

ANNUAL

REPORT 2016



midlandbank ^{ltd}
bank for inclusive growth

MDB – on Track

With an evolving banking landscape and varied consumer needs, Midland Bank is making fundamental shift towards digital - weaving networks, building alliances and finding new ways of customer solutions. A stream of fast delivery channels propped up by cutting-edge tools and technologies have branded the Bank a friendly financial service provider with a basket of customer friendly products, services and solutions. 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. Over time, with steady focus on increasing profitability, sustainability, inclusive growth, capital strength and deep respect for the society, MDB has emerged as a major force in the Banking industry of the country.



Banking through Technology...

Digital technology is transforming the way we lead our lives today. The banking and financial services industry is a clear representation of this transformation. Consumers are more itinerant than ever before and expect services to be available at the time and place of their choice.

At Midland Bank, we have always realized this need of our customers and developed technology-led offerings to deliver a seamless banking experience at all places of their choice, be it 'their place', 'our place' or while they are 'on the move'. Our consistency and speed in introducing these offerings has been well received. Our zeal to improve the banking experience for customers continues to drive us to innovate and carry forward our leadership in delivering banking services using cutting-edge technology.



...at your Place

Be it home or office, we have successfully brought banking closer to the customers, at their place of choice. From checking balance to transferring money anywhere in the country, the Bank's technology solutions empower customers to fulfil their banking needs, without stepping out of their homes or offices.

...at our Place

We have state-of-the-art branches, booths, ATMs available around the country and recently launched Midland Bank Agent Banking that offers a complete suite of banking services and many other innovations are redefining the customer experience at our Bank today.



...on the Move

Recent advances in telecommunications have made today's world an 'always connected world' where people demand and consume products and services on the move. At Midland Bank, we have always leveraged technology effectively to stay ahead of customer needs. 'midland online', our mobile banking application was launched in 2016 for android smartphones, was embraced as the most comprehensive mobile banking app in the country.

Letter of Transmittal

**All Shareholders of Midland Bank Limited
Bangladesh Bank
Bangladesh Securities and Exchange Commission (BSEC)
Registrar of Joint Stock Companies and 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, 2016

We are pleased to enclose a copy of the Bank's Annual Report 2016, together with the Audited Financial Statements for the year ended December 31, 2016 for your kind information and record.

Thank you.

Sincerely,

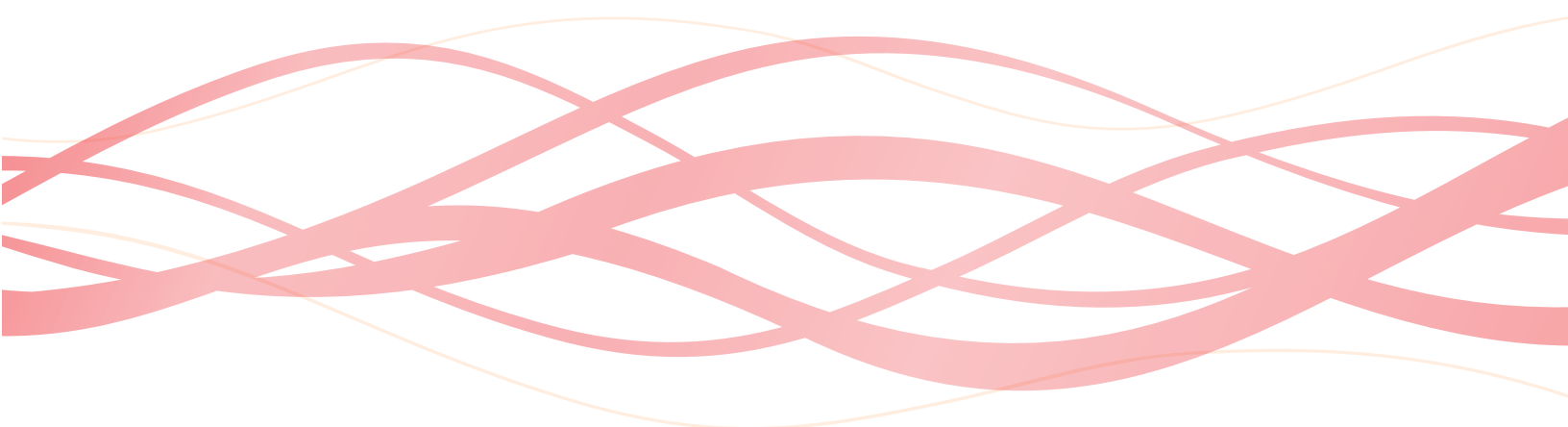


Md. Hasanul Haque
Deputy Company Secretary

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 (MDB). Statements which are not historical facts including statement of MDB's trust, expectation are forward looking statements. Words such as plan, anticipate 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 (40%).
- ◆ High rate of withholding tax and VAT on banking services.
- ◆ Changes in the overall economic condition resulting from natural calamities.
- ◆ Changes in government policy issues.
- ◆ 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 the 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.
- ◆ Impulsiveness in interest rate.
- ◆ Sluggish capital market arising from rumors.
- ◆ Compliance issues raised by the international forums which are likely to affect the export growth.
- ◆ Rise in international prices of essentials goods which may result to volatility in Foreign Exchange Market.
- ◆ Risk management of lending portfolio often requires 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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Midland Profile: Success and Promises

Midland Bank came to the financial frontier of Bangladesh in 2013 as a fourth generation bank to serve people from all walks of life. The Bank was issued certificate of incorporation and certificate of commencement of business on March 20, 2013 under the Companies Act 1994 as a Public Limited Company by shares for conducting all types of banking activities. The Bank is led by a Board of Directors who are experienced and expert in their respective field of business. A highly competent and expert team of bankers steers the Bank's everyday operations to the path of progress as envisioned by its Shareholders.

MDB started commercial operation on June 20, 2013 with a corporate slogan "bank for inclusive growth". The Bank's business model has been evolving over time in response to significant changes in the operating environment – notably tightening of regulatory oversight, rapid development of new information and communication technologies and the more worth noticing, constantly changing customer behaviour. We have been reshaping our operations to be more customer-centric, developing a deeper insight of individual customer's financial goals and needs. Besides, we have been searching for opportunity to add new products to our business line by conducting wide research and development to comply with varying and changing requirement of the customers.

MDB is presenting its 2016 financial results as a fast growing fourth generation bank in Bangladesh with the pride of a solid capital base, quality assets and strong profitability. The year 2016 has seen us rise from 25,344 to 42,913 customer accounts, net profit after tax grew by 38% to BDT 668 million and balance sheet rose to BDT 35,352 million in less than four years. Total deposits hit near BDT 26,676 million in the reporting year, up from BDT 17,956 million a year earlier and the loan book almost doubled from BDT 13,888 million to BDT 21,045 million at the year end. By and large, this was most successful on our part to post return on equities (ROE) which is as high as 12.77% and Earnings per Share (EPS) as best as BDT 1.55. At the year end 2016, Bank's paid up capital increased to BDT 4,320 million indicating a remarkable growth of 8%. Total capital base stood at BDT 5,408 million as at the balance sheet date. Bank's capital adequacy stood at 23.30% at the year end which stayed much above required ceiling of 10.625% as per Basel III compliance. Total customer-base of Midland Bank grew to a total of 30,691 from 17,816 in 2016 with considerable growth in the rural customer- base. In our strategic action, we are giving priority to developing MSMEs placing special attention to extending finance to manufacturing sector. A total of 324 SME entrepreneurs were extended BDT 2,187 million in loan. We're getting growth rates above the market benchmark which give us confidence for the future.

Being committed to the clients, community and economy, the Bank is on the way to binding the nation together by including people from all across the frontiers - urban and rural, SME and agriculture, local and global. The Bank is forging ahead with a soaring ambition. We are convinced that Midland Bank will succeed in realizing its full potential to become the leading client-centric Bank of the country.

Corporate Information

Name of the Company	Authorized Capital	Chairman
Midland Bank Limited	BDT 10,000 million	Mr. M. Moniruzzaman Khandaker
Legal Form	Paid-up Capital	Vice Chairman
Public Limited Company	BDT 4,320 million	Mrs. Nilufer Zafarullah, MP
Registered Office	Total Capital (Tier-i & ii)	Managing Director & CEO
N.B. Tower (Level 6 to 9) 40/7 North Avenue, Gulshan 2 Dhaka 1212	BDT 5,408 million	Mr. Md. Ahsan-uz Zaman
Date of Incorporation	Total Asset	Additional Managing Director
March 20, 2013	BDT 35,352 million	Mr. Masihul Huq Chowdhury
Formal Inauguration	Statutory Reserves	Deputy Managing Director
June 20, 2013	BDT 353 million	Mr. Khondoker Nayeemul Kabir
Company Registration No.	Capital Adequacy	Chief Risk Officer
C-108070/13	23.30%	Mr. Khondoker Nayeemul Kabir
Bangladesh Bank Permission No.	Earnings Per Share	Chief Financial Officer
BRPD (P-3)745(67)/2013-1665 April 09, 2013	BDT 1.55	Mr. Md. Zahirul Islam, FCA
Core Banking Activities:	Net Asset Value Per Share	Deputy Company Secretary
All Types of Commercial Banking Activities Money Market Operations Financial Intermediary Services Any Related Financial Services	BDT 12.50	Mr. Md. Hasanul Haque
Delivery Channels	Accounting Year-end	Head of Internal Control & Compliance
Branches 21 ATMs 23 Agent Banking Booth 01 Collection Booths 04 Real-time Online Banking Internet Banking SMS/Alert Banking Debit/ Credit Card with Global Access Shared Network across the Country	December 31	Mr. Mohammad Syejuddin Ahmmed
	Credit Rating Agency	Auditors
	Credit Rating Information & Services Limited (CRISL)	Hoda Vasi Chowdhury & Co., Chartered Accountants
	Website	SWIFT Code
	www.midlandbankbd.net	MDBLBDDH
	Total Manpower	Contact Centre:
	Employee: 375	(+88) 096 66 410 888, (+88) 096 11 410 888

Credit Rating

Long Term	A-	Indicating adequate safety for timely repayment of financial obligations
Short Term	ST-3	Indicating sound liquidity factors and company fundamentals and good certainty of timely payment
Date of declaration of Rating	28th June, 2016	
Credit Rating Agency	Credit Rating Information & Services Limited (CRISL)	

Value Creation for Stakeholders during 2016

Customers	2016	2015
Total Deposit & Advance Accounts	42,913	25,344
Interest paid to Customers	BDT 1,601M	BDT 1,359 M
Loans & Advances	BDT 21,045 M	BDT 13,888 M
Service Points	01	01
SMS Banking Customers	13,250	2,818

Shareholders	2016	2015
Profit after Tax	BDT 668M	BDT 483 M
Total Assets	BDT 35,352 M	BDT 23,893 M
Shareholders' Fund	BDT 5,399M	BDT 5,067 M
Dividend Payout	11% Stock (Proposed)	8% Stock
Earnings Per Share	BDT 1.55	BDT 1.12

Employees	2016	2015
Total Headcounts	375	335
Total Staff Cost	BDT 452 M	BDT 333 M
Talent Development: Training hours	2,320 hrs (approx.)	1,868 hrs (approx.)
Per Employee Operating Profit	BDT 2.88 M	BDT 2.45 M

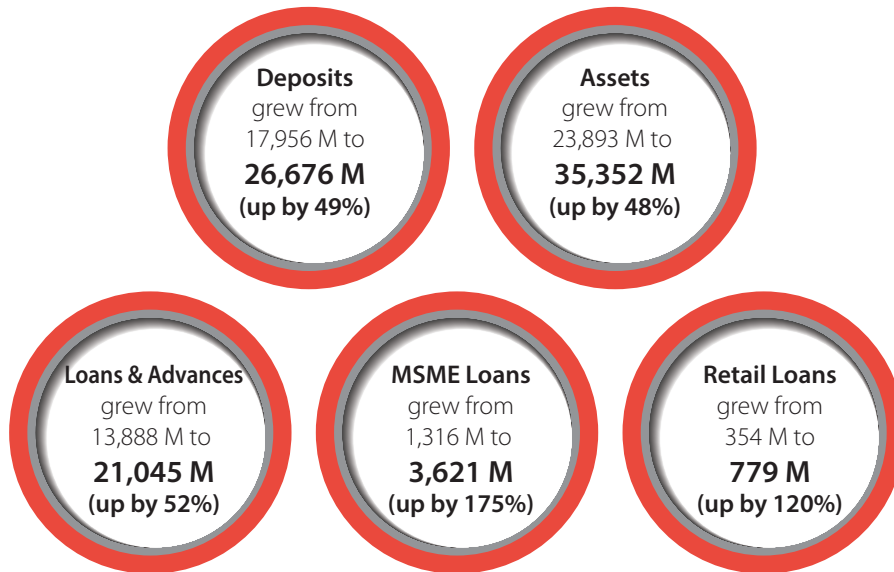
Government Institutions	2016	2015
Tax paid to Government	BDT 446 M	BDT 269 M
Investment in Govt. Securities	BDT 5,019 M	BDT 3,679 M
Tax Collected on behalf of Govt.	BDT 219 M	BDT 157 M
Excise Duty Collected on behalf of Govt.	BDT 26 M	BDT 12 M

