement of Cash Flows" under direct method as recommended in the BRPD Circular No. 14, dated 25 June 2003 issued by the Banking Regulation and Policy Department of Bangladesh Bank.

2.1.5 Statement of changes in equity

Statement of Changes in Equity has been prepared in accordance with BAS 1 "Presentation of Financial Statements" and following the guidelines of Bangladesh Bank BRPD circular no.14 dated 25 June 2003.

2.1.6 Liquidity statement

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term.

- i) Balance with other Banks and financial institutions, money at call and short notice, etc are on the basis of their maturity term;
- ii) Investments are on the basis of their respective maturity;
- iii) Loans and advances are on the basis of their repayment schedule;
- iv) Fixed assets are on the basis of their useful lives;
- v) Other assets are on the basis of their realisation/ amortisation;
- vi) Borrowing from other Banks, financial institutions and agents, etc are as per their maturity/ repayment terms;
- vii) Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors;
- viii) Provisions and Other liabilities are on the basis of their payment/ adjustments schedule.

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2014

2.1.7 Reporting period

These financial statements cover one calendar year from 01 January 2014 to 31 December 2014.

2.1.8 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.2 Assets and basis of their valuation

2.2.1 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Bangladesh Bank and highly liquid financial assets which are subject to insignificant risk of changes in their fair value, and are used by the Bank management for its short-term commitments.

2.2.2 Loans and advances

- a) Loans and advances are stated in the balance sheet on gross basis.
- b) Interest is calculated on a daily product basis but charged and accounted for on quaterly basis. Interest on classified loans and advances is kept in suspense account as per Bangladesh Bank instructions and such interest is not accounted for as income until realised from borrowers (note - 12.5). Interest is not charged on bad and loss loans as per guidelines of Bangladesh Bank. Records of such interest amounts are kept in separate memorandum accounts.
- c) Commission and discounts on bills purchased and discounted are recognised at the time of realisation.
- d) Provision for loans and advances is made on the basis of year-end review by the management following instructions contained in Bangladesh Bank BCD Circular no. 34 dated 16 November 1989, BCD Circular no. 20 dated 27 December 1994, BCD Circular no. 12 dated 4 September 1995, BRPD Circular no. 16 dated 06 December 1998, BRPD Circular no. 09 dated 14 May 2001, BRPD Circular no. 02 February 2005, BRPD Circular no. 09 August 2005, BRPD Circular no. 17 dated 06 December 2005, BRPD circular no. 32 dated 27 October 2010, BRPD Circular no. 14 dated 23 September 2012, BRPD Circular no. 19 dated 27 December 2012 and BRPD Circular no. 05 dated 29 May 2014. The rates of provision for loans and advances are given below:

Particulars	Rate
General provision on unclassified general loans and advances	1%
General provision on unclassified small enterprise financing	0.25%
General provision on interest receivable on loans	1%
General provision on unclassified loans for housing finance, loans for professionals to set-up business and loans to share business	2%
General provision on unclassified consumer financing other than housing finance, loan for professionals and loans for BGs/MBs/SDs	5%
General provision on Special Mention Account (SMA) except short term agriculture loans	0.25%-1%
Specific provision on substandard loans and advances	20%
Specific provision on doubtful loans and advances	50%
Specific provision on bad/ loss loans and advances	100%

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2014

- e) Loans and advances are written off to the extent that (i) there is no realistic prospect of recovery, and (ii) against which legal cases are pending for more than five years as per guidelines of Bangladesh Bank. These write off however will not undermine/ affect the claim amount against the borrower. Detailed memorandum records for all such write off accounts are to be meticulously maintained and followed up.

2.2.3 Investment

All investment securities are initially recognised at cost, being fair value of the consideration given, including acquisition charges associated with the investment. Premiums are amortised and discounts accredited, using the effective yield method and are taken to discount income. The valuation method of investments used are:

i) **Held to maturity (HTM)**

Investments which have 'fixed or determinable payments', and are intended to be 'held to maturity', other than those that meet the definition of 'held at amortised cost-others' are classified as held to maturity. Investment (HTM) is shown in the financial statements at cost price.

ii) **Held for trading (HFT)**

Investments classified in this category are acquired principally for the purpose of selling or repurchasing in short-trading or if designated as such by the management. After initial recognition, investments are measured at fair value and any change in the fair value is recognised in the statement of income for the period in which it arises. These investments are subsequently revalued at current market value on weekly basis as per Bangladesh Bank Guideline. Revaluation gain has been shown in revaluation reserve account and revaluation loss has been shown in profit and loss account.

Value of investments has been enumerated as follows :

Items	Applicable accounting value
Government treasury bills-HTM	Amortised value
Government treasury bills-HFT	Market value
Government treasury bonds-HTM	Amortised value
Government treasury bonds-HFT	Market value
Prize bond	At cost
Debenture	At cost

iii) **Investment in listed securities**

These securities are bought and held primarily for the purpose of selling them in future or hold for dividend income. These are reported at cost. Unrealised gains are not recognised in the profit and loss account. But provision for diminution in value of investment is provided in the financial statements which market price is below the cost price of investment as per Bangladesh Bank guideline (during the year the Bank has no investment in listed securities).

iv) **Investment in unquoted securities**

Investment in unlisted securities is reported at cost under cost method. Adjustment is given for any shortage of book value over cost for determining the carrying amount of investment in unlisted securities (during the year the Bank has no investment in unquoted securities other than preference share).

2.2.4 Impairment of Financial Assets

At each balance sheet date, Midland Bank Limited assesses whether there is objective evidence that a financial asset or a group of financial assets ie, loans and advances, off balance sheet items and investments is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if -

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2014

- ⇒ there is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset up to the balance sheet date;
- ⇒ the loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets; and a reliable estimate of the loss amount can be made.

In the event of impairment loss, the Bank reviews whether a further allowance for impairment should be provided in the profit and loss statement in addition to the provision made based on Bangladesh Bank guidelines or other regulatory requirements.

2.2.5 Property, plant and equipment

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Bank and the cost of the assets can be reliably measured.

- a) All fixed assets are stated at cost less accumulated depreciation as per BAS-16 "Property, Plant and Equipment". The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes.
- b) The Bank recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the company and the cost of the item can be measured reliably. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is normally charged off as revenue expenditure in the period in which it is incurred.
- c) Revaluation of Land and Building: As per Bangladesh Accounting Standard (BAS-16) revaluation should be made with sufficient regulatory compliance to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of reporting period. The fair value of Land and Buildings is usually determined from market based evidence by an appraisal that is normally undertaken by professionally qualified Valuers. Therefore, any upward increases of the assets have positive impact on the capital adequacy of the Bank (50% of the asset revaluation is considered as Tier-2 "Supplementary Capital").
- d) Depreciation is charged for the year at the following rates on reducing balance method on all fixed assets other than vehicles, software and all fixed assets of ATM related on which straight line depreciation method is followed and no depreciation is charged on land:

Category of fixed assets	Rate
Land	Nil
Buildings (reducing balance method)	3%
Furniture and fixtures (reducing balance method)	10%
Office equipments (straight line)	20%
Library books (reducing balance method)	20%
Vehicles (straight line)	20%
Software (straight line)	20%
Computer and peripherals (straight line)	20%
Interior decoration (reducing balance method)	10%

Midland Bank Limited
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For the year ended 31 December 2014

Category of fixed assets (ATM Assets)	Rate
Furniture and fixtures (straight line)	10%
Office equipment (straight line)	20%

- e) For additions during the year, depreciation is charged for the remaining days of the year and for disposal depreciation is charged up to the date of disposal.
- f) On disposal of fixed assets, the cost and accumulated depreciation are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the income statement, which is determined with reference to the net book value of the assets and net sale proceeds.
- g) Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalised as part of the cost of the asset as per BAS-23.
- h) Leasehold properties are recorded at present value of minimum lease payments or fair market value, whichever is lower as per the provisions of BAS-17. The carrying value of leasehold properties is amortised over the remaining lease term or useful of leasehold property, whichever is lower.

2.2.6 Intangible assets

- a) An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably.
- b) Software represents the value of computer application software licensed for use of the Bank, other than software applied to the operation software system of computers. Intangible assets are carried at its cost, less accumulated amortisation and any impairment losses.

Initial cost comprises license fees paid at the time of purchase and other directly attributable expenditure that are incurred in customising the software for its intended use.

- c) Expenditure incurred on software is capitalised only when it enhances and extends the economic benefits of computer software beyond their original specifications and lives and such cost is recognised as capital improvement and added to the original cost of software.
- d) Software is amortised using the straight line method over the estimated useful life of 10 (ten) years commencing from the date of the application software is available for use over the best estimate of its useful economic life.
- e) Preliminary Expenses: If the entity has made a prepayment for the start-up, pre-opening, and pre-operating costs [IAS 38.9], that prepayment is recognised as an asset until the entity receives the related goods or services. The bank had incurred of preliminary expenses for cost of BDT 6,39,57,333 which was fully charged to the profit and loss account during the financial year 2014.

2.2.7 Investment properties

- a) Investment property is held to earn rentals or for capital appreciation or both and the future economic benefits that are associated with the investment property but not sale in the ordinary course of business.
- b) Investment property is accounted for under cost model in the financial statements. Accordingly, after recognition as an asset, the property is carried at its cost, less accumulated depreciation and impairment loss.

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2014

- c) Depreciation is provided on a reducing basis over the estimated life of the class of asset from the date of purchase up to the date of disposal.

2.2.8 Other assets

Other assets include all balance sheet accounts not covered specifically in other areas of the supervisory activity and such accounts may be quite insignificant in the overall financial condition of the Bank.

2.2.9 Securities purchased under re-sale agreement

Securities purchased under re-sale agreements are treated as collateralised lending and recorded at the consideration paid and interest accrued thereon. The amount lent is shown as an asset either as loans and advances to customers or loans to other Banks.

The difference between purchase price and re-sale price is treated as interest received and accrued evenly over the life of Repo agreement.

2.2.10 Receivables

Receivables are recognised when there is a contractual right to receive cash or another financial asset from another entity.

2.2.11 Inventories

Inventories measured at the lower of cost and net realisable value as per BAS-2 "Inventory".

2.2.12 Leasing

Leases are classified as finance leases whenever the 'terms of the lease' transfer substantially all the risks and rewards of ownership to the lessee as per BAS-17 "Leases". All other leases are classified as operating leases as per BAS-17 "Leases".

The Bank as lessor

Amount due from lessees under finance leases are recorded as receivables at the amount of the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

The Bank as lessee

Assets held under finance leases are recognised as assets of the Bank at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

2.2.13 Non-banking assets

There are no assets acquired in exchange for loan during the period of financial statements.

2.2.14 Reconciliation of inter-bank and inter-branch account

Accounts with regard to inter-bank (in Bangladesh and outside Bangladesh) are reconciled regularly and there are no material differences which may affect the financial statements significantly. Un-reconciled entries/balances in the case of inter-branch transactions as on the reporting date are not material.

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2014

2.3 Share capital

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets.

2.4 Statutory reserve

As per Banking Companies Act 1991, the Bank requires to transfer 20% of its current year's profit before tax to statutory reserve until such reserve equals to its paid up capital which is being complied with by Midland Bank Limited.

2.5 Revaluation reserve

When an asset's carrying amount is increased as a result of revaluation, the increase amount should be credited directly to equity under the head of revaluation surplus/ reserve as per BAS-16: "Property, Plant and Equipment". The tax effects on revaluation gain are measured and recognised in the financial statements as per BAS-12: Income Taxes. During the financial year, the Bank did not revalued of its land and buildings.

2.5.1 Minority interest in subsidiaries

Minority interest in business is an accounting concept that refers to the portion of a subsidiary corporation's stock that is not owned by the parent corporation. The magnitude of the minority interest in the subsidiary company is always less than 50% of outstanding shares, else the corporation would cease to be a subsidiary of the parent. Minority interest belongs to other investors and is reported on the consolidated balance sheet of the owning company to reflect the claim on assets belonging to other, non-controlling shareholders. Also, minority interest is reported on the consolidated income statement as a share of profit belonging to minority shareholders. During the financial year, the Bank has no subsidiary company.

2.5.2 Share premium

Share premium is the capital that the Bank raises upon issuing shares that is in excess of the nominal value of the shares. The share premium may be applied by the Bank in paying up unissued shares to be allotted to members as fully paid bonus shares or writing-off the preliminary expenses of the Bank or the expenses of or the commission paid or discount allowed on, any issue of shares or debentures of the Bank or in providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the Bank. Share premium is showing in accounts after deduction of income tax on share premium as per Finance Act 2014. The Bank did not issue any share to general public as it is not fall due to issue such shares to the general public in the form of IPO.

2.6 Deposits and other accounts

Deposits by customers and Banks are recognised when the Bank enters into contractual provisions of the arrangements with the counterparties, which is generally on trade date, and initially measured at the consideration received.

2.7 Borrowings from other Banks, Financial Institutions and Agents

Borrowed funds include call money deposits, borrowings, re-finance borrowings and other term borrowings from Banks, Financial Institutions and Agents. These are stated in the balance sheet at amounts payable. Interest paid/ payable on these borrowings is charged to the profit and loss account.

Disclosures of borrowings against Repo are shown in notes 6.3.i to 6.3.iii.

2.8 Basis for valuation of liabilities and provisions

2.8.1 Provision for current taxation

Provision for current income tax has been made as per prescribed rate in the Finance Act 2014 on the accounting profit made by the Bank after considering some of the add backs to income and disallowances of expenditure as per income tax laws in compliance with BAS-12 " Income Taxes".

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2014

2.8.2 Deferred Tax

Deferred tax is accounted for in accordance with BAS 12: "Income Taxes". Deferred tax normally results in a liability being recognised within the Statement of Financial Position. BAS 12 defines a deferred tax liability as being the amount of income tax payable in future periods. Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis. Currently the Bank has recognised BDT 537,216 as deferred tax liability in its books of account (note 12.4).

2.8.3 Benefits to the employees

The retirement benefits accrued for the employees of the Bank as on reporting date have been accounted for in accordance with the provisions of Bangladesh Accounting Standard-19, "Employee Benefit". Bases of enumerating the retirement benefit schemes operated by the Bank are outlined below:

a) Provident Fund

Provident Fund benefits are given to the permanent employees of the Bank in accordance with Bank's Service Rules. Accordingly, the Bank appointed a consultant for preparation a Trust Deed and Provident Fund Rules and obtain approval from the Commissioner of Income Tax as a recognised provident fund within the meaning of section 2(52), read with the provisions of part - B of the First Schedule of Bangladesh Income Tax Ordinance 1984. The Fund is operated by a Board of Trustees consisting six members (06 members from management and other 01 member from the Board of Directors) of the Bank. All confirmed employees of the Bank are contributing 10% of their basic salary as subscription to the Fund. The Bank also contributes equal amount of the employees' contribution. Interest earned from the investment is credited to the members' account on yearly basis as per audited financial statements of the Fund.

b) Gratuity fund

The Bank operates a Gratuity Fund scheme on "Continuing Fund Basis", in respect of which provision is made annually which is covering all its permanent eligible employees in accordance with Bank Service Rules. Accordingly, the Bank appointed a consultant for preparation a Trust Deed and Gratuity Fund Rules and get approval from the Commissioner of Income Tax as a recognised Gratuity fund within the meaning of Para 2,3 and 4, read with the provisions of Part - C of the First Schedule of Bangladesh Income Tax Ordinance 1984. The Fund is operated by a Board of Trustees consisting six members (06 members from management and other 01 member from the Board of Directors) of the Bank. Valuation of gratuity scheme has been made to assess the adequacy of the liabilities provided for the scheme as per BAS-19 "Employees Benefit".

c) Welfare fund

Midland Bank's employees' welfare fund is subscribed by monthly contribution of the employees. The Bank also contributes to the Fund in accordance with Bank Service Rules. The Fund has been established to provide medical support and coverage in the event of accidental death or permanent disabilities of the employees. Disbursement of loan from the fund will be done as per rules for employees' welfare fund. Retirement benefit are also provided from this fund.

Midland Bank Limited
Notes to Financial Statements
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d) **Incentive bonus**

The Bank is giving incentive bonus to the employees in every year. This bonus amount is being distributed among the employees based on their performance. The bonus amount is paid annually, normally first month of every following year and the costs are accounted for in the period to which it relates.

2.8.4 Provision for liabilities

A provision is recognised in the balance sheet when the Bank has legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligations, in accordance with the BAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

2.8.5 Provision for off-balance sheet exposure

Off-balance sheet items have been disclosed under contingent liabilities and other commitments as per Bangladesh Bank guidelines. As per BRPD Circular # 14, dated September 23, 2012, banks are advised to maintain provision @1% against off-balance sheet exposure (L/C and Guarantee) in addition to the existing provisioning arrangement.

2.8.6 Provision for nostro accounts

As per instructions contained in the circular letter no. FEPD (FEMO)/ 01/ 2005-677 dated 13 September 2005 issued by Foreign Exchange Policy Department of Bangladesh Bank, provision is to be maintained the un-reconciled debit balance of nostro account more than 3 months as on the reporting date in these financials. Since there is no un-reconciled entries which are outstanding more than 3 months provision has not been made in the reporting year.

2.9 Revenue recognition

2.9.1 Interest income

In terms of the provisions of the BAS-18 "Revenue", the interest income is recognised on accrual basis. Interest on loans and advances ceases to be taken into income when such advances are classified. It is then kept in interest suspense. After the loans are classified as bad, interest ceases to apply and recorded in a memorandum account. Interest on classified advances is accounted for on a cash receipt basis.

2.9.2 Investment income

Interest income on investment is recognised on accrual basis. Capital gain on investments in shares is also included in investment income. Capital gain is recognised when it is realised.

2.9.3 Fees and commission income

Fees and commission income arising on services provided by the Bank are recognised on a cash basis. Commission charged to customers on letters of credit and letters of guarantee is credited to income at the time of effecting the transactions.

2.9.4 Dividend income on shares

Dividend income on shares is recognised during the period in which it is declared and ascertained.

2.9.5 Interest paid and other expenses

In terms of the provisions of BAS-1 "Presentation of Financial Statements" interest and other expenses are recognised on accrual basis.

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2014

2.9.6 Dividend payments

Interim dividend is recognised when they are paid to shareholders. Final dividend is recognised when it is approved by the shareholders. The proposed dividend has not been recognised as a liability in the balance sheet in accordance with the BAS-10 : Events After the Reporting Period.

Dividend payable to the shareholders is recognised as a liability and deducted from the shareholders' equity in the period in which the shareholders' right to receive payment is established.

2.10 Risk management

The risk of Midland Bank Limited is defined as the possibility of losses, financial or otherwise. The risk management of the Bank covers core risk areas of banking viz. credit risk, liquidity risk, market risk that includes foreign exchange risk, interest rate risk, equity risk, operational risk and reputation risk arising from money laundering incidences. The Midland objective of the risk management is that the Bank evaluates and takes well calculative business risks and thereby safeguards the Bank's capital, its financial resources and profitability from various business risks through its own measures and through implementing Bangladesh Bank's guidelines and following some of the best practices as under:

2.10.1 Credit risk

It arises mainly from lending, trade finance, leasing and treasury businesses. This can be described as potential loss arising from the failure of a counter party to perform as per contractual agreement with the Bank. The failure may result from unwillingness of the counter party or decline in his/ her financial condition. Therefore, the Bank's credit risk management activities have been designed to address all these issues.

The Bank has segregated duties of the officers/ executives involved in credit related activities. A separate Corporate Division has been formed at Head Office which is entrusted with the duties of maintaining effective relationship with the customers, marketing of credit products, exploring new business opportunities, etc. Moreover, credit approval, administration, monitoring and recovery functions have been segregated. For this purpose, two separate divisions have been formed within the credit division. These are (a) Credit Risk Management Division (CRMD) and (b) Credit Administration Division (CAD). Credit Risk Management Division is entrusted with the duties of maintaining asset quality, assessing risk in lending to a particular customer, sanctioning credit, formulating policy/ strategy for lending operation, etc. Adequate provision has been made on unclassified loans is shown in note 12.1 and no provision has been made on classified loans as the bank has no classified loans during the reporting year.

A thorough assessment is done before sanction of any credit facility at Credit Risk Management Division. The risk assessment includes borrower risk analysis, financial analysis, industry analysis, historical performance of the customer, security of the proposed credit facility, etc. The assessment process at Head Office starts at Corporate Division by the Relationship Manager/ Officer and ends at Credit Risk Management Division when it is approved/ declined by the competent authority. Credit approval authority has been delegated to the individual executives. Proposals beyond their delegation are approved/ declined by the Executive Committee and/ or the Management of the Bank. Concentration of credit risk is shown in note 7.5.

In determining Single borrower/ Large loan limit, the instructions of Bangladesh Bank are strictly followed. Internal audit is conducted at periodical intervals to ensure compliance of Bank's and Regulatory policies. Loans are classified as per Bangladesh Bank's guidelines. Concentration of single borrower/ large loan limit is shown in note 7.7.

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2.10.2 Market risk

The exposure of market risk of the Bank is restricted to foreign exchange risk, interest rate risk and equity risk.

Foreign exchange risk

Foreign exchange risk is defined as the potential change in earnings due to change in market prices. The foreign exchange risk of the Bank is minimal as all the transactions are carried out on behalf of the customers against underlying L/C commitments and other remittance requirements. No foreign exchange dealing on Bank's account was conducted during the year.

Treasury Department independently conducts the transactions and the back office of treasury is responsible for verification of the deals and passing of their entries in the books of account. All foreign exchange transactions are revalued at Mark-to-Market rate as determined by Bangladesh Bank at the month-end. All Nostro accounts are reconciled on a monthly basis and outstanding entry beyond 30 days is reviewed by the management for its settlement. The position maintained by the Bank at the end of day was within the stipulated limit prescribed by Bangladesh Bank.