Business Partners	2016	2015
Fees & Commissions	BDT 165 M	BDT 126 M
Payment to Service Providers	BDT 328 M	BDT 241 M
No. of Correspondent Banks	64	56
Business Partnership Signed	4 deals	5 deals

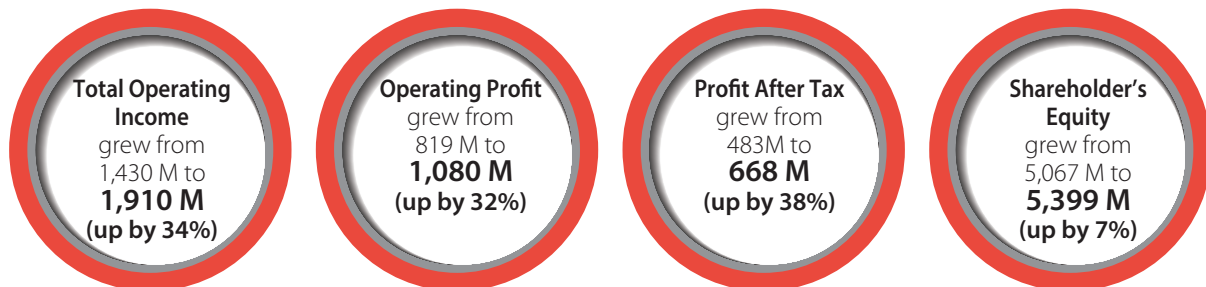
Community	2016	2015
CSR Donation	BDT 39.6 M	BDT 3.47 M
Refinance to SME, Agri, Women	BDT 56.09 M	BDT 12.5 M
I-Banking Customers	1,038	477
Call received by Call Centre	8,932	2,984
Utility Bill collection	BDT 1,225 M	BDT 284 M

Year 2016: MDB Performance Dashboard

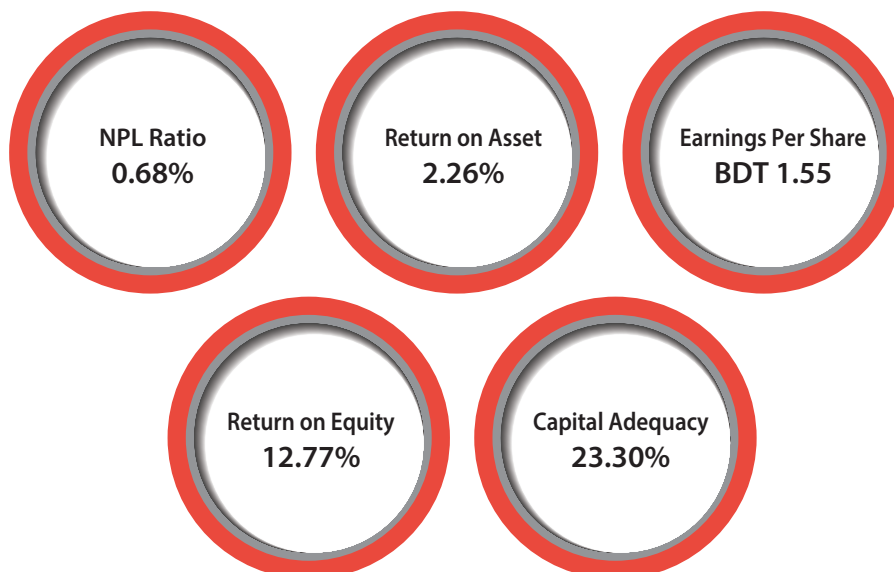
Volume Growth



Income Profile



Key Ratios



Mission & Vision



Vision

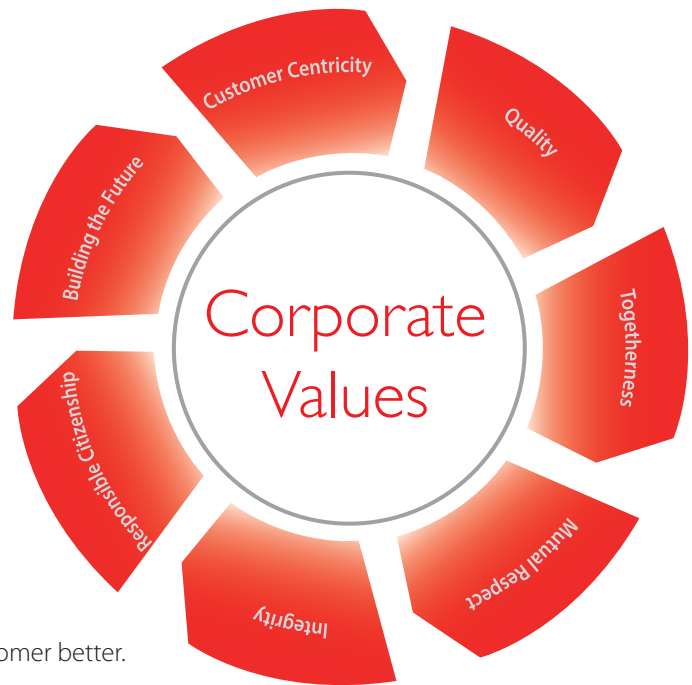
We seek to be the first choice of our customers as a distinct financial service provider, trusted, respected and valued by all stakeholders within the region and beyond pursuing an endless voyage towards excellence in every respect.

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 success.
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 development.
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 like 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 operation 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, MSMEs, 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.

Enhancing Cyber Security to Uphold your Trust & Growth

In the realm of cybercrimes at the national and global level, MDB is mindful of what's happening of late. With a watchful eye and cautious steps, we are measuring the length and breadth of malicious techniques of cybercrimes, damage to the targeted victims and our do's and don'ts in the regime of cyber security.

To everyone's surprise, attacks against the finance industry are becoming increasingly sophisticated and highly targeted. New banking technology like internet banking, social media marketing, chip-based cards, mobile and online financial services are opening new doors for cyber thieves. Disgruntled tech-nerds with unscrupulous attempts have made it possible to gain employee login credentials by using spam and phishing emails, keystroke loggers and Remote Access Trojans (RAT) and skimming devices. Criminals are creating specialized malicious software designed to compromise online bank accounts faking credentials alongside subverting the servers and software of reputable banks and institutions.

In a disturbed cyberspace, your Midland Bank remained safe on a rigid firewall and strong IT infrastructure that are set to go on. We keep you assured that in order to shield against all sorts of cyber fraud, we continuously update information security policies, systems and infrastructures and ensure they keep up with best practices in securing customers' data. To decrease the effectiveness of such attacks, MDB has improved both communications to and the education of, customers, as well as rapidly reacting if an attack occurs.

It is a password, which we often use to connect to local and remote logons in the cyber space. In the past this has been 'good enough' security, however the modern connected world that we work and conduct our business today, a password is now the weakest link. As passwords can be stolen, either electronically or by social engineering techniques, our upbeat thinking has already introduced Two Factor Authentication (2FA) for all remote logins for digital banking. Work is underway for the introduction of TFA for all banking staffs, who commit and authorize banking transactions, hence further safeguarding operations.

Implementing future-proof security is MDB's priority. In defense against the cyber threat, we are educating our employees with all advanced training model. People with IT credentials are leading the way to our IT involvement. For an effective change we are breaking away from traditional security awareness models to employ creative and immersive techniques and deploy technologies that can influence user behaviors.

Our system keeps an all-time vigil to identify and classify confidential, sensitive data: where it resides, who has access to it and how it is entering or leaving the service channel. Proactively we are thinking on encrypting endpoints to help minimize the consequences associated with lost devices. To help control access, our IT administrators validate and protect the identities of users, sites and devices throughout the organization. Furthermore, MDB at all times provide trusted connections and authenticate transactions where appropriate.

The evildoers of the cyber voyage are rather trespasser than determined and disciplined warriors like bankers. Away from the order of the world, the fortress of hackers cannot stand tall and is destined to fall. We have your unflinching trust on our back, and at the forefront, we have the responsibility to fulfill your dreams with ever higher weapons to fight all odds.





Milestones

17-Apr-12	Letter of Intent
20-Mar-13	Certificate of Incorporation
20-Mar-13	Commencement of Business
09-Apr-13	Head Office Approval
10-Apr-13	Gazette Published
27-Apr-13	First Press Conference
20-Jun-13	First Branch Operation (Dilkusha Corporate Branch)
30-Jul-13	BACH Operation
02-Sep-13	BEFTN Operation
08-Sep-13	SWIFT Operation
18-Sep-13	ATM Live Operation
18-Sep-13	Q-Cash Operation
19-Sep-13	Statutory Meeting of Shareholders
07-Nov-13	ATM Inauguration
26-Apr-14	First Annual General Meeting (AGM)
11-Sep-14	MDB Contact Centre
11-Sep-14	midland online (Internet Banking)
01-Oct-14	NPSB Operation
19-Nov-14	VISA Operation
01-Oct-15	Completion of Centralized Banking Model (CBM)
29-Oct-15	RTGS Operation
26-May-16	Inauguration of Midland Bank Training Institute (MDBTI)

MDB Financial Performance and Ratios

Four Years Overview

Financial Highlights	In BDT Million				
	2016	2015	2014	2013	% Changes in 2016 Over 2015
Income Statement					
Interest income	2,179	1,690	971	347	28.97%
Interest expenses	1,601	1,360	624	146	17.74%
Net interest income	578	330	347	201	75.21%
Investment income	1,167	974	217	4	19.74%
Commission, exchange and brokerage	133	103	40	2	29.52%
Other operating income	32	23	19	1	38.31%
Total Operating income	1,910	1,430	623	209	33.54%
Operating expenses	830	611	465	173	35.93%
Profit before provision and tax	1,080	819	159	36	31.76%
Provision for loans and off-balance sheet exposure	110	145	58	18	-24.17%
Profit after provision before tax	970	674	101	19	43.80%
Provision for tax	302	191	67	8	57.29%
Profit after tax	668	483	35	11	38.44%
Balance Sheet					
Authorized capital	10,000	10,000	10,000	10,000	0.00%
Paid-up capital	4,320	4,000	4,000	4,000	8.00%
Total shareholders' equity	5,399	5,067	4,049	4,023	6.55%
Deposits	26,676	17,956	8,479	2,902	48.56%
Loans and advances	21,045	13,888	6,500	1,831	51.53%
Investments	5,973	5,429	2,986	521	10.03%
Fixed assets	236	211	166	90	11.81%
Earning assets	32,208	21,937	13,750	6,848	46.82%
Total assets	35,352	23,893	15,107	7,532	47.96%
Total liabilities	29,953	18,827	11,058	3,509	59.10%
Total Off-balance sheet exposure	3,605	2,289	1,263	158	57.48%
Foreign Exchange Business					
Import	7,535	5,590	2,759	144	34.79%
Export	2,989	1,480	465	77	101.93%
Inward foreign remittance	228	138	24	-	65.22%
Capital Measure					
Risk Weighted Assets (RWA)	23,210	17,689	9,380	4,134	31.21%
Core Capital (Tier-i)	5,149	4,484	4,045	4,010	14.83%
Supplementary Capital (Tier-ii)	259	165	77	24	56.86%
Total Capital held (T-i + T-ii)	5,408	4,650	4,122	4,034	16.30%