Interest rate risk

Interest rate risk may arise either from trading portfolio or non-trading portfolio. The trading portfolio of the Bank consists of Government treasury bills of 28 days maturity. The short-term movement in interest rate is negligible or nil. Interest rate risk of non-trading business arises from mismatches between the future yield of an asset and its funding cost. Asset Liability Committee (ALCO) monitors the interest rate movement on a regular basis.

Equity risk

Equity risk arises from movement in market value of equities held. The risks are monitored by Investment Committee under a well-designed policy framework. The market value of equities held was, however, lower than the cost price at the balance sheet date.

2.10.3 Liquidity risk

The object of liquidity risk management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due. To this end, the Bank is maintaining a diversified and stable funding base comprising of core retail and corporate deposits and institutional balance (note - 4). Management of liquidity and funding is carried out by Treasury Division under approved policy guidelines. Treasury front office is supported by a very structured Mid office and Back office. The Liquidity management is monitored by Asset Liability Committee (ALCO) on a regular basis.

2.10.4 Reputation risk arising from money laundering incidences

Money laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering. For mitigating the risks, the Bank has a designated Chief Compliance Officer at Head Office and Compliance Officers at branches, who independently review the transactions of the accounts to verify suspicious transactions. Manuals for prevention of money laundering have been established and transaction profile has been introduced. Training is continuously given to all categories of Officers and Executives for developing awareness and skill for identifying suspicious activities/ transactions.

2.10.5 Operational risk

Operational risk may arise from error and fraud due to lack of internal control and compliance. Management controls the operational procedure of the Bank through Internal Control and Compliance Division. Internal Control and Compliance Division undertakes periodical and special audit of the branches and divisions at the Head Office for review of the operation and compliance of statutory requirements. The Audit Committee of the Board subsequently reviews the reports of ICCD and given their suggestions and guidelines time to time for strengthening the operational procedure of the Bank.

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2014

2.10.6 Audit committee disclosures

The Audit Committee of the Board was duly formed by the Board of Directors of the Bank in accordance with the BRPD Circular no. 11, dated 27 October 2013 of Bangladesh Bank.

In consistence with the Bank Company Act 2013 (Amendment) and relevant circulars of regulatory bodies, the Audit Committee is constituted with the following 5 (Five) members of the Board.

SI No.	Name	Status with Bank	Status with Committee
i)	Dr. Kazi Shahidullah	Director	Chairman
ii)	Al-haj Mohammed Issa Badsha	Director	Member
iii)	Mr. Md. Wahid Mia	Director	Member
iv)	Mr. Md. Shamsuzzaman	Director	Member
v)	Mr. Md. Motaleb Hossain	Director	Member

During the year 2014, the Audit Committee of the Board conducted 4 (Four) meetings in which the important issues were discussed/ reviewed:

- i) inspection reports of branches/ Head Office conducted by Bank's internal inspection team;
- ii) financial statements of the Bank;
- iii) status of compliance of different rules and regulations.

2.10.7 Risk management committee disclosures

The Board of Directors constituted with the following 5 (Five) members Risk Management Committee of the Board, the third Committee of the Board besides the Executive Committee and the Audit Committee in consistence with Bank Company Act 2013 (Amendment) and it is also comply with the BRPD Circular no. 11, dated 27 October 2013.

SI No.	Name	Status with Bank	Status with Committee
i)	Mr. Md. Shamsuzzaman	Director	Chairman
ii)	Mr. Ahsan Khan Chowdhury	Director	Member
iii)	Mr. Mohammad Jamal Ullah	Director	Member
iv)	Mr. Md. Belal Hossain	Director	Member
v)	Mrs. Luna Sharker	Director	Member

The Risk Management Committee of the Board has formed soon after the Central Bank's instruction issued in 27 October 2013. The Committee conducted 4 (Four) meetings during the year where the following important issues were discussed/ reviewed:

- i) Determine risk management framework, policy formulation, supervision techniques and above all continuous training;
- ii) Drawing appropriate TOR for the Committee in conformity with the Bank Company Act and Central Bank guidelines, considering the objectives of the Committee, experience and professional personnel with proper job description to be assigned the responsibilities;

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- iii) Constituted the Management Committee on core Risk Management. The Management Committee will use check list/ questionnaires to ascertain the effectiveness of the mitigation of tools and gaps thereof and they will update the check list/ questionnaires and taking appropriate actions as and when required;
- iv) Monitoring of large loans should be increased, insurance coverage and documentation of other collateral should be in order so that risks can be covered. Management should increase lending to SMEs in order to reduce effect of shock on Capital Adequacy;
- v) Recovery drives to be strengthened for negative shift of NPL categories. Management should also take appropriate steps to bring the NPL ratio at minimum level;
- vi) ALCO should monitor the liquidity and FX risks to keep the shock at bare minimum;
- vii) Management should get the rating done by the borrowers as per decision taken by the Board and quarterly report should be submitted regarding the progress of rating to the Risk Management Committee of the Board;
- viii) IT Risk Management and Information Security are very important now a day for the Bank. Experience and technical personnel should be appointed so that it can function properly. The activity report of the Department along with the compliance status of Central Bank's guidelines should be submitted to the Risk Management Committee of the Board on quarterly basis;
- ix) The Management Committee advised to incorporate of appropriate clause/ provision in the relevant sanction advice to the effect that Bank's auditors/ internal audit team would periodically visit for review of the operation of business under its financing.

2.11 Earnings per share (EPS)

Basic earnings per share

Basic earnings per share has been calculated in accordance with BAS 33 "Earnings Per Share" which has been shown on the face of the profit and loss account. This has been calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share

No diluted earnings per share is required to be calculated for the year as there was no bonus or right shares issued during the year under review.

2.12 Events after the reporting period

Where necessary, all the material events after the reporting period have been considered and appropriate adjustment/ disclosures have been made in the financial statements.

2.13 Directors' responsibility on financial statements

The Board of Directors takes the responsibility for the preparation and presentation of these financial statements.

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2.14 Memorandum items

Memorandum items are maintained to have controlled over all items of importance and for such transactions where the Bank has only a business responsibility and no legal commitment. Bills for collection, savings certificates, wage earners bonds and other fall under the memorandum items. However, Bills for Collection is shown under contingent liabilities as per Bangladesh Bank's reporting format.

2.15 Related party transaction

Related party transaction is a transfer of resources, services or obligation between related parties, regardless of whether a price is charged.

2.15.1 Related party disclosures

A party is related to the company if:

- i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the company; has an interest in the company that gives it significant influence over the company; or has joint control over the company;
 - ii) the party is an associate;
 - iii) the party is a joint venture;
 - iv) the party is a member of the key management personnel of the company or its parent;
 - v) the party is a close member of the family of any individual referred to in (i) or (iv);
 - vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
 - vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the company.
- a) Significant contracts where the Bank is a party and wherein Directors have interest:

Name of contract	Name of party	Name of director and related by	Relationship
Lease agreement with Midland Bank Limited	Hong Kong Shanghai Tower	Mrs. Nilufer Zafarullah	Director

- b) Related party transactions:

Name of related party	Relationship	Nature of transaction	Amount
Hong Kong Shanghai Tower	Common Director	Rent of house	23,060,766

2.16 Information about business and geographical segments

Segmental information is presented in respect of Midland Bank Limited.

Business segments

Business segments report consists of products and services whose risks and returns are different from those of other business segments.

Midland Bank Limited
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Geographical segments

Geographical segments report consists of products and services within a particular economic environment where risks and returns are different from those of other economic environments.

Inter-segment transactions are generally based on inter-branch fund transfer measures as determined by the management. Income, expenses, assets and liabilities are specifically identified with individual segments.

2.17 Compliance report on Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS)

The Institute of Chartered Accountants of Bangladesh (ICAB) is the sole authority for adoption of Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS). While preparing the financial statements, Midland Bank applied all the applicable BAS and BFRS as adopted by ICAB. Details are given below:

Name of the BAS	BAS no	Status
Presentation of Financial Statements	1	Applied *
Inventories	2	Applied
Statement of Cash Flows	7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	8	Applied
Events after the Reporting Period	10	Applied
Construction Contracts	11	N/A
Income Taxes	12	Applied
Property, Plant and Equipment	16	Applied
Leases	17	Applied
Revenue	18	Applied
Employee Benefits	19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	20	N/A
The Effects of Changes in Foreign Exchange Rates	21	Applied
Borrowing Costs	23	Applied
Related Party Disclosures	24	Applied
Accounting and Reporting by Retirement Benefit Plans	26	N/A **
Consolidated and Separate Financial Statements	27	N/A
Investments in Associates	28	N/A
Interests in Joint Ventures	31	N/A
Financial Instruments: Presentation	32	Applied *
Earnings per Share	33	Applied
Interim Financial Reporting	34	Applied ***
Impairment of Assets	36	Applied
Provisions, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied
Financial Instruments: Recognition and Measurement	39	Applied *
Investment Property	40	Applied
Agriculture	41	N/A

Midland Bank Limited
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Name of the BFRS	BFRS no.	Status
First Time Adoption	1	N/A
Share Based Payment	2	N/A
Business Combinations	3	N/A
Insurance Contract	4	N/A
Non-current Assets Held for Sale and Discontinued Operations	5	N/A
Exploration for and Evaluation of Mineral Resources	6	N/A
Financial Instruments: Disclosure	7	Applied
Operating Segments	8	Applied
Consolidated Financial Statements	10	N/A
Joint Arrangement	11	N/A
Disclosure of Interest in other entities	12	N/A
Fair Value Measurement	13	Applied

N/A = Not Applicable

* In order to comply with certain specific rules and regulations of the local Central Bank (Bangladesh Bank) which are different to BAS/BFRS, some of the requirements specified in these BAS/BFRSs are not applied. Refer below for such recognition and measurement differences that are most relevant and material to the Bank.

** This Standard regards a retirement benefit plan as a reporting entity separate from the employers of the participants in the plan. Therefore, it is not applicable for the Bank's annual report as it is the employer and not the retirement benefit plan itself.

*** The objective of BAS 34 is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements for an interim period and hence it is not applicable for annual financial statements. However, the Bank is not a listed entity in Dhaka and Chittagong Stock Exchanges, but it is complying with BAS 34 regularly publishes the Interim Financial Report.

New and amended standards adopted by the Bank

There are no new standards, amendments to standards and interpretations that are effective for the first time for the financial year ended 31 December 2014 that have a significant impact on the Bank.

New and amended standards and interpretations not yet adopted by the Bank

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning from 1 January 2014 or later, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank. Although International Accounting Standards Board (IASB) has issued a new standard (IFRS 9) along with related amendments to existing standards (IAS/BAS 32, 39) but none of these have been adopted and/ or endorsed locally as BAS/ BFRS and as such any possible impact could not be determined.

Difference between BAS/ BFRS and Bangladesh Bank Regulation:

Provision for loans and advances

BAS/ BFRS: As per BAS 39 an entity should start the impairment assessment of loans and advances by considering whether objective evidence of impairment exists for those loans that are individually significant.

Midland Bank Limited
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loans and advances which are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis. Such provision shall be netted off against loans and advances.