MDB Financial Performance and Ratios

Four Years Overview

Financial Highlights	In BDT Million				
	2016	2015	2014	2013	% Changes in 2016 Over 2015
Required Capital (10% of RWA, or 4,000 million which is higher)	4,000	4,000	4,000	4,000	0.00%
Capital Surplus/(Deficit), (A-B)	1,408	650	122	34	116.62%
Tier I Capital Ratio	22.18%	25.35%	43.13%	97.03%	-3.17%
Tier II Capital Ratio	1.12%	0.93%	0.82%	0.57%	0.19%
Capital to Risk Weighted Asset Ratio (CRAR)	23.30%	26.29%	43.95%	97.60%	-2.99%
Credit Quality					
Non-performing loans (NPLs)	144	140	-	-	2.86%
NPL to total loans and advances (%)	0.68%	1.01%	-	-	-0.33%
Provision for unclassified loans	222	141	63	16	57.28%
Provision for classified loans	72	56	-	-	29.41%
Provision for Off-Balance Sheet exposure	36	23	13	2	56.74%
Share Information					
No. of Shares outstanding (BDT)	432 M	400 M	400 M	400 M	8.00%
No. of Shareholders	34	32	32	32	6.25%
Earnings per share (EPS), (BDT)	1.55	1.12	0.09	0.05	38.39%
Net Assets Value Per Share (BDT)	12.50	11.73	10.12	10.06	6.56%
Profitability & Performance Ratio					
Net Interest Margin (NIM)	7.43%	1.50%	2.52%	11.00%	5.93%
Advance to Deposit Ratio	78.89%	77.35%	76.66%	63.10%	1.54%
Cost to income Ratio	43.48%	42.72%	74.00%	82.00%	0.76%
Cost of fund on average deposits	6.62%	9.73%	10.00%	12.18%	-3.11%
Return on average assets (ROA)	2.26%	2.48%	0.23%	0.14%	-0.22%
Return on shareholders' equity (ROE)	12.77%	10.59%	0.86%	0.27%	2.18%
Liquidity Ratio					
Cash Reserve Ratio (CRR)	7.30%	6.61%	6.80%	8.00%	0.69%
Statutory Liquidity Ratio (SLR)	23.67%	35.38%	45.67%	29.00%	-11.71%
Liquidity Coverage Ratio (LCR)	418.80%	127.88%	204.33%	-	290.92%
Net Stable Funding Ratio (NFSR)	122.21%	100.54%	102.95%	-	21.67%
Leverage Ratio	13.86%	17.62%	-	-	-3.76%
Other information					
No. of Branches	21	20	11	5	5.00%
No. of ATMs	23	18	5	2	27.78%
No. of employees	375	335	198	150	11.94%
No. of foreign correspondents	64	56	40	25	14.29%
No. of NOSTRO Accounts (Major currency is 5)	12	11	9	6	9.09%

The Sponsor Shareholders

SL	Name	Designation	Percentage of Shareholding
1.	Mr. Kazi Zafarullah	Sponsor Shareholder	2.00%
2.	Mrs. Nilufer Zafarullah, M.P.	Sponsor Shareholder	1.00%
3.	Mr. Kazi Omar Zafar	Sponsor Shareholder	2.00%
4.	Ms. Anushka Mehreen Zafar	Sponsor Shareholder	2.00%
5.	Mr. Kazi Raihan Zafar	Sponsor Shareholder	1.87%
6.	Dr. Kazi Shahidullah	Sponsor Shareholder	0.38%
7.	Mr. Kazi Ekramullah	Sponsor Shareholder	0.25%
8.	Mrs. Sabiha Mahboob	Sponsor Shareholder	0.25%
9.	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. Niranjan Chandra Saha	Sponsor Shareholder	0.25%
17.	Mrs. Salina Maksuda	Sponsor Shareholder	0.25%
18.	Mr. Basudev 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 Momin Mondol	Sponsor Shareholder	5.00%
21.	Liberty Knitwear Ltd., Represented by Mrs. Ferdous Ara	Sponsor Shareholder	5.25%
22.	That's It Sportswear Ltd., Represented by Mr. Md. Kamal Hossain	Sponsor Shareholder	5.00%
23.	Refat Garments Ltd., Represented by Mrs. Shahnaj Parveen	Sponsor Shareholder	5.00%
24.	Hazrat Amanat Shah Spinning Mills Ltd., Represented by Mrs. Lutfu Begum	Sponsor Shareholder	5.00%
25.	Garment Export Village Ltd., Represented by Mr. A.K.M. Badiul Alam	Sponsor Shareholder	5.00%
26.	Beq Knit Ltd., Represented by Mr. Md. Rokonuzzaman Sarker	Sponsor Shareholder	4.75%
27.	Badsha Textiles Ltd., Represented by Mr. Kamal uddin Ahmed	Sponsor Shareholder	5.00%
28.	Master Abul Kashem	Sponsor Shareholder	4.63%
29.	Mr. Mohammed Jamal Ullah	Sponsor Shareholder	5.00%
30.	Al-haj Mohammed Issa Badsha	Sponsor Shareholder	4.63%
31.	Mr. Ahsan Khan Chowdhury	Sponsor Shareholder	5.00%
32.	Mr. Md. Wahid Miah	Sponsor Shareholder	5.00%
33.	Mother Steel Limited, Represented by Mrs. Nigar Sultana Daizy	Sponsor Shareholder	0.37%
34.	Azan Limited, Represented by Mrs. Salma Issa	Sponsor Shareholder	0.37%
Total			100.00%

The Board of Directors





Mr. M. Moniruzzaman Khandaker

Chairman

Mr. M. Moniruzzaman Khandaker is the founding Chairman of Midland Bank Limited. He was born in the year 1940 in a respectable Muslim family in Comilla. He had his early schooling in local educational institutions and later obtained B.Com (Hon's) Degree, M.Com Degree, L.L.B. Degree from Dhaka University and completed courses in Taxation Management in United Kingdom and Germany. 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. Throughout his career, he served as an Independent Director and Advisor for numerous financial institutions and conglomerates, notably Bangladesh Commerce Bank, The City Bank Limited, Phoenix Insurance, Phoenix Finance, Anwar Group and Apollo Group. Before Midland Bank, he served three terms as the Chairman of Karmashangstan Bank. In addition, his law firm, 'Khandaker & Associates', is the top Fiscal Law Firm in the country representing notable figures of the society including the Honorable Prime Minister of Bangladesh, Mrs. Sheikh Hasina.

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 to fruition through establishing 'Baputy-Para Balika Biddaloy' and 'Dr. Sabrina Vocational Women's College', all of which provide free quality education for women in the District of Comilla. He also built Chand Tara Jame Mosque in Comilla for daily prayer services and for children of the locality to learn the holy Al-Quran. Mr. M. Moniruzzaman received numerous trophies and accolades for his outstanding contribution to the society and national development. Among many others, he won the coveted Srijan Atish Dipankar Award in 1990, Sher-e-Bangla Smriti Purashkar in 2009 and Poet Abu Zafar Obaidullah Khan Award in 2012.



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 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 effort. 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 world wide organization for executives in the business profession, Mrs. Nilufer Zafarullah provided her services to improve legal, political, economics, health and professional status of woman 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.

As MP, she also served as the Chairman of the Parliamentary Standing Committee for the Ministry of Foreign Affairs, Government of Bangladesh from 2012-13, in the ninth Parliament.



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 a Director of Hong Kong Shanghai Manjala Textiles Ltd. 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 of Midland Bank Ltd. She has an M.A. degree from Harvard University and 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 Zebunnesa and Kazi Mahabubullah Jono Kallyan 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.



Mr. Kazi Omar Zafar

Director

Mr. Kazi Omar Zafar is a Sponsor Director and a member of the 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 Zebunnessa and Kazi Mahabubullah Jono Kallayan Trust.

Currently he is associated with the following organizations:

Chairman

- Kalypso Ltd.

Director

- Hong Kong Shanghai Manjala Textiles Limited

Managing Director

- Hong Kong Shanghai Manjala Power Limited



Master Abul Kashem

Director

Master Abul Kashem is a Sponsor Director and a member of the Executive Committee of Midland Bank Limited. He has over 26 years of experience in the Iron & Steel industry. He was the highest tax payer in Chittagong District for four times - three consecutive years - 2009, 2010 & 2011 and recently for the year of 2016. He is a member of the Chittagong Seniors' Club Limited, a life member of Sitakunda Samity Chittagong and Maa-O-Shishu Hospital and also a member of Sitakunda Community Police Committee. He is an Ex-member of the Executive Committee of Bangladesh Ship Breakers and Recyclers Association, Ex-President of Shitalpur High School and Shitalpur Gouchia Madrasha, Shitakunda, Chittagong.

Currently he is associated with the following organizations:

Managing Director

- Mother Steel Limited.

Proprietor

- MAK Corporation
- Master Steel Re-Rolling Mills

Shareholder

- AIBL Capital Market Services Ltd.



Mr. Mohammed Jamal Ullah

Director

Mr. Mohammed Jamal Ullah is a Sponsor Director and a member of the 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. Mohammed Jamal Ullah has deep affinity and attachment with various sociocultural organizations. He is a life member of Chittagong Maa-O-Shishu Hospital, Chittagong Diabetic General Hospital, Bhatiary Golf & Country Club and Chittagong Boat Club.

Currently he is associated with the following organizations:

Managing Director

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

Director

- Asia Insurance Ltd.

Proprietor

- Bismillah Store



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 a renowned businessman of Chittagong region with more than 30 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 'Life Member' of Maa O Shishu Hospital Chittagong, Chittagong Diabetic General Hospital, Chittagong Kidney Foundation, Chattagram Samiti Dhaka, CTG Metropolitan Shooting Club, CTG Press Club, Bhattari Golf and Country Club and 'Member' of the Chittagong Co-operative Housing Society Ltd. Chattagram Jela Krira Sangstha, The Chittagong Chamber of Commerce & Industry. He is also a 'Permanent Member' of the Chittagong Club Ltd., Chittagong Boat Club Ltd., Chittagong Metropolitan Lions Club and Chittagong Seniors' Club Ltd.

Currently he is associated with the following Organizations:

Managing Director

- Badsha Group
- Azan Limited

Proprietor

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



Mr. Ahsan Khan Chowdhury

Director

Mr. Ahsan Khan Chowdhury is one of the Sponsor Directors and a member of the Executive Committee of the Midland Bank Limited. He is also the Chairman of Risk Management Committee of the Bank. Mr. Chowdhury studied at Wartburg College, USA and joined in PRAN-RFL Group in the year 1992 as Director. He is the Head of Business operation of all enterprises having strong supervising ability and fascination over managing business operations. After sad demise of his father Maj Gen Amjad Khan Chowdhury (Retd.), the renowned entrepreneur and leading spirit of the Group, Mr. Chowdhury is driving the company with his dynamic leadership. He has been elected Chairman and CEO of PRAN-RFL recently. PRAN and RFL are the remarkable two major brands for FMCG and Light Engineering business respectively in Bangladesh. Various companies under this group grabbed Best Exporter's Trophy this year as well following the success of past years under different categories. As a representation of his good governance in the company, AMCL-PRAN achieved Silver award of "2nd ICSB National Award-2014" for Corporate Governance Excellence. The Group comprises of 49 Companies with more than 80,000 employees working in different sectors.

Mr. Khan is associated with the following Companies of PRAN-RFL Group:

- Advance Personal Care Limited
- Rangpur Foundry Limited
- Agricultural Marketing Co. Ltd
- Accessories World Limited
- Banga Agro Processing Limited
- Gongga Foundry Limited
- Banga Bakers Limited
- Getwell Limited
- Banga Miller Limited
- Trade Environment Limited
- Chorka Fashions Limited
- AKC (Pvt.) Limited
- Chorka Textile Limited
- AKC Management Limited
- Habiganj Agro Limited
- Allplast Bangladesh Limited
- Habiganj Textile Limited
- Banga Building Materials Limited
- Mymensingh Agro Limited
- Banga Plastic International Limited
- Natore Agro Limited
- Habiganj Ceramics Limited
- Natore Dairy Limited
- Habiganj Glassware Limited
- PRAN Agro Limited
- Multi-Line Industries Limited
- PRAN Agro Business Limited
- RFL Construction Limited
- PRAN Beverage Limited
- RFL Electronics Limited
- PRAN Confectionery Limited
- RFL Exports Limited
- PRAN Dairy Limited
- Rangpur Metal Industries Limited
- PRAN Exports Limited
- RFL Plastics Limited
- PRAN Foods Limited
- Durable Plastic Limited
- Packmat Industries Limited
- Habiganj Metal Industries Limited
- Sylvan Agriculture Limited
- Logi-Care Overseas Limited
- Sun Basic Chemicals Limited
- Bangladesh Lift Industries Limited
- Sylvan Technologies Limited
- Property Development Limited
- Sylvan Poultry Limited
- Career Builders Limited
- Banga Trading House Limited



Mr. Md. Wahid Miah

Director

Mr. Md. Wahid Miah is a Sponsor Director and a member of the Executive Committee of Midland Bank Limited. He is a very successful businessman and has over 30 years of experience in Textiles, Jute, Garments, Ship, Construction, Transport, Filling Station, Heavy Equipment, Engineering and Brick 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 has been awarded 'National Export Trophy' for two times, i.e. 2011-12 and 2013-14 as recognition for being largest exporters of Jute yarn. Mr. Md. 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 also an Executive Member of Bangladesh Textile Mills Association.

Currently he is associated with the following Organizations:

Managing Director

- Al Haj Karim Textiles Ltd.
- Abdul Karim Ltd.
- Jobaida Karim Jute Mills Ltd.
- Wahid Construction Ltd.
- Karim Shipping Lines Ltd.