As per BRPD Circular no. 14 and 15 dated 23 September 2012 and BRPD Circular no. 19 dated 27 December 2012, a general provision at 0.25% to 1% under different categories of unclassified loans (standard/ SMA loans) should be maintained regardless of objective evidence of impairment. And, specific provision for sub-standard loans, doubtful loans and bad losses should be provided at 20%, 50% and 100% respectively for loans and advances depending on the duration of overdue. Also, a general provision at 1% should be provided for all off-balance sheet exposure. Such provision policies are not specifically in line with those prescribed by BAS 39. Also for disclosure such provision shall be shown as liability as opposed to netting off against loans and advances.

Repo and reverse repo transaction of Government securities (i.e. treasury bills and bonds)

BAS/ BFRS: When an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (REPO), the arrangement is accounted for as a deposit as opposed to a sale, and the underlying asset continues to be recognised in the entity's financial statements. Such transaction do not satisfy derecognition criteria specified in BAS 39. Same rule applies to the opposite side of the transaction (Reverse REPO).

“As per Bangladesh Bank circulars/ guidelines, when a bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (REPO), the arrangement is accounted for as a normal sales transactions and the financial assets should be derecognised in the seller's book and recognised in the buyer's book.”

Cash and cash equivalents

BAS/ BFRS: As per BAS 7 cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Therefore, some items like Balance with Bangladesh Bank on account of CRR/ SLR are not part of cash and cash equivalent as those are not readily available.

As per Bangladesh Bank circulars/ guidelines, balance with Bangladesh Bank is part of cash and cash equivalent regardless of any restriction.

Midland Bank Limited
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	2014 BDT	2013 BDT
3. Cash		
Cash in hand (note 3.1)	107,099,541	65,876,812
Balance with Bangladesh Bank and its agent Bank (s) (note 3.2)	398,626,393	217,599,005
	505,725,934	283,475,817
3.1 Cash in hand		
In local currency	105,511,405	65,108,812
In foreign currencies	1,588,136	768,000
	107,099,541	65,876,812
3.2 Balance with Bangladesh Bank and its agent bank (s)		
Balance with Bangladesh Bank:		
In local currency	389,059,049	205,356,447
In foreign currencies	9,567,344	12,242,558
	398,626,393	217,599,005
Sonali Bank Limited (as an agent bank of Bangladesh Bank) - local currency	-	-
	398,626,393	217,599,005
3.3 Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)		

Cash reserve ratio and statutory liquidity ratio have been calculated and maintained in accordance with section 25 & 33 of the Banking Companies Act 1991 and Bangladesh Bank dated December 01, 2010 and MPD's circular no. 05, dated June 23, 2014.

The statutory cash reserve ratio is required on the Bank's time and demand liabilities at the rate of 6.5% and has been calculated and maintained with Bangladesh Bank in current account while statutory liquidity ratio of 19.5% is required, including cash reserve ratio, on the same liabilities is also maintained in the form of treasury bills, bonds and debentures including foreign currency balance with Bangladesh Bank. During the year Bangladesh Bank has charged an amount of BDT 1,490 as penalty for CRR shortfall. Both the reserves are maintained by the Bank in excess of the statutory requirements, as shown below:

(a) Cash reserve ratio (CRR)

As per Bangladesh Bank MPD Circular No. 04 dated December 01, 2010 and June 23 2014. Bank has to maintain CRR @ 6.5% on fortnightly cumulative average basis and minimum CRR @ 6% on daily basis.

Daily position as on the reporting date

Required reserve	367,433,963	146,921,110
Actual reserve maintained	384,706,883	205,356,447
Surplus/ (Deficit)	17,272,920	58,435,337

(b) Statutory liquidity ratio (SLR)

Required reserve (19.5% of total time and demand liabilities)	734,867,926	465,250,190
Actual reserve maintained	1,719,667,391	704,684,791
Surplus/ (Deficit)	984,799,465	239,434,601
Total Required Reserve	1,102,301,889	612,171,300
Actual Reserve held	2,104,374,274	910,041,239
Total surplus	1,002,072,385	297,869,939

(c) Components of statutory liquidity ratio (SLR)

Cash in hand	103,566,905	65,876,812
Balance with Bangladesh Bank	-	217,599,005
Excess reserve of CRR	17,272,920	-
Government securities	1,598,827,566	421,208,974
Surplus	1,719,667,391	704,684,791

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	2014 BDT	2013 BDT
4. Balance with other banks and financial institutions		
In Bangladesh (note 4.1)	4,264,347,964	4,495,371,590
Outside Bangladesh (note 4.2)	268,021,404	798,438
	4,532,369,368	4,496,170,028
4.1 In Bangladesh		
Current Account		
Mutual Trust Bank Limited	-	9,111
Standard Bank Limited	141,042	-
Trust Bank Limited	826,781	412,304
The Premier Bank Limited	588,282	-
	1,556,105	421,415
Special notice deposit		
Mercantile Bank Limited	2,805,098	591,904,693
Prime Bank Limited	416,025	253,045,482
Eastern Bank Limited	9,570,736	-
	12,791,859	844,950,175
Fixed Deposit Receipt (FDR)		
National Bank of Pakistan	300,000,000	150,000,000
Pubali Bank Limited	300,000,000	300,000,000
Agrani Bank Limited	400,000,000	300,000,000
Janata Bank Limited	-	400,000,000
The City Bank Limited	-	300,000,000
Sonali Bank Limited	-	300,000,000
Rupali Bank Limited	-	300,000,000
Bangladesh Commerce Bank Limited	-	150,000,000
Union Capital Limited	200,000,000	100,000,000
Prime Finance and Investment Limited	50,000,000	150,000,000
Lanka Bangla Finance Limited	350,000,000	200,000,000
First Finance Limited	300,000,000	150,000,000
Fareast Finance and Investment Limited	250,000,000	200,000,000
People's Leasing and Finance Services Limited.	600,000,000	150,000,000
National Finance Limited	-	100,000,000
United Leasing Company Limited	-	200,000,000
GSP Finance Company Limited	250,000,000	-
Reliance Finance Limited	300,000,000	-
Uttara Finance and Investments Limited	200,000,000	200,000,000
Industrial and Infrastructure Development Finance Limited	200,000,000	-
Bangladesh Industrial Finance Company Limited	200,000,000	-
Premier Leasing and Finance Limited	250,000,000	-
FAS Finance Limited	100,000,000	-
	4,250,000,000	3,650,000,000
	4,264,347,964	4,495,371,590
4.2 Outside Bangladesh (NOSTRO accounts)		
In current account		
AB Bank Limited, Mumbai branch	3,407,111	38,097
United Bank of India	17,149	3,889
Axix Bank Limited	44,763	276

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	2014 BDT	2013 BDT
National Bank of Pakistan	25,840	-
Mashreq Bank Psc, NY	194,958,005	756,176
Mashreq Bank Psc, United Kingdom	30,619,836	-
Mashreq Bank Psc, United Kingdom	38,948,700	-
	268,021,404	798,438
Details are shown in Annex A.		
4.3 Maturity grouping of balance with other banks and financial institution		
On demand	1,588,369,368	846,170,028
Less than three months	932,000,000	1,950,000,000
More than three months but less than one year	2,012,000,000	1,150,000,000
More than one year but less than five years	-	550,000,000
More than five years	-	-
	4,532,369,368	4,496,170,028
5. Money at call on short notice	-	-
6. Investments		
Government securities (note 6.1)	1,985,905,067	421,208,973
Other investments (note 6.2)	1,000,000,000	100,000,000
	2,985,905,067	521,208,973
Investment classified as per Bangladesh Bank circular		
Held to Maturity (HTM)	512,677,317	312,038,264
Held for Trading (HFT)	1,473,227,750	109,170,709
Others investments	1,000,000,000	100,000,000
	2,985,905,067	521,208,973
6.1 Government securities		
Treasury bills (at present value)		
Un-encumbered		
28 days	-	-
91 days	-	-
182 days	88,680,825	109,111,210
364 days	431,978,014	99,655,591
5 Years	-	192,395,124
	520,658,839	401,161,925
Encumbered		
91 days	78,773,050	-
182 days	77,306,281	-
364 days	111,229,274	-
Sub-total	267,308,605	-
Total Treasury bills (A)	787,967,444	401,161,925
Treasury bonds		
Un-encumbered		
05 Years	319,049,475	-
10 Years	701,735,958	9,987,548
15 Years	10,006,757	-
20 Years	47,308,037	10,000,000
Sub-total	1,078,100,227	19,987,548

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	2014 BDT	2013 BDT
Encumbered		
2 Years	20,052,185	-
5 Years	20,079,550	-
10 Years	-	-
15 Years	39,896,170	-
20 Years	39,740,991	-
Sub-total	119,768,896	-
Total Treasury bonds (B)	1,197,869,123	19,987,548
Prize bonds (at face value)	68,500	59,500
Sub-total (A+B)	1,985,905,067	421,208,973
6.2 Other investments		
Shares in quoted companies	-	-
Shares in unquoted companies (at face value) :		
Regent Energy and Power Limited	150,000,000	-
Bond, debenture and commercial papers:		
Convertible coupon bonds - BSRM	200,000,000	-
AB Bank Ltd subordinated bonds	200,000,000	-
Trust Bank Ltd subordinated bonds	250,000,000	-
Advance Chemical Industries Limited - commercial paper	-	100,000,000
Shanta Properties Limited - commercial paper	200,000,000	-
	850,000,000	100,000,000
Sub Total	1,000,000,000	100,000,000
Total	2,985,905,067	521,208,973

6.3 (i) Statutory disclosure regarding outstanding Repo

Assets pledged as security for liabilities as at December 31, 2014 is BDT 746,59,77,276 of treasury bills and bonds against Re-purchase Agreement. Details are as under:

Counterparty name	Agreement date	Reversal date	"Amount (1st leg cash consideration)"
A. Bangladesh Bank (Liquidity Support)	30-Dec-14	1-Jan-15	352,000,000
B. Bangladesh Bank (Repo)	-	-	-
C. Standard Bank Limited	20-Dec-14	1-Jan-15	325,470,444
D. Eastern Bank Limited	20-Dec-14	1-Jan-15	200,388,326
E. Jamuna Bank Limited	20-Dec-14	1-Jan-15	372,344,918
F. Rupali Bank Limited	20-Dec-14	1-Jan-15	1,491,653,734
Total			2,741,857,422

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2014
BDT

2013
BDT

(ii) Disclosure regarding overall transaction of Repo and Reverse Repo

Counterparty name	"Minimum outstanding during the year"	"Minimum outstanding "	Daily average outstanding during the year
Securities sold under Repo:			
i) With Bangladesh Bank	-	-	-
ii) With other Banks and financial institutions	503,944,444	2,389,857,422	151,829,360
Securities purchased under reverse Repo:			
i) With Bangladesh Bank	-	-	-
ii) With other Banks and financial institutions	-	-	-

(iii) There is no outstanding Reverse Repo as at 31 December 2014 with the Bank.

6.4 Maturity grouping of investment as follows:

On demand	68,500	59,500
Up to one month	143,200,000	109,111,210
Less than three months	64,300,000	99,655,591
More than three months but less than one year	516,700,000	292,395,124
More than one year but less than five years	941,800,000	-
More than five years	1,319,836,567	19,987,548
	2,985,905,067	521,208,973

7. Loans and advances

Loans, cash credits, overdrafts, etc (note 7.1)	6,384,418,036	1,780,487,752
Bills purchased and discounted (note 7.2)	115,560,958	50,944,102
	6,499,978,994	1,831,431,854

7.1 Loans, cash credits, overdrafts, etc

In Bangladesh

Term loan	2,025,761,067	1,100,168,835
Overdraft	1,707,873,788	427,735,027
Time loan	1,042,554,633	75,120,439
Cash credit	494,120,412	57,950,203
Trust receipt	988,685,768	34,423,127
Consumer loan	9,912,644	291,075
Payment against documents (PAD)	-	2,848,770
Packing credit	3,855,341	-
Staff loan	105,780,628	81,950,276
Other loans and advances	5,873,755	-
	6,384,418,036	1,780,487,752

Outside Bangladesh

	-	-
	6,384,418,036	1,780,487,752

Midland Bank Limited
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For the year ended 31 December 2014

	2014 BDT	2013 BDT
7.2 Bills purchased and discounted		
Payable in Bangladesh	87,267,053	50,944,102
Payable outside Bangladesh	28,293,905	-
	115,560,958	50,944,102
7.3 Net loans and advances		
Gross loans and advances (note 7)	6,499,978,994	1,831,431,854
Less: Interest suspense	-	-
Less: Provision for loans and advances - general provision	62,554,766	16,057,765
	62,554,766	16,057,765
	6,437,424,228	1,815,374,089
7.4 Residual maturity grouping of loans and advances		
Repayable on demand	302,778,994	2,848,770
Not more than three months	707,400,000	163,152,895
More than three months but less than one year	3,412,900,000	535,122,694
More than one year but less than five years	1,441,700,000	875,281,238
More than five years	635,200,000	255,026,257
	6,499,978,994	1,831,431,854
7.5 Concentration of loans and advances		
(a) Loans and advances to institutions in which the Directors of the bank have interest	-	-
(b) Advances to managing director and other senior executives	105,780,628	81,950,276
(c) Advances to industries		
Agriculture	20,800,000	-
RMG	329,100,000	185,900,000
Textile	68,400,000	-
Ship breaking	186,400,000	-
Other manufacturing industry	2,248,800,000	204,200,000
SME loans	1,212,000,000	211,200,000
Construction	-	2,600,000
Power and gas	102,100,000	-
Transport, storage and communication	602,700,000	259,700,000
Trade service	300,500,000	56,500,000
Commercial real estate financing	220,700,000	-
Residential real estate financing	79,600,000	8,100,000
Consumer credit	9,100,000	-
Capital market	508,800,000	-
NBFIs	259,000,000	739,300,000
Others	246,198,366	81,981,578
	6,394,198,366	1,749,481,578
	6,499,978,994	1,831,431,854

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2014

	2014 BDT	2013 BDT
7.6 Classification of loans, advances and lease/ investments		
Unclassified		
Standard	6,499,978,994	1,831,431,854
Special mention account	-	-
Sub total	6,499,978,994	1,831,431,854
Classified		
Substandard	-	-
Doubtful	-	-
Bad/Loss	-	-
Sub total	-	-
Total	6,499,978,994	1,831,431,854

7.7 Details of large loans and advances

Number of borrowers with outstanding amount of loans exceeding 10% of total capital of the Bank and classification status thereof. Total capital of the Bank is BDT 412.20 crore as at 31 December 2014 (BDT 403.40 crore in 2013).

Number of clients	16	2
Outstanding advances (BDT)	3,811,668,538	365,685,452

SI No.	Name of clients	Status	Outstanding (BDT)		Total (BDT)
			Funded	Non-funded	
01	Nitol Motors Limited	UC	253,163,329	12,445,416	265,608,745
02	Bangla Trac Communication Ltd.	UC	-	250,000,000	250,000,000
03	Igloo Foods Limited	UC	31,112,885	16,241,883	47,354,768
04	Igloo Dairy Limited	UC	-	-	-
05	Zubair Spinning Mills	UC	-	-	-
06	Kazi Firm Ltd & Kazi Media Ltd	UC	182,704,387	-	182,704,387
07	Zon Ron Sweater Limited	UC	11,888,785	30,114,720	42,003,505
08	Rangs Group	UC	286,761,444	45,798,000	332,559,444
09	Abul Khair Group	UC	547,118,810	102,070,473	649,189,283
10	TK Group	UC	67,103,377	-	67,103,377
11	GPH Group	UC	395,527,752	-	395,527,752
12	Habib Group	UC	610,272,360	-	610,272,360
13	Adex Group	UC	309,289,955	37,136,444	346,426,399
14	Elite Group	UC	298,990,069	19,585,316	318,575,385
15	Sumi Apparels (pvt) Limited	UC	-	6,041,000	6,041,000
16	Navana Group	UC	276,662,311	21,639,821	298,302,132
	Total		3,270,595,465	541,073,073	3,811,668,538

Midland Bank Limited
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For the year ended 31 December 2014

2014
BDT

2013
BDT

7.8 Details of required provision for loans and advances

Particulars	Base for Provision	Rate	Provision	
			Required	Maintained
Unclassified (UC):				
Standard		"0.25%, 1%, 2% & 5%"	62,554,766	62,554,766
Special Mention Account (SMA)		0% & 5%	-	-
Sub total			62,554,766	62,554,766
Classified:				
Sub-standard		5% & 20%	-	-
Doubtful		5% & 50%	-	-
Bad loan		100%	-	-
Sub total			-	-
Total			62,554,766	62,554,766
Excess/ (Deficit) provision as at 31 December 2014				

7.9 Details of required provision for off balance sheet items

Required provision for off-balance sheet exposures
Total provision maintained (note 12.2)
Excess/ (Deficit) provision

12,633,807	1,578,813
12,633,807	1,578,813
-	-

7.10 Geographical location wise loans and advances

Inside Bangladesh
Urban
Dhaka division
Chittagong division

Rural

Dhaka division

Outside Bangladesh

4,011,529,518	1,645,445,176
2,002,186,442	185,986,678
6,013,715,960	1,831,431,854
486,263,034	-
-	-
6,499,978,994	1,831,431,854

7.11 Particulars of loans and advances

(i) Debts considered

good in respect of which the bank is fully secured

(ii) Debts considered good against which the bank holds
no security other than the debtors' personal guarantee

(iii) Debts considered good and secured by the personal
undertaking of one or more parties in addition to
the personal guarantee of the debtors

2,295,100,000	1,047,118,824
4,204,878,994	784,313,030
6,499,978,994	1,831,431,854
-	-

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2014

	2014 BDT	2013 BDT
(iv) Debts considered doubtful or bad, provision not provided for	-	-
(v) Debts due by directors or officers of the bank or any of them either separately or jointly with any other persons (staff Loan)	105,780,628	81,950,276
-	-	
(vi) Debts due from companies or firms in which the directors of the bank are interested as directors, partners or managing agents or, in case of private companies, as members	-	-
(vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the bank or any of them either separately or jointly with any other persons	-	-
(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	-	-
(ix) Due from other banking companies	-	-
(x) Amount of classified loans on which interest has not been charged:	-	-
a. i) (Decrease)/Increase in provision,	-	-
ii) amount of loan written off	-	-
iii) amount realised against loan previously written off;	-	-
b. Amount of provision kept against loan classified as ' bad/ loss'	-	-
c. Interest creditable to the interest suspense A/c;	-	-
(xi) Cumulative amount of loans written off	-	-
(xii) Amount of loans written off during the year	-	-
(xiii) The amount of written off loan for which law suit has been filed	-	-
8. Fixed assets including premises, furniture and fixtures		
Cost:		
Computer an peripherals	39,471,394	19,119,950
Furniture and fixtures	74,998,555	32,407,362
Office equipment	43,590,469	17,850,170
Motor vehicles	24,266,445	16,766,663
Books	14,810	4,500
Intangible assets	9,031,900	7,150,000
	191,373,573	93,298,644
Less: Accumulated depreciation	25,607,682	3,296,907
	165,765,891	90,001,737

Details are shown in **Annex B**

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2014

	2014 BDT	2013 BDT
9. Other assets		
Classification of other assets		
(A) Income generating other assets	-	-
(B) Non-income generating other assets		
Advance rent	143,211,921	123,138,744
Interest accrued on investment but not collected and other income receivable	179,991,547	85,580,266
Dividend receivable	11,050,001	-
Preliminary expenditure	-	63,957,333
Advance income tax (note 9.1)	69,944,760	20,343,017
Suspense account (note 9.2)	1,820,925	10,270,000
Advance subscription	2,079,158	945,962
Prepaid insurance	973,822	597,868
Stationery, stamps, printing materials in stock etc.	1,982,103	586,509
Sundry assets	5,758,748	4,061,594
Stamp in hand	190,730	99,930
Branch adjustment (note 9.3)	-	-
Clearing house adjustment	-	-
Total other assets	417,003,715	309,581,222
9.1 Advance income tax		
Opening balance	20,343,017	-
Add: Payment during the year	49,601,743	20,343,017
Closing balance	69,944,760	20,343,017
9.2 Suspense account		
Suspense account represents petty expenses for opening of new branch etc, awaiting for adjustment.		
9.3 Branch adjustment (net)		
Entries	No. of entries outstanding as on 31 December 2014	
Debit entries	-	-
Credit entries	-	-
	-	-
9.4 Classification of other asset		
Unclassified	417,003,715	309,581,222
Substandard	-	-
Doubtful	-	-
Bad loss	-	-
	417,003,716	309,581,222
10. Borrowings from other banks, financial institutions and agents		
In Bangladesh (note 10.1)	2,404,500,000	580,000,000
Outside Bangladesh	-	-
	2,404,500,000	580,000,000

Midland Bank Limited
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For the year ended 31 December 2014

	2014 BDT	2013 BDT
10.1 In Bangladesh:		
Borrowing from bank/ other institutions:		
BRAC Bank Limited	200,000,000	-
Uttara Bank Limited	-	300,000,000
Rupali Bank Limited	1,300,000,000	-
Janata Bank Limited	-	180,000,000
Agrani Bank Limited	100,000,000	100,000,000
Sonali Bank Limited	100,000,000	-
South Bangla Agriculture and Commerce Bank Limited	50,000,000	-
Dutch Bangla Bank Limited	300,000,000	-
	2,050,000,000	580,000,000
Repo of treasury bill/ bond		
Bangladesh Bank	352,000,000	-
Refinance from Bangladesh Bank	2,500,000	-
Total	2,404,500,000	580,000,000
10.2 Security against borrowing from other banks, financial institutions and agents		
Secured	-	-
Unsecured	2,404,500,000	580,000,000
	2,404,500,000	580,000,000
10.3 Maturity grouping of borrowing from other banks, financial institutions and agents		
On demand	1,550,000,000	580,000,000
Repayable within one month	500,000,000	-
More than one month but within six months	352,000,000	-
More than six months but within one year	-	-
More than one year but within five years	2,500,000	-
More than five year but within ten years	-	-
	2,404,500,000	580,000,000
11. Deposit and other accounts		
From Banks	-	-
From customers (note 11.1)	8,478,577,992	2,902,377,253
	8,478,577,992	2,902,377,253
11.1 Customer deposit and other accounts		
Current deposit and other accounts		
Current deposit	141,670,796	82,253,842
Foreign currency deposit	6,006,718	-
Sundry deposit	134,753,005	27,631,738
	282,430,519	109,885,580
Bills Payable :		
Payment order issued	72,610,022	13,090,253
Pay slip issued	-	-
Demand draft payable	-	-
	72,610,022	13,090,253