Director

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

Proprietor

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

Secretary

- South Bengal Patrol Pump Owners Association

Secretary General

- Bangladesh Container Ship Owners Association (BCSOA)

Joint Secretary

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

Executive Member

- Tarar Mela Ishaan Memorial School, Faridpur
- Faridpur Club, Faridpur.
- Faridpur Chamber of Commerce & Industries
- Shabjan Nesa Mohila Madrasa, Faridpur
- Bangladesh Contractor Association
- Faridpur Bus-Truck Owners Association
- Faridpur Bus Owners Association
- Faridpur Truck Owners Association

Member

- Bangladesh Textiles Mills Association- Standing Committee on:
 - Labour & Law Affairs
 - Logistic & Infrastructure
- Sub-Committee on Arbitration to Mediate Dispute among the member mills

Sponsor & Life Member

- Heart Foundation, Faridpur
- Sufl Club, Faridpur
- Sandhani Club, Faridpur
- Faridpur Diabetic Shametti
- Faridpur Diabetic Shametti, Faridpur
- Faridpur Muslim Mission, Faridpur

Honourable Member

- Bangladesh Jute Spinners Association
- Dhaka Club, Dhaka
- India Bangladesh Chamber of Commerce
- Kurmitola Golf Club



Mr. Rezaul Karim

Director

Mr. Rezaul Karim is a member of the Board of Directors of Midland Bank Limited as the Nominee Director of Reedisha Knitex Limited. He is also the Chairman of the Executive Committee of the Bank. He is a well-known and respected personality in the business community of Bangladesh for more than 37 years.

Presently he is holding the following portfolios in different organizations:

Chairman

- Board of Trustees, Southeast University Trust
- Bangla Tel Limited
- Jibondhara Solutions Limited
- BD Link Communication Limited

Vice Chairman

- Islami Commercial Insurance Company Limited

Managing Director

- Kohinoor Chemical Company (BD) Limited
- Reedisha Knitex Limited
- P.A. Knit Composite Limited
- Reedisha Textstripe Limited
- Reedisha Spinning Limited
- Reedisha Blended Yarn Limited
- Reedisha Foods & Beverages Limited
- Reedisha Printing and Packaging Limited

Director

- Chartered Life Insurance Company Limited

President

- Bangladesh Cosmetics and Toiletries Manufacturers Association

Adviser

- Banani Society and Gulshan Joggers Society

Member

- Dhaka Chamber of Commerce and Industry (DCCI)
- India-Bangladesh Chamber of Commerce and Industry (IBCCI)
- Bangladesh Textile Mills Association (BTMA)
- Bangladesh Garments Manufacturers and Exporters Association (BGMEA)
- Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA)
- Banani Club Limited



Mr. A.K.M. Badiul Alam

Director

An eminent business personality and industrialist A.K.M. Badiul Alam started his journey as a businessman after completion of B. Com (Hons) and Post Graduation Degree (M. Com) in Management from Department of Management, University of Dhaka. Mr. Alam comes from a respectable family of Kasba, Brahmanbaria. He started his business through establishing a textile weaving industry in 1984. Thereafter, within a couple of years, Mr. Alam made a remarkable progress in business and launched new ventures one after another. All the concerns of Mr. Alam are under the banner of Amtranet Group. He has earned reputation in the RMG sector for quality products, on time shipments and new market exploration.

Mr. Badiul Alam is a member of Board of Directors of Midland Bank Ltd. as the Nominee Director of Garments Export Village Ltd. He is also the member of the Bank's Executive Committee.

Mr. Alam is one of the successful entrepreneurs of the country and worked for National Development keeping the motto in mind to "Convert unemployed population to expert workforce". He is not only engaged in Garments and Textile Industry but also actively associated with Banking, Insurance, Stock Market, Electricity Generating, Oil Refinery, Medical Services, Technical Educational Institution and many more. He has notable contributions in the socio economic development and in the field of education of the country and established various organizations especially for the welfare of underprivileged society.

He currently holds position in the following establishments:

Chairman

- Garments Export Village Ltd.
- Power Vantage Wear Ltd.
- Amtranet Ltd.
- Bravo Apparel Manufacturer Ltd.
- Kasba Mohila University & Collage
- Kasba Pouro High School

Director

- Shahjibazar Power Co. Ltd.
- Petromax Refinery Ltd.
- Zenith Islami Life Insurance Ltd.
- Eden Multicare Hospital Ltd.

Founder

- Badiul Alam Science and Technology Institute

Mrs. Shahnaj Parveen

Director

Mrs. Shahnaj Parveen is a Member of Board of Directors of Midland Bank Limited as the Nominee Director of Refat Garments Ltd. She is also a Member of the Risk Management Committee of the Bank.

Currently Mrs. Shahnaj Parveen is associated with the following organizations:

Executive Director

- Refat Garments Ltd.
- Bango Engineering Co. Ltd.

Shareholder

- Next Collections Ltd.
- Next Garments Ltd.





Mr. Abdul Momin Mondol

Director

Mr. Abdul Momin Mondol is the Managing Director of Mondol Fabrics Ltd. as well as all the concern of Mondol Group. Mondol Group includes several “100% export oriented readymade garments industries” and large scale garments accessories factories. Mr. Abdul Momin Mondol also owns a Brokerage House. He was a Director of Bangladesh Garments Manufacturers & Exporters Association (BGMEA) during the session 2011-2012. Mr. Abdul Momin Mondol has over 15 years of experience in Textiles and Garments’ industry. He has been accredited as status of CIP by the Government of Bangladesh in the year 2012. He is proponent of social awareness and renowned for humanitarian works. He contributes a handsome amount every year on humanitarian causes such as better education for children, better health care and eradicating of poverty. He is associated himself with a Foundation namely ‘Haji-Abdul Majid Mondol Foundation’ to harmonize the philanthropy activities. Employees working in 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 1 Bronze, 3 Silver & 4 Gold trophies by the Government of Bangladesh as recognition of business excellence and continuous growth in foreign currency earnings. The Group also received several international awards for ‘Quality’ from Europe and America.

Mr. Abdul Momin Mondol is a member of Board of Directors of Midland Bank Ltd. as the Nominee Director of Mondol Fabrics Ltd.

Currently Mr. Abdul Momin Mondol is associated as Managing Director with the following organizations:

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



Mrs. Ferdous Ara

Director

Mrs. Ferdous Ara is a member of Board of Directors of Midland Bank Limited as the Nominee Director of Liberty Knitwear Ltd. She is a Member of the Risk Management Committee and also a member of the Audit Committee of the Bank.

Currently Mrs. Ferdous Ara is associated with the following organizations:

Director

- A-One Polar Limited
- Orient Chem-Tex Limited
- Liberty Knitwear Limited
- Midland Knitwear Limited
- Fortune Chemical (BD) Ltd.
- Tubingen Chemicals (BD) Ltd.
- Sungarh Tex Ltd.
- Micro Trims Limited



Mr. Md. Kamal Hossain

Director

Mr. Md. Kamal Hossain is a Member of Board of Directors of Midland Bank Limited as the Nominee Director of That's It Sportswear Ltd. He is also a Member of Board Audit Committee of the Bank.

Currently Mr. Md. Kamal Hossain is associated with the following organizations

Executive Director

- That's It Sportswear Ltd.

Shareholder

- Ha-Meem Travel Ltd.
- Explore Lingerie Ltd.
- Fauji Chatkal Ltd.
- M H Sports Wear Ltd.
- M H Design Ltd.



Mrs. Lutfa Begum

Director

Mrs. Lutfa Begum is a member of Board of Directors of Midland Bank Limited as the Nominee Director of Hazrat Amanat Shah Spinning Mills Ltd. She is also a Member of the Board Audit Committee of the Bank. She is the highest tax payer for the year 2016 in Narshingdi Circle.

Currently Mrs. Lutfa Begum is associated with the following organizations

Director

- Hazrat Amanat Shah Spinning Mills Ltd.
- Amanat Shah Weaving Processing Ltd.
- Standard Company Ltd.
- Amanat Shah Fabrics Ltd.
- Hazrat Amanat Shah Securities Ltd.

Proprietor

- M/S Faysal Entreprise



Mr. Md. Rokonuzzaman Sarker

Director

Mr. Md. Rokonuzzaman Sarker is a Member of Board of Directors of Midland Bank Limited as the Nominee Director of Beq Knit Ltd. He is also a member of the Risk Management Committee of the Bank.

Currently Mr. Md. Rokonuzzaman Sarker is associated with the following organization:

Executive Director

- Beq Knit Ltd.



Mr. Kamal uddin Ahmed

Director

Mr. Kamal uddin Ahmed is a member of the Board of Directors of Midland Bank Limited as the Nominee Director of Badsha Textiles Ltd. He is also a member of the Bank's Executive Committee.

He is a promising entrepreneur and possesses excellent business background in the RMG and spinning industry. Currently Mr. Kamal uddin Ahmed is associated as the Director of the following organizations:

- Badsha Textiles Ltd.
- Kamal Yarn Limited
- Pioneer Knitwears (BD) Ltd.
- Pioneer Denim Limited
- Pioneer Knit Fashion Ltd.

He is an MBA graduate from Independent University of Bangladesh and BBA from North South University, Bangladesh. With his leadership qualities and determination he is striving to refurbish the Group of Companies by inculcating innovative and unique ideas, focusing on applying cost control methods and increasing the efficiency and productivity level along with the hierarchy. The Badsha Group is enduring to become a leading textile conglomerate in the country and Mr. Kamal is a pivotal stalwart in this visionary journey. Badsha Group has been awarded National Export Trophy as recognition of their contribution to the National Economy for three consecutive years, i.e. 2011-12, 2012-13 and 2013-14. In the year 2015, as a recognition of his contribution to the national economy, Mr. Ahmed has been accredited as the youngest CIP by the Government of People's Republic of Bangladesh.



Mr. Md. Ahsan-uz Zaman

Managing Director & CEO

Mr. Md. Ahsan-uz Zaman is the Managing Director & CEO of Midland Bank Limited (MDB). Prior to joining MDB, Mr. Ahsan-uz Zaman 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, Mr. Ahsan-uz Zaman 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 JP Morgan Chase Bank, Morgan Stanley, BNP Paribas and ANZ Grindlays Bank where he joined as a Management Trainee in Dhaka in 1982. Mr. Ahsan-uz Zaman 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.

Committees of the Board of Directors

The Executive Committee

SL	Name	Designation
1	Mr. Rezaul Karim	Chairman
2	Mr. Kazi Omar Zafar	Member
3	Master Abul Kashem	Member
4	Mr. Ahsan Khan Chowdhury	Member
5	Mr. Md. Wahid Miah	Member
6	Mr. A.K.M. Badiul Alam	Member
7	Mr. Kamal uddin Ahmed	Member

The Audit Committee

SL	Name	Designation
1	Dr. Kazi Shahidullah	Chairman
2	Al-Haj Mohammed Issa Badsha	Member
3	Mrs. Ferdous Ara	Member
4	Mrs. Lutfa Begum	Member
5	Mr. Md. Kamal Hossain	Member

The Risk Management Committee

SL	Name	Designation
1	Mr. Ahsan Khan Chowdhury	Chairman
2	Mr. Mohammed Jamal Ullah	Member
3	Mrs. Ferdous Ara	Member
4	Mrs. Shahnaj Parveen	Member
5	Mr. Md. Rokonzaman Sarker	Member

From the Desk of the Chairman



Dear Valued Stakeholders, Friends and Partners,

Assalamu Alaikum,

Let me take this opportunity to extend a very warm and sincere welcome to you from the bottom of my heart. It is always a pleasure welcoming you, our esteemed stakeholders, friends and partners. After superbly celebrating four years of banking excellence, now it is time to greet you all cordially to the Bank's 4th Annual General Meeting (AGM). I am humbled and my fathomless gratitude is to you, for your relentless support and belongingness to our Bank, Midland Bank Limited. Today, I present before you the Audited Financial Statements for the year ended 31 December 2016, our progress on important operational and financial objectives during the year and our outlook for the future. While presenting these statements on this grand occasion, I am overjoyed to see MDB grow as a powerful fourth generation banking brand with a significant presence in Bangladesh, and without you, we could not have established ourselves as a Bank of repute in such a short period of time.

In the past few years the global economy witnessed growth slump in investment, dwindling level of consumer confidence and unfavorable socio political state of condition. No less intense in the preceding years, challenges were dominant on both domestic and international fronts last year. Global output growth was a bit lower at 3.1 percent and commodity prices somewhat strengthened but inflation remained broadly unchanged. This stable average growth rate, however, masked divergent developments in different country groups. There has been a stronger-than-expected pickup in growth in advanced economies, but in contrast, it is matched by unexpected slowdown in some emerging market economies. Among advanced economies, activity rebounded in the United States even after the November election where the long term rates rose. However, output remained below potential notably in the Euro area even though domestic demand in United Kingdom held up better than expected in the aftermath of the Brexit vote. The picture for emerging market and developing economies (EMDEs) remained diverse where growth differed sharply across countries and regions. Activity in Russia was slightly better, reflecting firmer oil prices. Growth rate in China was stronger than expected, supported by continued policy stimulus. Turkey however faced a sharp contraction in tourism revenues. Activity was weaker than expected in Latin American countries in recession such as Argentina and Brazil. Sub-Saharan Africa experienced a sharp decline, but 'Emerging Asia' on the other hand, particularly India and Bangladesh, showed robust growth.

Despite the stagnant scenario in the world economy, the economy of Bangladesh has proved to be resilient. The annual GDP growth was at 7.11 percent in 2016, which exceeded expectations and total GDP rose to US\$ 195 billion. Sustained domestic consumption and revived export aided Bangladesh's growth trajectory. This robust performance in Bangladesh's economy continued on the back of the all-important garment sector which had a sustained growth during the year. Inflation stood at 5.15 percent, lower than projections. Moreover, solid household income growth and a rise in agricultural output fueled private consumption. A decline in remittances was offset by higher public sector salaries. Government expenditure for the 2016–2017 budget provided additional fuel to domestic demand. Spending plans mainly targeted at infrastructure and job training which, beyond the short-term boost to growth, improved the long-term competitiveness of the economy. But on the downside, religious and social tensions persisted, and the economic environment took a hit due to the acts of violence toward foreigners.

Banking industry in Bangladesh was not calm, nor was it even, facing multipronged challenges throughout the year mainly due to high liquidity, subdued credit demand, growing pressure to slash the interest rates to single digits, increased tendency among the corporate business houses to avail low cost foreign currency funds and unexpected incidents involving foreigners which took a grave toll on the overall investment scenario, forcing banks to run long with idle money. But despite all the headwinds, Midland Bank experienced consistent and sustainable growth. Inclusive sustainable growth is the policy priority of the Board of our bank, and accordingly, we navigated MDB in the right direction as to make it one of the most stable, sound and resilient among the fourth generation banks. Thanks to the hard efforts of our superb banking team, Midland Bank's lending portfolio grew appreciably, recording a growth rate considerably higher than the industry average and posted a net profit of BDT 668 Million and recorded an operating profit of BDT 1,080 Million. As always, we maintained 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 while special emphasis was given to Micro, Small & Medium Enterprises (MSME), which saw diverse MSME products, entrepreneurial skill-development programs as well as campaigns to promote MSME, Agri and Women Enterprise Finance. By the end of 2016, we have 21 branches in different geographical locations, expanded our own branded ATM to 23 with a customer base of over 30,000 having access to 5,000+ ATMs across the country through NPSB network, Agent Banking and collection booths, introduced new debit cards, credit cards, and various deposit and loan products to cater to the financial requirements of our valued clients.

A strong culture begins with a strong foundation of ethical values. 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. Our 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 the financial performance of the Bank by taking strategic decisions emphasizing good corporate governance. The Board guided the Bank towards the goal set by the stakeholders, ensuring highest standards of integrity, accountability, transparency, ethics and professionalism. The Executive Committee and Audit Committee relentlessly provided guidance and direction to the Management of the Bank. The Risk Management Committee analyzed all core risks of the Bank with special focus on operational risks. For an effective control system, Internal Control & Compliance Division (ICCD) and Audit Department functioned together within the Bank. In addition, External Auditors appointed by the Board audited the accompanying Financial Statements of the Bank and provided opinion whether they were prepared it in accordance with applicable rules and regulations and reflected true as well as fair views.

As pressure increased to expand business volumes and manage tight interest spreads, we brought greater focus to channel migration and process automation to improve the cost structure of the Bank. Both customer services and key operations saw significant improvement over the past year as the Bank continued to adopt and integrate state-of-the-art technology and security system. MDB also augmented its branch network to meet customers' personal needs alongside improved self-service options. The recent card fraud incidents and the major cyber-attack on Bangladesh Central Bank was a wakeup call for the banking community. In the face of growing cyber-crimes, Midland Bank stayed immune due to a rigid firewall, strong IT infrastructure with strong Core Banking System (CBS) and centralized banking model. At MDB, we are continuously putting importance on strengthening our security system, our IT platform and our IT based solutions for customers in order to provide efficient service and prevent financial crimes including money laundering and terrorist financing. Money laundering and terrorist financing are components of terrorist activity which threatens a country's financial sector reputation as well as its national security. We are determined not to let money launderers and terrorist or perpetrators use MDB as their tool to launder money or finance terrorist activity in any possible way. To stave off the risk of financial crime, we focused on training our employees, strengthened screening system and ensured that policies and procedures were effective and always up-to-date. In 2016, MDB prioritized fraud prevention and launched comprehensive fraud prevention strategy and training for all employees with its own Anti Money Laundering (AML) & Combating Financing of Terrorism (CFT) compliance program.

Green Banking is an eco-friendly socially responsible banking initiative for building the world as a safe living habitat and preserving resources for generation next by reducing environmental pollution. Our Board and management are committed in providing resources and establish strategies for the growth of green business and practices. MDBs Green Finance made significant contributions in creating resource efficient low carbon industries. In 2016, we signed an agreement with Bangladesh Bank to re-finance eco-friendly and energy efficient projects. Our Green Banking unit incorporated environmental risk in our CRM, introduced online or paper less banking as well as e-recruitment system, facilitated employee training and took customer awareness initiatives.

Past year, MDB played an active role into a broad range of direct and indirect Corporate Social Responsibility (CSR) engagements which included humanitarian relief, disaster response, healthcare and education. MDB upheld its tradition of previous years and spent BDT 44 million for CSR purpose in 2016. MDB donated to different educational institutions including Dhaka University, Chittagong University, Rajshahi University, several high schools and education related associations. Bicycles were distributed among meritorious but financially challenged female students. Two ambulances were donated to the Police Hospital and one microbus to Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital and Nursing College. A significant contribution went towards healthcare such as curative treatment, medicine, medical equipment and medical expenses. Financial assistance was awarded to Bangabandhu Sheikh Mujibur Rahman Memorial Trust - a charitable organization, working for the socio-economic well being of the society which has been running different activities to uphold the spirit of the Great War of Liberation as well as doing philanthropic work under direct guidance of honourable Prime Minister of the People's Republic of Bangladesh. I am very pleased that we were able to provide financial assistance to thousands of flood affected victims and were able to distribute blankets amongst winter affected underprivileged people.

The world economic activity is projected to pick up pace in 2017 and 2018, especially in emerging market and developing economies. However, there is a wide dispersion of possible outcomes around the projections by IMF, given uncertainty surrounding the policy stance of the incoming U.S. administration and its global ramifications. However, we are very optimistic that in 2017, the macroeconomic fundamentals in Bangladesh will be positive and the stable trend will persist. We believe that private sector credit will pick up along with the rebounding of infrastructural mega projects, which will be instrumental to infuse dynamism as well as add new dimension in the overall economic activities spurring growth, which is expected to be around 6.9 percent in FY2017. Global consumer prices are expected to rise moderately as well. With global commodity prices rebounding and inflation largely subdued, it is time for us to shift the gear for further excellence. We, at MDB, have set our goals to expand while protecting the interest of all the stakeholders with new energy and endeavor. MDB is committed to integrating environmental, social and governance issues into their day-to-day operations. In this competitive banking industry, MDB will move on with a long term customer relationship in mind and with customer led models, products and services. MDB's inclusive sustainability dream is reflective of the essence of its ambition, taking into account the legitimate interest of its stakeholders – not only for today's world, but for future generations as well.

I express my sincere thanks to you, our dynamic and generous Board of Directors, shareholders, patrons, business partners and customers for your support, loyalty and belief in our institution. I would like to express my gratitude to the Central Bank, Government of Bangladesh, Ministry of Finance, Bangladesh Securities & Exchange Commission and other regulatory agencies for their valued guidelines, advice and ceaseless support. I am thankful to the Public Representatives, members of local administration and law enforcing agencies for their all-out support especially in organizing our CSR programs in their respective localities. I would also like to place on record my sincere appreciation to every member of our Management and the MDB family for their total commitment, dedication and hard work, to whom the credit is due for our achievements so far. I am confident that our Bank will sustain its corporate vision, mission and strategic objectives by upholding our ingrained core values with dedication and hard work for many years to come. I wish you all and MDB the very best.

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

On behalf of the Board of Directors



M. Moniruzzaman Khandaker
Chairman

Report of the Executive Committee of the Board of Directors



The Executive Committee of Midland Bank Limited is one of the three core committees of the Board of Directors and carries greater functional responsibilities having direct impact on the day-to-day activities of the Bank. The Committee is mainly responsible for managing and overseeing all aspects of the Bank's business and operations in line with role profiles and terms of reference respectively, other than those reserved to the Board of Directors. In line with Board's direction and prevailing regulatory guidelines, the Executive Committee is comprised of skilled and efficient Board Members for ensuring quick disposal of loan/investment proposals and other matters of urgent nature. Due to Board's limitation to hold frequent meeting, the EC, on behalf of the Board is given mandate to exercise its full authority in discharging its duties and responsibilities. The Board ensures that the decision taken by the EC is final unless the Committee decides to seek Board approval. The committee meets weekly or as often as necessary to address all matters referred to it under the permission of the Board.

Appointment and Composition

In Compliance with Section 15B(2) of the Bank Company Act 1991 (Amendment Act 2013) and BRPD Circular No. 11 dated October 27, 2013, the Board of Directors of MDB has re-constituted the Executive Committee (EC) of the Board in its 49th meeting held on October 10, 2016 with members, not belonging to Audit Committee of the Board. The Company Secretary acts as the secretary of the Committee. The EC is comprised of 7 (Seven) Non-Executive Directors excluding Managing Director & CEO of the Bank. The Board appoints the members of the Committee annually, and as may be needed from time to time; and one Committee member is designated by the Board as Chairman of the Committee.

The Executive Committee of Midland Bank as at the end of the year comprised the following members:

SL	Name	Status with the Bank	Status with the Committee
1	Mr. Rezaul Karim	Director	Chairman
2	Mr. Kazi Omar Zafar	Director	Member
3	Master Abul Kashem	Director	Member
4	Mr. Ahsan Khan Chowdhury	Director	Member
5	Mr. Md. Wahid Miah	Director	Member
6	Mr. A.K.M. Badiul Alam	Director	Member
7	Mr. Kamal uddin Ahmed	Director	Member

The Chairman of the Committee possesses considerable experiences in the field of business and finance. The Board has ensured that EC Members are capable of making valuable and effective contributions to the functioning of the Committee as well as Bank's business, operations and its risks.

EC Meetings

The EC of a larger sized Board, as we have, usually acts as a proxy for full BoD, attend a meeting with short notice and take decisions to ensure smooth flow of banking businesses. However, any decision taken by the Committee has to be subsequently ratified by the full Board. The Executive Committee held 21 (twenty one) meetings during the financial year ended December 31, 2016. The proceedings of these meetings, with adequate details of matters discussed, were regularly reported to the Board of Directors. The Managing Director, as special invitee attended all the meetings held in 2016. Deputy Managing Director of the Bank also participated in meetings where relevant or called for.

Activities in 2016

During the year 2016, the Executive Committee made every effort to assist the Board in ensuring the effectiveness of the Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies and annual budget as well policies and business directions that have been approved.

On the top of its responsibilities, the Committee scrutinized and/or recommended credit proposals above a predetermined limit and other credit reports intended for approval/perusal by the Board of Directors. Moreover the Committee

- Carried out credit decision in line with the Bank's lending policies and credit risk appetite to ensure that the lending portfolios were managed as per the stipulated credit risk parameter.
- Reviewed policies and disbursement target for inclusive finance as per regulatory guidance and its impact on Bank's objective for inclusive growth.
- Monitored Non-Performing loans and advances and recommended provision cover as required.
- Made recommendation to Board to set a limit of loan/investment under the discretion of the EC.

The Committee brought to the attention of the Board Related Party Transactions. To this effect, it examined with necessary recommendation for the decision/approval of the Board as follows:

- Requests for any credit facility or any other form of accommodation for Bank's Directors or their close family members.
- Requests for any credit facility or any other accommodation for entities, in which a Director of the Bank is a Director or holding more than 5.00% of its paid-up capital.
- The extent of adherence to the rule that any Member having interest in Related Party Transaction under discussion, should abstain from voting on the approval of such transaction.