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2014

	2014 BDT	2013 BDT
Short notice deposit	365,061,737	91,861,088
Savings deposit	281,258,615	52,323,946
Fixed deposit	5,385,181,567	1,964,112,389
Schemes deposits :		
MDB super monthly savings	61,380,286	12,146,947
MDB double benefits	586,794,628	257,802,865
MDB family support	1,130,565,221	401,154,184
MDB corporate support	313,295,397	-
MDB special rural savings	-	-
	2,092,035,532	671,103,996
Total	8,478,577,992	2,902,377,253
11.2 Maturity grouping of deposit and other accounts		
On demand	1,548,600,000	644,492,414
Repayable within one month	2,017,640,000	513,790,000
More than one month but within three months	1,970,757,992	594,990,252
More than three months but within one year	1,245,840,000	626,724,587
More than one year but within five years	1,073,140,000	348,990,000
More than five year but within ten years	622,600,000	173,390,000
	8,478,577,992	2,902,377,253
11.3 Demand and time deposit		
Demand deposits		
Current deposit	141,670,796	82,253,842
Savings deposit	25,313,275	4,709,155
Foreign currency deposit (non interest bearing)	6,006,718	-
Sundry deposit	134,753,005	27,631,738
Bills payable	72,610,022	13,090,253
	380,353,816	127,684,988
Time deposits		
Saving deposit	255,945,340	47,614,792
Fixed deposit	5,385,181,567	1,964,112,389
Short notice deposit	365,061,737	91,861,088
Deposit under scheme	2,092,035,532	671,103,996
	8,098,224,176	2,774,692,265
Total demand and time deposits	8,478,577,992	2,902,377,253
11.4 Sectorwise deposits		
Government	249,443,000	6,177,000
Deposit money banks	-	-
Other public	537,718,000	103,650,000
Foreign currency	1,588,136	768,000
Private	7,689,828,856	2,791,782,253
	8,478,577,992	2,902,377,253

Note: In 2013, interest payable on deposits was shown in other liabilities which is now re-arranged.

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2014

	2014 BDT	2013 BDT
12. Other liabilities		
Provision for loans and advances (note 12.1)	62,554,766	16,057,765
Provision for off balance sheet items (note 12.2)	12,633,807	1,578,813
Provision for income tax (note 12.3)	73,950,797	7,976,510
Interest payable on borrowing	4,047,732	225,556
Provision for audit fees	115,000	115,000
Incentive bonus payable	7,948,750	-
Provision for corporate social responsibility (CSR)	3,200,000	-
Accrued expenses	5,918,368	833,900
Provision for gratuity	4,000,000	-
Deferred tax liability (note 12.4)	537,216	-
Interest suspense account (note 12.5)	-	-
Other liabilities	40,562	-
	174,946,998	26,787,544
12.1 Provision for loans and advances		
For Unclassified		
Opening Balance	16,057,765	-
Add: Provision made during the year	46,497,001	16,057,765
Closing Balance	62,554,766	16,057,765
For Classified		
Opening Balance	-	-
Add: Provision made during the year	-	-
Less: Adjustment during the year	-	-
Less: Loan written off during the year	-	-
Closing Balance	-	-
	62,554,766	16,057,765
12.2 Provision for off balance sheet items		
Opening balance	1,578,813	-
Add: Provision made during the year	11,054,994	1,578,813
Closing Balance	12,633,807	1,578,813
12.3 Provision for income tax (*)		
Opening balance	7,976,510	-
Add: Provision made during the year	65,974,287	7,976,510
Closing balance	73,950,797	7,976,510
(*) Income tax provision has been made as per Bangladesh Income Tax Ordinance 1984 and as amended.		
12.4 Deferred tax liability		
Opening balance	-	-
Add: Deferred tax expense during the year	537,216	-
Less: Deferred tax income during the year	-	-
Adjustment with deferred tax liabilities	-	-
Closing balance	537,216	-

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2014

	2014 BDT	2013 BDT
12.4.1 Computation of deferred tax		
Accounting written down value - fixed assets	165,765,891	-
Less: Tax base written down value - fixed assets	160,501,854	-
Taxable temporary difference	5,264,037	-
Book value - gratuity provision	4,440,000	-
Less: Tax base - gratuity provision	440,000	-
Deductable temporary difference	4,000,000	-
Net taxable temporary difference	(1,264,037)	-
Effective tax rate	42.5%	42.5%
Deferred tax liability	(537,216)	-
Deferred tax (expenses)/ income		
Closing deferred tax assets	(537,216)	-
Opening deferred tax assets	-	-
Deferred tax (expenses)/ income	(537,216)	-
12.5 Interest suspense account		
Opening balance	-	-
Add: Addition during the year	-	-
Less: Adjustment made during the year	-	-
Closing Balance	-	-
13. Total shareholders' equity		
Paid-up capital (note 14.2)	4,000,000,000	4,000,000,000
Statutory reserve (note 15)	23,990,793	2,158,350
Revaluation reserve on investment in securities (note 16)	3,258,030	11,913,084
Retained earnings (note 17)	21,475,158	8,633,400
	4,048,723,980	4,022,704,833
14. Share capital		
14.1 Authorised capital	10,000,000,000	10,000,000,000
1,000,000,000 ordinary shares of Taka 10 each		
14.2 Issued, subscribed and paid-up capital	4,000,000,000	4,000,000,000
400,000,000 ordinary shares of Taka 10 each issued for cash.		
The break up of issued, subscribed and paid-up capital is as follows:		

31 December 2014

	No. of shares	Value of shares BDT	% of holding
Sponsors	400,000,000	4,000,000,000	100%
Financial institutions	-	-	-
General	-	-	-
	400,000,000	4,000,000,000	100%

Midland Bank Limited
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	2014 BDT	2013 BDT
14.3 Capital adequacy ratio - as per BASEL II		
Capital adequacy ratio:		
In terms of section 13 (2) of the Banking Companies Act 2013 (amendment) and Bangladesh Bank BRPD circular no. 35, dated December 29, 2010, required capital of the Bank at the close of business on December 31, 2014 was BDT 937,990,000 as against available core capital BDT 4,045,465,951 and supplementary capital of BDT 76,817,588 making a total capital of BDT 4,122,283,538, thereby, showing a surplus capital of BDT 3,184,293,538. Details are given below:		
Total risk weighted assets	9,379,900,000	4,133,500,000
Required Capital : 10% of total risk weighted asset (A)	937,990,000	413,350,000
Actual capital maintained		
Core capital (Tier-I) :		
Paid up capital	4,000,000,000	4,000,000,000
Statutory reserve	23,990,793	2,158,350
Retained earnings	21,475,158	8,633,400
	4,045,465,951	4,010,791,750
Deduction from Tier - I (core capital)		
Short fall provision required against investment is share	-	-
	4,045,465,951	4,010,791,750
Supplementary capital (Tier-II) :		
General provision including off balance sheet items	75,188,573	17,636,578
50% of revaluation reserve on investment in securities	1,629,015	5,956,542
	76,817,588	23,593,120
Total capital (Tier-I+Tier-II)-B	4,122,283,538	4,034,384,870
Surplus/ (deficit)	122,283,538	34,384,870
Capital adequacy ratio	43.95%	97.60%

14.3.1 Capital requirement

Particulars	Required	Held (%)	Held (%)
Tier-I	5%	43.13%	97.03%
Tier-II	5%	0.82%	0.57%
Total	10%	43.95%	97.60%

15. Statutory reserve

Opening balance	2,158,350	-
Add: Transferred during the year	21,832,443	2,158,350
Closing balance	23,990,793	2,158,350

16. Revaluation reserve on investment in securities

Opening balance	11,913,084	-
Add: Addition during the year	29,840,080	11,913,084
Less: Adjustment of revaluation reserve	38,495,134	-
Closing balance	3,258,030	11,913,084

Midland Bank Limited
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	2014 BDT	2013 BDT
17. Retained earnings		
Opening balance	8,633,400	-
Add: Profit made during the year	34,674,200	10,791,750
Less: Transferred to statutory reserve	21,832,443	2,158,350
Closing balance	21,475,158	8,633,400
18. Contingent liabilities		
Acceptances and endorsements (note 18.1)	151,346,392	-
Letters of guarantee (note 18.2)	766,771,493	112,834,989
Irrevocable letters of credit (note 18.3)	342,531,801	45,046,337
Bills for collection (note 18.4)	2,731,036	-
Other contingent liabilities	-	-
	1,263,380,722	157,881,326
18.1 Acceptances and endorsements		
Foreign	18,380,169	-
Local	113,684,625	-
EPZ	19,281,598	-
	151,346,392	-
18.2 Letters of guarantee		
Foreign	-	-
Local	766,771,493	112,834,989
	766,771,493	112,834,989
18.2.1 Letters of guarantee		
Money for which the Bank is contingently liable in respect of guarantees given favoring :		
Directors	-	-
Government	-	-
Banks and other financial institutions	-	-
Others	766,771,493	112,834,989
	766,771,493	112,834,989
18.3 Irrevocable letters of credit		
Letter of credit (sight)	411,711	-
Letter of credit (back to back/ deferred)	78,054,161	2,956,671
Letter of credit (cash and others)	264,065,929	42,089,666
	342,531,801	45,046,337
18.4 Bills for collection		
Foreign bill collection	-	-
Local/ inland bill collection	2,731,036	-
	2,731,036	-
19. Profit and Loss Statement		
Income		
Interest, discount and similar income	1,176,839,337	351,694,304
Dividend income	11,050,001	-
Fees, commission and brokerage	19,818,685	1,697,176
Gain less losses arising from dealing in foreign currencies	20,555,368	690,482
Other operating income	18,706,614	1,196,780
	1,246,970,004	355,278,742