The Committee also carried out some other functions as specified by the Board of Directors:

- Taking cognizance of the country's economic outlook, reviewed progress of strategic stand on significant investment and liquidity position of the Bank.
- Reviewed and recommended for Board approval Compensation & Benefits and Reward Policy of the Bank along with Bank's Outsourcing and Procurement Policy.
- Ensured conformity to any regulation that may from time to time be imposed by the Directors and the Regulatory Bodies.

The Committee from time to time during the year reviewed and evaluated (in consultation with the Bank's Chief Executive Officer), (a) any reports, materials and/or proposed action items that have been submitted by Bank management to the Board, as well as (b) any reports, materials and/or proposed actions that Bank management is considering submitting to the Board.

The EC shall continue to perform its assigned functions until further decision of the Board.


Rezaul Karim

Chairman

Executive Committee of the Board of Directors

Report of the Audit Committee of the Board of Directors



Formation

The Board Audit Committee (BAC) of Midland Bank Limited was formed by the Board of Directors in its 15th Meeting held on April 26, 2014 to provide independent oversight of the company's financial reporting, non-financial corporate disclosures, internal control system and compliance to governing rules and regulations in compliance with Bangladesh Bank's 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.

Organizational Structure of BAC

As per Bangladesh Bank BRPD Circular No.11, dated 27 October 2013, a 5 (Five) member Board Audit Committee (BAC) was last reconstituted in the 49th Board meeting held on October 10, 2016 with the following Board Members:

SL	Name	Status with the Bank	Status with the Committee
01.	Dr. Kazi Shahidullah	Director	Chairman
02.	Al-haj Mohammed Issa Badsha	Director	Member
03.	Mrs. Ferdous Ara	Director	Member
04.	Mrs. Lutfa Begum	Director	Member
05.	Mr. Md. Kamal Hossain	Director	Member

Participation of non-members

Mr. Ahsan Khan Chowdhury, Directors and external auditors attended and participated in one of the meetings as special invitee. In addition to that, the Managing Director and CEO, Deputy Managing Director, Chief Financial Officer, Chief Information Officer, Head of ICCD, Head of different Divisions and Head of different Branches attended some of the meetings on need basis.

Roles and Responsibilities of Committee

The roles and responsibilities of BAC of MDB have been framed by considering the provisions of BRPD Circular No 11 dated 27 October 2013, Corporate Governance Notification issued by BSEC on August 07, 2012, July 21, 2013 and other best practice on 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/monitoring 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 2016, the BAC of MDB managed to hold 05 (five) meetings and had detailed discussions and review session with the Head of Internal Control & Compliance, External Auditors etc. and Bangladesh Bank Auditors 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.

Major areas focused by BAC in 2016 meetings

- Review of Annual Financial Statements 2015 submitted by the External Auditor of the Bank and exchanging views with the Management and the External Auditors before finalization of Financial Statements 2015.
- Recommendation for appointment/re-appointment of External Auditor (s) of the Bank.
- Review of certificate of Management Committee (MANCOM) regarding the effectiveness of Internal Control Policy, Practice and Procedure.
- Review of summary of audit findings for the year 2015 conducted by ICCD.
- Review of quarterly compliance status of audit reports conducted by Internal, External and Regulatory bodies.
- Review of compliance status of "Time Bound Action Plan" for non-complied items of Quarterly Statement of Self-Assessment of Anti-Fraud Internal Control.

- Review of Bangladesh Bank's guideline on Internal Control and Compliance Risk Management.
- Review of action plan for implementation of some vital issues of revised guidelines on Internal Control & Compliance in Banks.
- Review of report on overdue loan and classification loan accounts of MDB Branches and regularization plan.
- Review of annual integrated health report – 2015.
- Review of un-audited financial statements of the Bank on quarterly, half-yearly and yearly basis.
- Review on implementation status of the decision of the Board Audit Committee (BAC) meetings.
- Review the Activities plan of ICCD-2016 and placed to the Board for approval.

In reviewing the Company's policies and practices with respect to assessment of the various Internal Audit reports, it is evident that MDB has continued to be efficient in internal control over financial reporting for the year ended December 31, 2016. 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, BSEC and Bangladesh Bank guidelines.

Audit Committee acknowledges the splendid support of Members of the Board, Management, Finance and Internal & External Auditors from their respective work arena to make Midland Bank as a compliant one.

On behalf of the Audit Committee,



Dr. Kazi Shahidullah

Chairman

Audit Committee of the Board of Directors

Report of the Risk Management Committee of the Board of Directors



Midland Bank Ltd. (MDB) faces a wide variety of risks across all of its areas of business. Identifying and understanding risks and their impact allows MDB to frame its risk appetite and risk management practices. Defining acceptable levels of risk, cost of risk, trade-off between risk and return and establishing sound principles, policies and practices for managing risks, is fundamental to achieving consistent and sustainable long-term performance, while remaining within our risk appetite. Our risk appetite defines tolerance levels for various risks. This is the foundation for our risk management culture and our risk management framework.

Our risk management framework includes:

- Risk appetite statements;
 - Risk frameworks, policies, procedures and limits to align activities with our risk appetite;
 - Regular risk reports to identify and communicate risk levels;
 - An independent control framework to identify and test compliance with key controls;
 - Stress testing to consider the potential impact of changes in the business environment on capital, liquidity and earnings;
- Proactive consideration of risk mitigation options in order to optimize results; and
 - Oversee through our risk-focused committees and governance structure.

Risk culture refers to desired attitudes and behaviors relative to risk taking. At MDB, we strive to achieve a consistent and effective risk culture by:

- Promoting through both formal and informal channels, a shared accountability of risk identification, management and mitigation;
- Cultivating an environment of transparency, open communication and robust discussion of risk;
- Setting the appropriate “tone at the top” through clear communication and reinforcement; and
- Identifying behaviors that are and are not aligned with risk appetite, and reinforce appropriate behaviors.

Managing risk is a shared responsibility at MDB. Business units and risk management professionals work in collaboration to ensure that business strategies and activities are consistent with our risk appetite. MDB's approach to enterprise-wide risk management aligns with the three lines of defense model:

- 1) MDB's lines of business and functional & support groups are responsible for all risks associated with their activities - this is the first line of defense;
- 2) As the second line of defense, MDB's Risk Management Division provides independent oversee on the enterprise-wide risks inherent in MDB's business activities; and
- 3) As the third line of defense, MDB's internal audit function provides an independent assessment of the design and operating effectiveness of risk management controls, processes and systems.

We continuously monitor our risk profile against our defined risk appetite and related limits, taking action as needed to maintain an appropriate balance of risk and return. Monitoring our risk profile includes forward-looking analysis of sensitivity to local and global market factors, economic conditions, and political and regulatory environments that influence our overall risk profile.

Composition of BRMC

In terms of Bangladesh Bank BRPD Circular No. 11, dated October 27, 2013, a 5 (five) members Board Risk Management Committee (BRMC) was last reconstituted by the Board of Directors in its 49th meeting held on October 10, 2016 with the following Board Members:

SL No.	Name	Status with the Bank	Status with the Committee
01.	Mr. Ahsan Khan Chowdhury	Director	Chairman
02.	Mr. Mohammed Jamal Ullah	Director	Member
03.	Mrs. Ferdous Ara	Director	Member
04.	Mrs. Shahnaj Parveen	Director	Member
05.	Mr. Md. Rokonzaman Sarker	Director	Member

The Company Secretary acts as the Secretary of the Risk Management Committee of the Board.

Roles and Responsibilities of the Risk Management Committee:

- i) **Risk identification & control policy:** Formulation and implementation of appropriate strategies for risk assessment and its control is the responsibility of Risk Management Committee. Risk Management Committee monitors risk management policies & methods and amend it if necessary. The committee reviews the risk management process to ensure effective prevention and control measures.
- ii) **Construction of organizational structure:** The responsibility of Risk Management Committee is to ensure an adequate organizational structure for managing risk within the Bank. The Risk Management Committee supervises formation of separate management level committees and monitor their activities for the compliance of instructions of lending risk, foreign exchange transaction risk, internal control & compliance risk, money laundering risk, information & communication risk including other risk related guidelines.
- iii) **Analysis and approval of Risk Management policy:** Risk management policies & guidelines of the Bank should be reviewed annually by the committee. The committee proposes amendments if necessary and sends it to the Board of Directors for their approval. Besides, other limits including lending limit to be reviewed at least once annually and to be amended, if necessary.
- iv) **Storage of data & Reporting system:** Adequate record keeping & reporting system developed by the Bank management to be approved by the risk management committee. The committee ensures proper use of the system. The committee minutes its proposal, suggestions & summary in a specific format & inform the Board of Directors.
- v) **Monitoring the implementation of overall Risk Management Policy:** Risk Management Committee monitors proper implementation of overall risk management policies. They monitors whether proper steps have been taken to mitigate all risks including lending risk, market risk, and management risk.

vi) Meetings:

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

Meetings of the BRMC

In the year 2016, 4 (four) meetings were held by the BRMC of MDB and the Committee had detailed discussions and review session with the Head of RMD regarding their findings, observations and remedial suggestions on issue of Bank affairs that need improvement. The BRMC instructed the Management to follow those remedial suggestions and monitored accordingly. Meeting dates are as follows:

SL	Date of the Meeting	Meeting
01	29.02.2016	9th Meeting
02	22.06.2016	10th Meeting
03	02.10.2016	11th Meeting
04	27.12.2016	12th Meeting

Major activities in 2016

- Review of Capital to Risk Weighted Asset Ratio (CRAR), Stress testing, Duration gap for each quarter.
- Review of Internal Capital Adequacy Assessment Process (ICAAP) for 2015
- Review of risk management status of the Bank such as credit risk, market risk, operational risk, liquidity risk, reputational risk, residual risk, concentration risk, ALM risk, AML risk, Forex risk, Internal control and compliance risk, ICT risk etc.
- Approval for formation of 'Sustainable Finance Unit' and 'Sustainable Finance Committee'

Major areas to be focused by BRMC in 2017

MDB will focus to achieve notably strong position through diverse, well capitalized, highly liquid and with a conservative approach to balance sheet management. MDB currently operates at capital levels materially above the current minimum requirements and, additionally, has a number of levers at its disposal to manage future regulatory requirements.

Conclusion

Concerned employees are provided training on risk appetite, reputation risk, code of conduct, anti-money laundering and other key risk topics. By taking this training, all employees develop a basic knowledge of risk management in support of our risk culture. This training is supplemented by our risk appetite statement, risk management priorities, documents on our internal website and internal news releases. In addition, we have policies, procedures and limits in place that govern our business activity, with escalation procedures for limit breaches outlined accordingly.

2017 will be a challenging year yet our Bank commitment towards excellence with outstanding operational efficiency will make the Bank stronger, set examples for others to follow and create positive differences. Sustainable business growth, dynamic and talented human capital driven by values, better risk management, and involved of mid-level management in decision making process will surely command some key strength for MDB. We believe that, as long as we adhere to the right development strategy, take pro-active actions and forge ahead determinedly, the year will be full of hopes and harvest.

Acknowledgement

The members of the Risk Management Committee express their gratitude and thanks to the Board of Directors, Management and Risk Management team of the Bank for their cooperation while performing its duties and responsibilities.



Ahsan Khan Chowdhury

Chairman

Risk Management Committee of the Board of Directors

Managing Director & CEO's Review



**Respected shareholders and endearing partners,
Assalamu Alaikum,**

I want to begin this review with a sense of gratitude for the opportunity to serve and provide banking services to our nation. Midland Bank (MDB) gathered strength by increasing its equity base, investing in people, products, services and technology as we made banking with us more secure and safe. From twenty four hour access via our Contact Centre, ATM network, internet application midland online, to making ourselves available from our conveniently located branches and offices, we were always beside our clients to help them with their everyday personal or business need. Be it small or large, we constantly strived to make it easier and convenient to bank with us. I like to express a note of optimism and thanks to our shareholders, customers and the community at large for supporting our new bank as we stepped into our 4th year. At this initial stage of its life, we feel MDB has delivered on the noble and lofty hopes of its investors by performing profitably and strengthened its position in a tough market environment, while remaining compliant with regulatory

requirements. It's quite gratifying for us to present our 4th books of accounts and annual report which depict our achievements and opportunities for growth.

Strategic footing

On way to meeting our ultimate vision, we focused on innovation, rationalized growth, remained compliant, improved service quality, adhered to professionalism and made banking more inclusive. We focused on our goal with advanced technology, increased financial capacity, strong credit culture, growing customer base and building on our brand image. Moreover, the best of our expertise were exercised to formulate policies and execute on strategies so as to ensure a balanced and sustainable growth to increase market share, with attention to managing higher risk exposure coming from growth of business. Given declining profit margin of financial industry under a low-inflationary economic environment, cost concern remained a strategic choice to win a competitive edge. Innovative arrangement in the banking model and replacing and redefining some of the conventional function helped to reduce operational cost.

Current banking network depends heavily on labour intensive system and process. It is our utmost belief that more centralized banking system propped up by bigger investment in cutting edge IT system, machinery and equipment along with wide-scale adoption of mobile and internet banking will see a decline in labour cost in branch banking operation. Thus, technological supremacy to ease higher returns and greater customer convenience dictated our strategy both for physical presence and virtual connectivity. To provide banking to the un-banked population, seeking financial inclusion, we introduced Agent Banking to make banking services available to the masses.

The condition around

At the country level, a benign macro-economic condition prevailed all through the financial year. The banking and financial industry could extract revenues from this beneficial environment, though amidst the challenges of an unexciting investment climate. This apart, the year saw many hurdles which predominantly stemmed from unyielding external economic condition. As much as the most emerging market economies, Bangladesh too took the heat of adverse global trends: capital outflows, shifting export markets and overall reduction in global growth. With the foregoing, we continued to explore prospective diversification of opportunities as a viewfinder of new horizon. Our focus expanded to fee-based activities and unexplored banking population.

Performance

It is my pleasure to report that Midland Bank recorded a profit after tax of BDT 668.41 million with a significant 38.44 % year-on-year growth with total assets of BDT 35,352.03 million up by 47.96%. The Bank passed another phenomenal year of growth in its nascent banking life across all business lines. The Bank's loan portfolios and deposits maintained a balanced growth of 51.53% and 48.57% respectively supported by a customer centric business model. At the close of the year, our loans and advances were BDT 21,044.89 million as our client acquisition strategies supported growth. Our credit lines comprised mostly of corporate portfolio, SME lending and retail loans. It is commendable that the quality of our credit portfolio improved during the year as evidenced by NPL ratio declining to 0.68% as against 1.01% of 2015. The Advance to Deposit ratio was maintained at healthy 78.89% as at the year-end while CASA contribution to total deposits improved to 28.44%, thus enabling the Bank to gain a competitive margin. Continuous focus on streamlining operations resulted in an improved cost to income ratio of 43.48% consolidating the bottom line. The key financial health check indicators reflect a sound position with Capital Adequacy being 23.30% at the close of 2016 as per Basel standard.

Customer values

In tandem with consumer needs we shifted our focus to create customer value. Another view that supply creates its own demand cannot be underestimated. Guided by these widely viewed trends, MDB launched several new products while remodeled some existing products in order to mould a product basket to suit customer needs.

The historical collapse of too-big-to-fail banking corporations of the globe resulting from concentration of hybrid products for the upper echelon of the society has left behind a lesson for a balanced financial progression. Small and Medium Enterprises (SMEs) comprising lion's share of the economy have to have their share in mainstream finance. Even micro industries and household individuals need financial care to sprout a participatory economic growth. This necessity steered our vision to uplift the financial lives of Micro, Small and Medium Enterprises (MSMEs) at the very outset of our entry in the banking industry in 2013. Stepping ahead with time, we kept infusing more capital to this deserving yet underserved part of the economy by introducing a variety of products and financial solutions including individual loans which numbered 324 at the year ended 2016. Both across asset and liability sides, we remained vibrant by disbursing Agri, Microfinance, green development loans and executing foreign currency transactions and structuring current, savings and scheme deposit accounts. All of these offerings have drawn a significant appetite shown by SME customers during the year under review.

During 2016, 156 MSME entrepreneurs were added to SME client-base bringing the total to 324 and we disbursed a sum of BDT 1,554.50 million which consolidated our SME portfolio with BDT 2,186.50 million outstanding at the year-end. To improve the gender balance in SME finance, we closed the year with BDT 386.70 million loan disbursement (directly through Bank Tk. 42.20 million & indirectly through MFIs Tk. 344.50 million) on account of total 7,943 number of woman entrepreneurs (directly through Bank to 25 number of Women Entrepreneurs & indirectly through MFIs to 7918 number of Women Entrepreneurs) recording a remarkable growth of 251.36% on total Women Entrepreneurs loan disbursement.

HR capital

Our vision is driven towards people on the wheels of a robust talent development programme that nurtures organizational values. The Bank established an excellent track record in recruiting and developing talented professionals. We prize our staff as the biggest asset of the bank. We attribute our success to our strong human resource base because we know improved labour productivity can ensure long term sustainability and productivity as well as better cost to income ratio. For developing skill of the bank's staff, we started our own Training Institute for our new and existing talented staff.

Social commitment

Our CSR initiatives continued in 2016 with a strong commitment towards the community. The CSR commitment is mindful of the fact that the bank is a responsible stakeholder of the economy and its programmes should fall in line with national priorities and economic benefits. From the very beginning, the bank has been actively involved with various CSR activities, particularly in health, education and disaster relief, as a part of its commitment towards social wellbeing. The bank contributed 10% of its annual profit for various philanthropic activities of the society.

Outlook

Way forward, we are striving on enhancing customer convenience addressing both virtual and face to face financial interaction. Deploying technology that is easily accessible, readily understood and widely popular will be the key to attracting a generation of tech savvy youngsters. Investment in technology will also support our thrust on the financial inclusion agenda with cost effective banking solution for new segments of customers.

We seek to leverage our strength in exploring new markets to be one of the best performing bank in the country. Our agenda will focus on helping the new generation of entrepreneurs of Bangladesh and extract best possible edge from the country's vibrant economy. Our aspiration to rise to the top, though not easy, is worth its time because we have a considerable talent pool of experienced banking professionals, tried and tested structures, systems and processes to support our way to new heights of achievement.

Pleased to acknowledge

Thanking is my pleasant duty especially to those who guided us all through an uneven pathway to success. I am pleased to acknowledge that the Board at all times upheld high professionalism and ethical standard in its deliberations. We on the management side have faithfully carried out decisions of the Board and always supplied best management information to the Board to assist in making well-informed decisions. I would like to place on record the excellent co-operation from the Honourable Chairman of the Board of Directors. All committees of the Board have functioned effectively and I wish to take this opportunity to thank each and every member of the Board.

Before I close, I extend my thanks to all employees of the bank who have delivered a commendable performance. As a change agent of development of the country's economy, we feel proud to impact millions of lives through our everyday value creation. We find it an exciting moment to be part of Midland, a growing bank and an able partner to change financial lives for the better.

Sincerely,



Md. Ahsan-uz Zaman

Managing Director and CEO

Directors' Report



Directors' Report

Dear Stakeholders,

The Board of Directors welcome you all in the 4th Annual General Meeting (AGM) of the Bank. It's a pleasure to have this opportunity placing the Annual Report for the year ended on December 31, 2016. This section of the Annual Report contains an overview of the global and local economy we have encompassed last year and protects foreseen in the New Year.

Global Economic Outlook & Risks

The global economy, listless these past few years, looks ready to rise, stretch and get a move on again. This new momentum could push global economic growth to 3.4% in 2017, compared with an estimated 3% annualized growth rate for 2016. Economic activity in both advanced economies, emerging and development economies are forecasted to accelerate in 2017–18 though growth in some countries is expected to decelerate.

Advanced economies are now projected to grow by 1.9 percent in 2017 and 2.0 percent in 2018, but greater uncertainty exists in light of potential changes in the policy stance of the United States under the new administration. The primary factor underlying the global outlook in 2017 is, however, the projected pickup in Emerging and Developing Markets projected to reach 4.5 percent for 2017.

China is expected to grow by 6.5 percent in 2017 on expectations of continued policy support. However, the expectation is fragile for over reliance on policy stimulus measures, with rapid expansion of credit and slow progress in addressing corporate debt. These risks may cause sharper slowdown or a disruptive adjustment. In India, forecast is trimmed slightly, primarily due to the temporary negative consumption shock induced by cash shortages and payment disruptions associated with the recent currency note withdrawal and exchange initiative. Growth was also revised down in Indonesia, reflecting weaker-than-projected private investment, and in Thailand, in light of a slowdown in consumption and tourism.

Tighter financial conditions and increased headwinds from U.S.-related uncertainty in Mexico, and continued deterioration in Venezuela may slowdown the growth in Latin America des short-term recovery in Argentina and Brazil. In the Middle East, growth in Saudi Arabia is expected to be weaker than previously forecast for 2017 as oil production is cut back in line with the recent OPEC agreement, while civil strife continues to take a heavy toll on a number of other countries.

Risks

- Recent political developments in USA and their withdrawal from TPP totters consensus about the benefits of cross-border economic integration. A potential widening of global imbalances coupled with possible sharp exchange rate movements due to major policy shifts, could further intensify protectionist pressures. Increased restrictions on global trade and migration would hurt productivity and incomes, and take an immediate toll on market sentiment.
- High corporate debt, declining profitability, weak bank balance sheets, and thin policy buffers may affect some large emerging economy. Tighter global financial conditions, capital flow reversals, and the balance sheet implications of sharp currency depreciations may aggravate the situation.
- Geopolitical risks and other noneconomic factors continue to weigh on the outlook in various regions. Civil war and domestic conflict in parts of the Middle East and Africa, refugees and migrants crisis, terror acts, and drought in eastern and southern Africa. If these factors intensify, they would deepen the hardship in directly affected countries. Increased geopolitical tensions and terrorism could also take a large toll on global market sentiment and economic confidence.
- On the upside, policy support in the United States and/or China could turn out to be larger than what has been expected, which also would result in a stronger pickup of activity in their trading partners unless the positive spillovers are hurdled by protectionist trade policies. Upside risks also include higher investment if confidence in the recovery of global demand strengthens.

Bangladesh Economic outlook & Risks

Bangladesh ends 2016 with a record-breaking economic growth of 7.11 percent leveraging political stability throughout the year. Political stability in 2016 has not only yielded high economic growth but increased entrepreneurs confidence to do better in the days to come.

Falling interest rates, increasing access to finance and improvement in working conditions at garment factories have made businesses confident of taking new challenges and boosting export earnings. Stock markets, which were bearish since its collapse in December 2010, have begun to make a turnaround. Policy reforms,

investment in research, mechanization and use of high-yielding crop varieties have driven growth in the agriculture sector. Some mega development projects, including Tk 30,000 crore Padma Bridge, Tk 22,000 crore metro railway, elevated expressway, flyovers, dozens of economic zones and Payra seaport are in the card.

On the foundation of strong economic growth and huge government investment in ongoing mega infrastructure projects, the outlook for 2017 has become brighter. Still, there are a number of challenges, not only in achieving higher growth but also in sustaining the current growth rate. Static private sector investment, weak institutional capacity, poor governance, deteriorating banking sector and lack of skilled workforce remain big challenges this year.

Bangladesh faces formidable challenges in moving to a higher growth path of 8 percent plus GDP and earns the status of a middle income country. The foremost challenge lies with the stagnant private investment followed by weak institutional capacity to implement development projects. Though the size of the budget has been increasing steadily, the quality of spending remains a big question to analysts.

Also, the Bangladesh economy embraces 2017 with some other challenges that include declining remittance and rising nonperforming loans from the domestic side. Volatile global and gulf region politics, troubled European economy, and developments in the USA pose threats as external sources.

Banking Sector of Bangladesh

Banking sector has passed a steady year in 2016 as there was no report of any big corruption though Bangladesh Bank (BB) faced reserve hacking problem during the period. Unidentified hackers stole a total \$101 million from Bangladesh Bank's account at the New York Fed in February. Later, Bangladesh got back a total of US\$35.25 million of the stolen reserve as Sri Lanka returned \$20 million and Bangladesh Bank (BB) recovered

approximately \$15.25 million from the Philippines. The recovery of the rest of the amount is going on.

The political stability in 2016 has helped the banking sector pass a steady year. Major indicators like: deposit, advance, foreign exchange reserve, exchange rate, export, import, inflation and private sector credit growth were in good position. According to the central bank, from November 2015 to November 2016, the deposit and loan amount both witnessed a sharp rise of 13 percent and 14 percent. During the period, deposit was BDT 8.86 lac crore and loan BDT 6.56 lac crore. But in September 2016 classified loan was 10.34 percent which was 8.79 percent in December, 2015. The forex reserve hit a record of \$32 billion in 2016, which was enough for meeting the country's eight months import cost.

But the inflow of remittance witnessed a downward trend in the last couple of months of FY 17 as the country received 5.67 percent lower than the same period of FY16.

Focus on lending to MSME and Agricultural Sectors continued. Commercial Banks have distributed BDT 7,551 crore out of BDT 17,550 crore during the first five-months of FY17. In 2016, banks distributed BDT 1.01 lac crore SME loans, which helped small entrepreneurs and created more jobs in the economy.