Midland Bank Limited
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	2014 BDT	2013 BDT
Expenses		
Interest, fees and commission	623,732,122	146,027,980
Losses on loans and advances	-	-
Administrative expenses	208,929,386	95,041,751
Other operating expenses	233,137,830	74,277,765
Depreciation on banking assets	22,432,969	3,526,408
	1,088,232,306	318,873,905
Operating profit	158,737,698	36,404,837
20. Interest income		
Loans and advances (note 20.1)	548,868,071	60,028,414
Money at call and short notice	1,308,778	1,712,083
Balance with other banks and financial institutions (note 20.2)	420,620,490	285,683,949
Bangladesh bank foreign currency clearing account	23,995	2,671
	970,821,334	347,427,117
20.1 Interest on loans and advances		
Term loan	228,909,283	39,876,400
Overdraft	114,710,632	14,075,949
Time loan	54,605,312	987,597
Cash credit	36,017,282	1,732,421
Trust receipt	94,769,340	1,134,635
Consumer loan	404,372	20,975
Payment against documents(PAD)	1,904,454	13,386
EDF loan	516,138	-
Packing credit	180,214	-
Staff loan	4,653,123	1,447,376
Other loans and advances	338,934	-
Bill purchased and discounted	11,858,987	739,675
	548,868,071	60,028,414
20.2 Interest on balance with other banks and financial institutions		
Interest on balance with other bank in Bangladesh	420,595,006	285,683,333
Interest on balance held with outside Bangladesh	25,484	616
	420,620,490	285,683,949
21. Interest paid on deposit and borrowing, etc.		
Deposit and other accounts (note 21.1)	514,439,518	145,501,036
Borrowing from other banks and financial institutions (note 21.2)	109,292,604	526,944
	623,732,122	146,027,980
21.1 Interest on deposit and other accounts		
Special notice deposit	11,836,041	4,212,718
Savings deposits	6,631,958	568,685
Fixed deposits	284,895,582	107,368,101
Scheme deposits	211,075,937	33,351,532
	514,439,518	145,501,036

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2014

	2014 BDT	2013 BDT
21.2 Interest on borrowing from other banks and financial institutions		
Call deposits	71,457,391	526,944
Local bank account	5,954,125	-
Repurchase agreement (REPO)	29,014,752	-
Refinance	14,931	-
Foreign bank account	-	-
Bangladesh Bank	2,851,405	-
	109,292,604	526,944
22. Income from investments		
Interest on treasury bill, bond, reverse repo	99,397,886	60,282
Amortisation of securities	5,575,347	1,073,572
Interest on commercial paper	51,095,907	3,133,333
Gain on government security trading	49,948,864	-
Dividend on investment in shares	11,050,000	-
	217,068,004	4,267,187
23. Commission, exchange and brokerage		
Commission (note 23.1)	19,818,684	1,697,176
Exchange (note 23.2)	20,555,368	690,482
Brokerage	-	-
	40,374,052	2,387,658
23.1 Commission		
Letter of guarantee	4,320,670	1,031,980
Letter of credit	13,445,709	634,133
Acceptance of bills	1,824,871	-
Export bills	31,500	-
PO, DD and TT	172,616	27,298
POS commission	23,318	3,766
	19,818,684	1,697,176
23.2 Exchange		
Exchange gain	24,023,986	690,482
Less: Exchange loss	3,468,618	-
	20,555,368	690,482
24. Other operating income		
Postage charge recoveries	165,623	10,400
VISA charge	566	-
Service and other charges	3,010,953	196,888
SWIFT charge recoveries	1,667,200	66,950
Charges against cards	7,518	3,360
Locker rent	48,000	25,000
Miscellaneous earnings	12,747,178	844,127
LC charges	1,059,576	50,055
	18,706,614	1,196,780

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2014

	2014 BDT	2013 BDT
25. Salary and allowances		
Basic salary	72,081,302	30,253,011
Allowances	80,193,161	34,886,092
Bonus	20,778,700	9,150,100
Gratuity	4,440,000	-
Leave fare assistance	15,371,076	6,097,280
Provident fund	7,253,353	2,512,811
	200,117,592	82,899,294
26. Rent, taxes, insurance, electricity, etc		
Rent	94,800,790	48,332,260
Rates and taxes	8,669,275	4,292,352
Insurance	5,184,795	1,884,816
Power, electricity etc	6,981,497	1,844,432
	115,636,357	56,353,860
27. Legal expenses		
Legal and professional fees	206,610	1,194,576
28. Postage, stamp, telecommunication, etc		
Postage, stamp and courier service	272,389	78,228
Fax and internet	343,193	208,039
On-line and connectivity charges	4,165,879	591,509
Telephone	1,264,152	506,796
	6,045,613	1,384,572
29. Stationery, printing, advertisements, etc		
Printing and stationery	3,037,583	3,562,542
Computer stationery	593,405	223,205
Publicity and advertisement	2,242,391	9,720
	5,873,379	3,795,467
30. Managing director's salary and fees		
Basic Salary	4,163,656	3,500,000
Allowances	2,679,032	3,500,000
Festival bonus	900,000	700,000
Leave fare assistance	652,740	666,667
Provident fund	416,366	350,000
	8,811,794	8,716,667
31. Directors' fees	295,250	120,000
32. Auditors' fees		
Statutory audit fee	115,000	115,000
33. Depreciation and repairs of Bank's assets		
Depreciation		
Computer and peripherals	6,431,306	1,064,908
Furniture and fixtures	4,848,936	968,218
Office equipment	5,831,120	830,094
Motor vehicles	3,603,333	431,186
Books	2,053	2,500
Intangible assets	1,716,221	-
Total Depreciation	22,432,969	3,296,907
Repairs and maintains	2,234,523	239,622
	24,667,492	3,536,529

Details are shown in **Annex B**.

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2014

	2014 BDT	2013 BDT
34. Other expenses		
Security and auxiliary service	16,375,751	3,361,965
Office cleaning and maintenance	18,071	6,394
Car expense	4,817,431	2,823,966
Preliminary expenditure	63,957,333	1,505,141
Entertainment	3,774,299	1,094,599
Travelling	1,182,993	534,528
Conveyance	803,707	213,971
Newspaper and magazines	190,066	217,858
Q-cash, ATM cards, VISA cards	171,976	71,645
Medical expenses	142,555	64,832
Training expenses	245,970	48,740
Bank charges	751,480	86,016
Corporate social responsibility (CSR) activities	4,689,040	-
Business development expense	1,954,174	4,226,352
Subscription and donation	361,487	-
Miscellaneous	3,294,764	473,953
	102,731,097	14,729,960
35. Provision for loans and advances		
Provision for classified loans and advances	-	-
Provision for unclassified loans and advances	46,497,001	16,057,765
Provision for off balance sheet items	11,054,994	1,578,813
Total amount of provision made during the year	57,551,995	17,636,578
36. Provision for tax		
Current tax	65,974,287	7,976,510
Deferred tax* (note 9.4)	537,216	-
Total	66,511,503	7,976,510
(*) Deferred tax has been calculated as per "BAS:12 Income Taxes" and it is the timing differences arising between the carrying value of gratuity liability and fixed assets.		
37. Statutory reserve		
Transferred during the year (20% of pretax profit)	20,237,141	2,158,350
Add: Adjustment	1,595,302	-
	21,832,443	2,158,350
38. Earnings per share		
Net profit after tax	34,674,200	10,791,750
Number of ordinary shares outstanding	400,000,000	400,000,000
Weighted average no of shares	400,000,000	200,000,000
Earning per share (EPS)	0.087	0.054

(*) Earnings per share has been calculated in accordance with BAS-33: Earnings per share (EPS).

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2014

	2014 BDT	2013 BDT
39. Received from other Operational Income		
Postage charge recoveries	165,623	10,400
Telephone and telegram charge recoveries	-	-
VISA charge	566	-
Service and other charges	3,010,953	196,888
SWIFT charge recoveries	1,667,200	66,950
Charges against cards	7,518	3,360
Locker rent	48,000	25,000
Miscellaneous earnings	12,747,177	844,127
LC charges	1,059,576	50,055
	18,706,613	1,196,780
40. Payment for Other operational expenses		
Rent, tax, insurance, electricity	115,636,357	56,353,860
Legal expense	206,610	1,194,576
Postage, stamps, telegram and telephone	6,045,613	1,384,572
Audit fee	115,000	-
Printing, stationery, advertisement	5,873,379	3,795,467
Directors' fee	295,250	120,000
Repair and maintenance	2,234,523	239,622
Other expenditure	97,646,629	14,011,060
	228,053,361	77,099,157
41. Number of employees and support staffs		
Employee		
Regular employee	193	150
Contractual employee	5	-
	198	150
Support Staff		
Security	86	39
Messenger and cleaning Staff	60	31
	146	70
	344	220

42. Others

- 42.1** The expenses, irrespective of capital or revenue nature, accrued/ due but not paid have been provided for in the books of the Bank.
- 42.2** Figures relating to the previous year included in this report have been rearranged, wherever considered necessary, to make them comparable with those of the current year without, however, creating any impact on the operating result and value of assets and liabilities as reported in the financial statements for the current year.
- 42.3** Figures in these notes and annexed financial statements have been rounded off to the nearest BDT.
- 42.4** These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

for and on behalf of Board of Directors of Midland Bank Limited



Managing Director & CEO



Director



Director



Chairman

Dhaka, Bangladesh
Dated, 19 March 2015

Midland Bank Limited

Balance with other banks-outside Bangladesh (Nostro Account) at 31 December 2014

Annexure A

Name of the Bank	Account type	Currency type	2014			2013		
			FC Amount	Exchange Rate	Equivalent Taka	FC Amount	Exchange Rate	Equivalent Taka
AB Bank, Mumbai Branch	CD	ACU \$	43,709	77.95	3,407,111	490	77.75	38,097
United Bank of India	CD	ACU \$	220	77.95	17,149	50	77.77	3,889
Axix Bank Limited	CD	ACU \$	574	77.95	44,763	3.55	77.75	276
National Bank of Pakistan	CD	JPY	40,000	0.65	25,840	-	-	-
Mashreq bank Psc, NY	CD	US \$	2,501,084	77.95	194,958,005	9,726	77.75	756,176
Mashreq bank Psc, United Kingdom	CD	GBP	253,202	120.93	30,619,836	-	-	-
Mashreq bank Psc, United Kingdom	CD	EURO	411,147	94.73	38,948,700	-	-	-
Total					268,021,404			798,438

Midland Bank Limited

Schedule of fixed assets including premises, furniture and fixtures

For the year ended 31 December 2014

Annexure B

Asset category	Cost			"Rates (%)"	Depreciation				Written down value as at 31 December 2014 BDT
	"At 01 January 2014" BDT	Addition during the year BDT	Adjustment/disposal BDT		"Total At 31 December 2014" BDT	"To 01 January 2014" BDT	Charge for the year BDT	Adjustment/disposal BDT	
Computer and peripherals	19,119,949	20,351,445	-	20%	39,471,394	907,716	6,431,306	-	32,132,372
Furniture and fixtures	32,407,362	42,591,193	-	10%	74,998,555	968,218	4,848,936	-	69,181,401
Office equipment	17,850,171	25,740,298	-	20%	43,590,469	707,901	5,831,120	-	37,051,448
Motor vehicles	16,766,663	7,499,782	-	20%	24,266,445	431,186	3,603,333	-	20,231,926
Books	4,500	10,310	-	20%	14,810	2,500	2,053	-	10,257
Intangible assets	7,150,000	1,881,900	-	20%	9,031,900	157,192	1,716,221	-	7,158,487
Total at 31 December 2014	93,298,645	98,074,928	-		191,373,573	3,296,907	22,432,969		165,765,891
Total at 31 December 2013	-	93,298,644	-		93,298,644	-	3,296,907	-	90,001,737

Names of the Directors and their interest in different entities

SI No.	Name of Directors of the Bank	Status with MDB	Entities where they have interest
1	Mr. M. Moniruzzaman Khandaker	Chairman	(i) Khandaker & Associates
2	Mrs. Nilufer Zafarullah	Vice-chairman	(i) Hong Kong Shanghai Manjala Textiles Ltd.
3	Dr. Kazi Shahidullah	Director	(i) Hong Kong Shanghai Manjala Textiles Ltd.
4	Ms. Scherezad Joya Monami Latif	Director	
5	Mr. Abdullah Ahmed Yousuf	Director	
6	Kazi Omar Zafar	Director	(i) Kalypso Ltd. (ii) Hong Kong Shanghai Manjala Textiles Ltd.
7	Master Abul Kashem	Director	(i) MAK Corporation, (ii) Master Steel Re-Rolling Mills (iii) Mother Steel Ltd. (iv) K.S. Associates Ltd. (v) AIBL Capital Market Services Ltd.
8	Mr. Mohammad Jamal Ullah	Director	(i) Silver Dal Mills Ltd. (ii) Ishraf Oil Mills Ltd. (iii) Rupali Soap and Chemical Industries (Pvt) Ltd. (iv) Asia Insurance Ltd. (v) Bismillah Store
9	Al-haj Mohammed Issa Badsha	Director	(i) Badsha Group, (ii) Zuma Enterprise (iii) M. M Enterprise (iv) Musa and Issa Bros.
10	Mr. Ahsan Khan Chowdhury	Director	(i) Agricultural Marketing Co Ltd. (ii) Rangpur Foundry Ltd. (iii) PRAN Foods Ltd. (iv) PRAN Agro Ltd. (v) PRAN Dairy Ltd. (vi) PRAN Beverage Ltd. (vii) Maymensingh Agro Ltd. (viii) PRAN Exports Ltd. (ix) RFL Plastics Ltd. (x) Durable Plastics Ltd. (xi) Banga Building Materials Ltd. (xii) Property Development Ltd. (xiii) Banga Trading House Ltd. (xiv) Banga Agro Processing Ltd. (xv) PRAN Agro Business Ltd. (xvi) PRAN Confectionery Ltd. (xvii) Pacmat Industries Ltd. (xviii) Rangpur Metal Industries Ltd. (xix) Natore Agro Ltd. (xx) Banga Millers Ltd. (xxi) Bnga Bakers Ltd. (xxii) Sylvan Agriculture Ltd. (xxiii) Habiganj Textiles Ltd. (xxiv) Banga Plastic International Ltd. (xxv) Allplast Bangladesh Ltd. (xxvi) Habiganj Agro Ltd. (xxvii) Bangladesh Lift Industries Ltd. (xxviii) Chorka Textile Ltd. (xxix) Get Well Ltd. (xxx) Sylvan Technologies Ltd.
11	Mr. Md. Wahid Miah	Director	(i) Karim Jute Spinners Ltd. (ii) Al-Haj Karim Textiles Ltd. (iii) Abdul Karim Ltd. (iv) Hypoid Composite Knit Ltd. (v) Jobaida Filling Station (vi) Jobaida Karim Jute Mills Ltd. (vii) M/S Md. Wahid Miah (viii) Karim Trading (ix) J.K. Filling Station (x) Karim Filling Station (xi) Karim Shipping Lines
12	Mr. Rezaul Karim	Nominee Director of Reedisha Knitex Limited	(i) Kohinoor Chemical Company (BD) Ltd. (ii) Reedisha Knitex Ltd. (iii) P.A Knit Composite Ltd. (iv) Reedisha Spinning Ltd. (v) Reedisha Textile Ltd. (vi) Reedisha Printing and Packaging Ltd. (vii) Reedisha Trading & Distribution Co. (viii) Islami Commercial Insurance Co. Ltd. (ix) BD Link Communications Ltd. (x) Bangla Tel Ltd. (xi) Jibondhara Solutions Ltd. (xii) Reedisha Blended Yarn Ltd. (xiii) QSS Shipping Lines Ltd. (xiv) Chartered Life Insurance Co. Ltd.
13	Mr. Abdul Majid Mondol	Nominee Director of Mondol Fabrics Limited	(i) Montex Fabrics Ltd. (ii) Mark Sweater Ltd. (iii) Mon Trims Ltd. (iv) Mondol Yarn Dyeing Ltd. (v) Mondol Fabrics Ltd. (vi) Cotton Field (BD) Ltd. (vii) Mondol Fashions Ltd. (viii) Mondol Securities Ltd. (ix) Mondol Knit Wares Ltd. (x) Mondol & Co. Ltd. (xi) Mondol Apparels Ltd. (xii) Alim Knit (BD) Ltd. (xiii) Mondol Knit Tex Ltd. (xiv) Mondol Intimates Ltd. (xv) Cotton Club (BD) Ltd. (xvi) Cotton Clout (BD) Ltd. (xvii) Trims International Ltd. (xviii) Appollo Fashions Ltd. (xix) Appollo Packaging (BD) Ltd. (xx) Appollo Knitwear (BD) Ltd. (xxi) Cotton Clothing (BD) Ltd. (xxii) Tropical Knitex Ltd.

Names of the Directors and their interest in different entities

Sl No.	Name of Directors of the Bank	Status with MDB	Entities where they have interest
14	Mr. Md. Shamsuzzaman	Nominee Director of Liberty Knitwear Limited	(i) Micro Fiber Ltd. (ii) A-One Polar Ltd. (iii) Orient Chem-Tex Ltd. (iv) Liberty Knitwear Ltd. (v) Midland Knitwear Ltd. (vi) Tango Garments Ltd. (vii) Tubingen Chemicals (BD) Ltd. (viii) Fortune Chemical (BD) Ltd. (ix) Shahjibazar Power Co. Ltd. (x) Sungarh Tex Ltd.
15	Mr. Md. Motaleb Hossain	Nominee Director of That's It Sports Wear Limited	(i) Modern Washing & Dye Ltd. (ii) Modern Cargo Carrier Ltd. (iii) Bango Engineering Co. Ltd. (iv) M.H Jute Mills Ltd. (v) M H Trouser Line Ltd. (vi) Explore Lingerie Ltd.
16	Mr. Md. Belal Hossain	Nominee Director of Refat Garments Limited	(i) Bango Engineering Ltd. (ii) Next Collection Ltd.
17	Mr. Al-haj Mohammed Helal Miah	Nominee Director of Hazrat Amanat Shah Spinning Mills Limited	(i) Helal & Brothers (ii) Hazrat Amanat Shah Spinning Mills Ltd. (iii) Amanat Shah Weaving Processing Ltd. (iv) Standard Company Ltd. (v) Hazrat Amanat Shah Securities Ltd. (vi) Fareast Islami Life Insurance Co. Ltd.
18	Mr. A.K.M. Badiul Alam	Nominee Director of Garments Export Village Limited	(i) Garments Export Village Ltd. (ii) Power Vantage Wear Ltd. (iii) Shahjibazar Power Company Ltd. (iv) Eden Multicare Hospital Ltd. (v) Zenith Islami Life Insurance Ltd. (vi) Amtranet Ltd. (vii) Petromax Refinery Ltd.
19	Mrs. Luna Sarker	Nominee Director of Beq Knit Limited	(i) Beq Knit Ltd. (ii) Beq Fabrics (pvt) Ltd. (iii) Beq Sweater Ltd. (iv) C.K. Sweaters Ltd. (v) Legato Services Ltd. (vi) Tammam Design Ltd. (vii) Lusaka Fashion Ltd.
20	Mr. Md. Badsha Mia	Nominee Director of Badsha Textiles Limited	(i) Badsha Textile Ltd. (ii) Kamal Yarn Ltd. (iii) Pioneer Sweaters Ltd. (iv) Pioneer Knitwears (BD) Ltd.

Midland Bank Limited
Names of the Directors and their shareholding
as at 31 December 2014

Annexure D

SI No.	Name of the Director	Status with MDB	No of Shareholding	(%)
1	Mr. M. Moniruzzaman Khandaker	Chairman	11,000,000	2.75%
2	Mrs. Nilufer Zafarullah	Vice-chairman	4,000,000	1.00%
3	Dr. Kazi Shahidullah	Director	8,000,000	2.00%
4	Ms. Scherezad Joya Monami Latif	Director	40,000,000	10.00%
5	Mr. Abdullah Ahmed Yousuf	Director	23,000,000	5.75%
6	Kazi Omar Zafar	Director	8,000,000	2.00%
7	Master Abul Kashem	Director	20,000,000	5.00%
8	Mr. Mohammad Jamal Ullah	Director	20,000,000	5.00%
9	Al-haj Mohammed Issa Badsha	Director	20,000,000	5.00%
10	Mr. Ahsan Khan Chowdhury	Director	20,000,000	5.00%
11	Mr. Md. Wahid Miah	Director	20,000,000	5.00%
12	Mr. Rezaul Karim	Director	20,000,000	5.00%
13	Mr. Abdul Majid Mondol	Director	20,000,000	5.00%
14	Mr. Md. Shamsuzzaman	Director	21,000,000	5.25%
15	Mr. Md. Motaleb Hossain	Director	20,000,000	5.00%
16	Mr. Md. Belal Hossain	Director	20,000,000	5.00%
17	Mr. Al-haj Mohammed Helal Miah	Director	20,000,000	5.00%
18	Mr. A.K.M. Badiul Alam	Director	20,000,000	5.00%
19	Mrs. Luna Sarker	Director	19,000,000	4.75%
20	Mr. Md. Badsha Mia	Director	20,000,000	5.00%

Midland Bank Limited
Highlights on the overall activities as at and
for the year ended 31 December 2014

Annexure E

SI No.	Particulars	2014 BDT	2013 BDT
1	Paid up capital	4,000,000,000	4,000,000,000
2	Total capital	4,122,283,538	4,034,384,870
3	Surplus in capital fund	122,283,538	34,384,870
4	Total asset	15,106,748,970	7,531,869,630
5	Total deposit	8,478,577,992	2,902,377,253
6	Total loans and advances	6,499,978,994	1,831,431,854
7	Total contingent liabilities	1,263,380,722	157,881,326
8	Lending-deposit ratio	76.66%	63.10%
9	Classified loans as % of total loans and advances	0%	0%
10	Profit after provision and tax	34,674,200	10,791,750
11	Total classified loans and advances	-	-
12	Total provision maintained against classified loans	-	-
13	Surplus/ (deficit) in provision against classified loans	-	-
14	Cost of fund	10.00%	12.18%
15	Earning Asset	13,750,232,026	6,848,012,416
16	Non-interest earning asset	1,356,516,944	683,857,214
17	Return on investments (ROI) in share & securities	12.38%	1.64%
18	Return on asset (ROA)	0.23%	0.14%
19	Income from investment	217,068,004	4,267,187
20	Earnings per share (BDT)	0.087	0.054
21	Net income per share (BDT)	0.087	0.054
22	Price-earning ratio (Times)	N/A	N/A

Midland Bank Limited

N.B. Tower (Level 6-9), 40/7 North Avenue

Gulshan 2, Dhaka 1212, Bangladesh.

Contact Center: +88 096 66 410 888, +88 096 11 410 888

SWIFT: MDBLBDDH, Email: info.mdb@midlandbankbd.net

www.midlandbankbd.net