Bangladesh Bank is continuously putting pressure by moral suasion to bring down the spread (difference between deposit and lending rate), which is expected to be around 4.6 percent in the end of 2016. Average Lending rate in the industry came down at single digit. There are downsides of the trend – inadequate return on bank deposit may allure investment in alternative and less productive assets, speculations, and inefficient capital asset expansions. Second half of the 2017 is expected to be volatile in terms of interest rate, foreign exchange rate, non-performing loans, and growth in weaker credit due to fierce competition among commercial banks. Enhanced requirement for regulatory capital may motivate some larger banks to take more risks for managing their consistent dividend payout ratio.

Review of Business

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 BDT 4000 million. The Bank started its commercial 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 network and business. Now it has a total of 21 Branches including 11 Rural Branches and 23 ATMs across the country. Over a short span of time, the Bank has emerged as a dignified banking partner in the market having ensured an easy banking access to customers through internet, alternative delivery channels, mobile, IT backed products and globally accessible debit and credit VISA cards. The Bank maintained a satisfactory level of growth of its assets and liabilities in spite of all challenges during the year 2016.

To achieve its vision, mission and strategic priorities, the Bank is committed to maintaining the highest level of ethical standard and customer charter. 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 Bank soon. Taken together with the whole nation, we want to grow and prosper.

Principal Activities of the Bank

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, micro small and medium enterprise (MSME), emerging corporate & special program (EC&SP), 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 into Corporate, MSME, Emerging Corporate & Special Program (EC&SP), 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 assets 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 level of management.
- Expand CSR related activities and ensure the Green Banking activities.

The bank has been working by giving emphasis on the above strategic priorities and lots of development has also been taken place in this regard.

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 2016, the number of branches stood at 21 (twenty one) including 11 (eleven) rural branches covering commercially important locations of the country. The Management envisions to open 5 (five) more branches and 10 (ten) agents under the Agent Banking license in the forthcoming year 2017 subject to due approval from Bangladesh Bank. MDB with the added network is about to bring the whole country under its banking network.

Capital strength (Capital Adequacy)

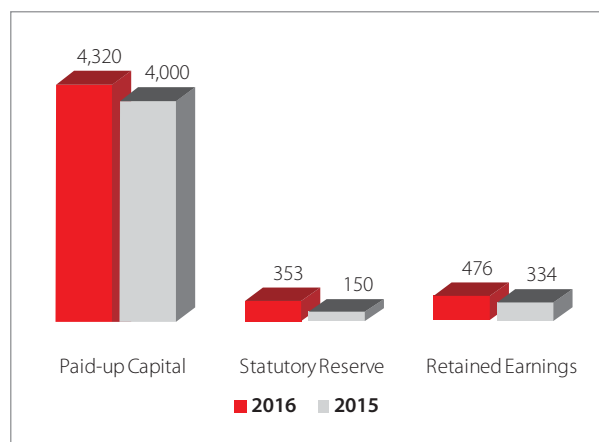
We firmly believe that Capital base of the Bank is our utmost strength. This is the first time ever in Bangladesh all the 4th Generation Banks commenced its commercial operation with huge paid-up capital of BDT 4,320 million. Apart from the paid-up capital, we were able to enlarge the shareholders’ equity of the Bank to BDT 5,399 million at the year ended on December 31, 2016 from BDT 5,067 million of previous year 2015.

The following table embodies the Tier-1 (Core Capital) and Tier-2 (Supplementary Capital) capital of the bank as per BASEL III Capital Accord.

Tier-1 Capital:

Particulars	In BDT Million		% of Growth over 2015
	December 31, 2016	December 31, 2015	
Paid-up Capital	4,320	4,000	8%
Statutory Reserve	353	150	135%
Retained Earnings	476	334	43%
Sub-Total (A)	5,149	4,484	15%

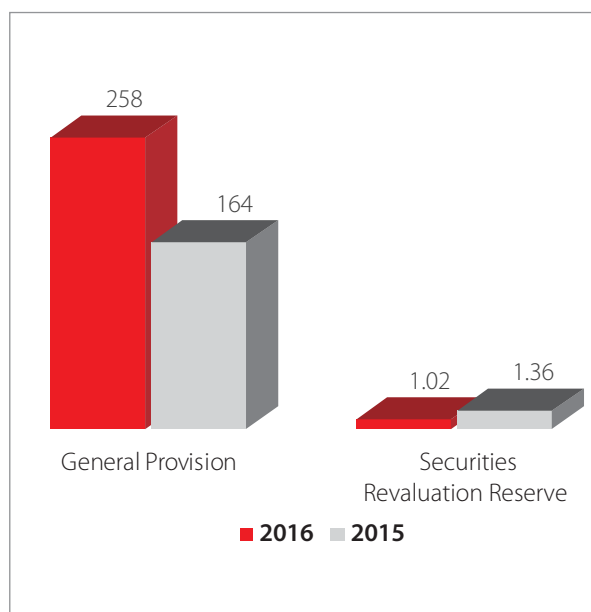
Tier-1 Capital



Tier-2 Capital:

Particulars	In BDT Million		% of Growth over 2015
	December 31, 2016	December 31, 2015	
General Provision	258	164	57%
Securities Revaluation Reserve	1.02	1.36	-25%
Sub-Total (B)	259	165	57%
Grand Total (A+B)	5,408	4,650	16%

Tier-2 Capital



The Capital to Risk Weighted Assets Ratio (CRAR) stood at 23.30% as on December 31, 2016 as against the minimum CRAR of 10.625%.

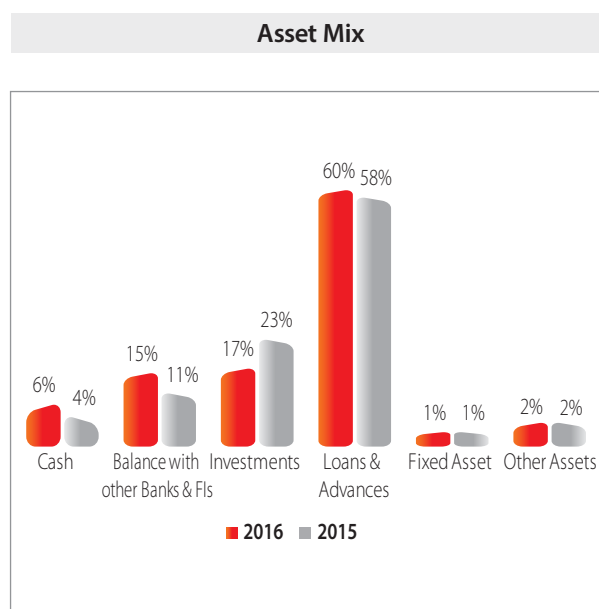
Financial Performance of MDB

Particulars	2016	2015	% of growth over 2015
	In BDT Million		
Cash	1,974	1,060	86%
Balance with other banks & FIs	5,346	2,655	101%
Money at call & short notice	-	80	(100%)
Investments	5,973	5,429	10%
Loans & Advances	21,045	13,888	52%
Fixed Assets	236	211	12%
Other Assets	778	570	36%
Total Assets	35,352	23,893	48%
Borrowings from other banks, Financial Institutions and Agents	2,271	281	708%
Deposits and Other Accounts	26,676	17,955	49%
Other Liabilities	1,006	590	71%
Capital / Shareholders’ Equity	5,399	5,067	7%
Total Liabilities	35,352	23,893	48%

Balance Sheet

Assets

Total Assets of the Bank stood at BDT 35,352 million in 2016 as against BDT 23,893 million in 2015, registering a positive growth of 48%. On the other hand, the growth of deposit was at 49% and growth of equity was at 6%. 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 deposits was used for funding credit growth and holding of securities for SLR purpose. During the year 2016, the economy observed a low credit demand against excess liquidity in the market.



Growth of Balance Sheet Items

Particulars	2016	2015	% of growth over 2015
	In BDT Million		
Total Assets	35,352	23,893	48%
Advances	21,045	13,888	52%
Deposits	26,676	17,955	49%
Equity	5,399	5,067	7%

Cash and Balance with Bangladesh Bank, Financial Institutions and its Agents

◆ Cash in hand

The balance stood at BDT 1,974 million in 2016 compared to BDT 1,060 million in 2015. The balance increased by BDT 914 million in 2016,

showing a growth of 86%. 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 5,346 million in 2016, compared to BDT 2,655 million in 2015. The balance increased by BDT 2,691 million in 2016 showing a growth of 101%.

Investments

The Investment grew by 10% to BDT 5,973 million in 2016 compared to BDT 5,429 million in 2015. The balance increased by BDT 544 million in 2016. The Bank's investment comprised government securities of BDT 5,019 million and others (investment in debenture, corporate bond, etc.) of BDT 954 million. The 36% growth achieved in investment of Government Securities was driven by government treasury bills / bonds purchased to cover the required SLR, in line with increased deposit liabilities.

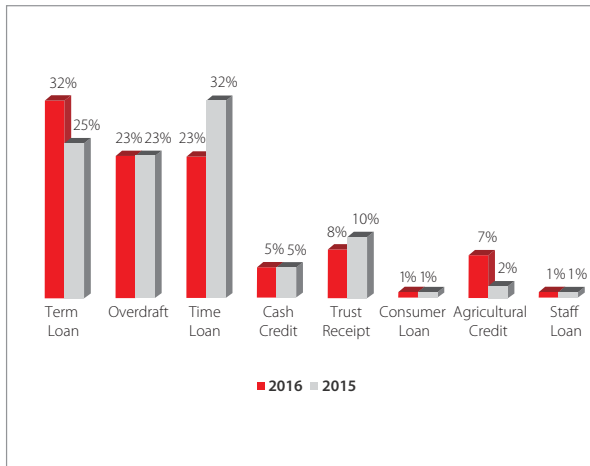
Loans and Advances

Loans and advances outstanding of the bank amounted BDT 21,045 million in 2016 representing a growth of 52%, compared to BDT 13,888 million in 2015. Yield on loans and advances decreased to 11.16% from 13.55% due to reduce the lending rate in 2016. Approval and disbursement of loans and advances was well managed. As a result, MDB has a nominal Non-performing Loan (NPL) of BDT 143.50 million (0.68%) during the FY 2016.

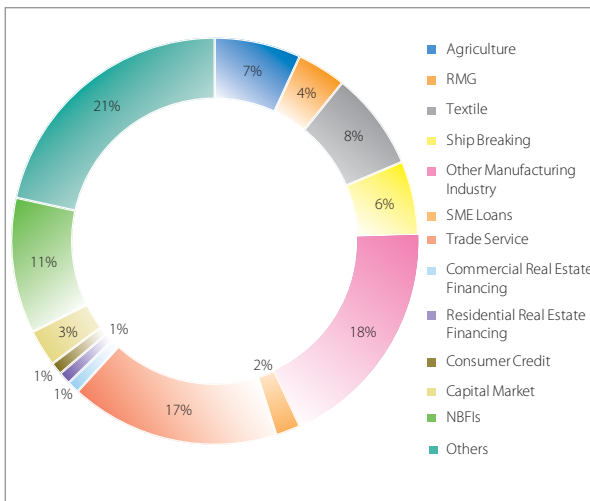
Under a very low investment climate in 2016, borrowers became averse to injecting new fund in their business. Bankers were hard pressed to find a solution to a two pronged problem: worsening current portfolio versus lower opportunity to expand business in absence of committed borrowers. Against the backdrop, MDB came out successful in enhancing its credit portfolio. The growth in the loan book was an outcome of Bank's concentrated 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 0.68 percent. Based on contractual maturity terms 65 percent of the current loan portfolio will be matured within one year, 31 percent is due to mature within 5 years and 4 percent is due to mature over 5 years of the balance sheet date. Bank's Advance to Deposit (AD) ratio at the end 2016, improved to 78.89% from 77.35% in 2015, marking an efficient utilization of mobilized fund and equity in the most liquid banking industry in Bangladesh.

Category-wise Loan Mix



Sector-wise Loans and Advances Mix 2016



Fixed Assets and Other Assets

The aggregate amount of fixed assets of the bank was BDT 236 million in 2016, compared to BDT 211 million in 2015 demonstrating a growth of 12%, while other assets amounted to BDT 778 million in 2016, compared to BDT 570 million in 2015, showing a growth of 36%.

Liabilities

Total liabilities excluding equity of the Bank registered an excellent growth of 60% with a total volume of BDT 29,953 million in 2016, as against BDT 18,827 million in 2015. Deposits and other accounts were BDT 26,676 million in 2016, compared to BDT 17,956 million in 2015 with an excellence growth of 49%.

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 are mainly used for bank's liquidity, purchasing Treasury Bonds / Bills as PD Bank, which are devolved on the bank in excess of CRR & SLR requirements.

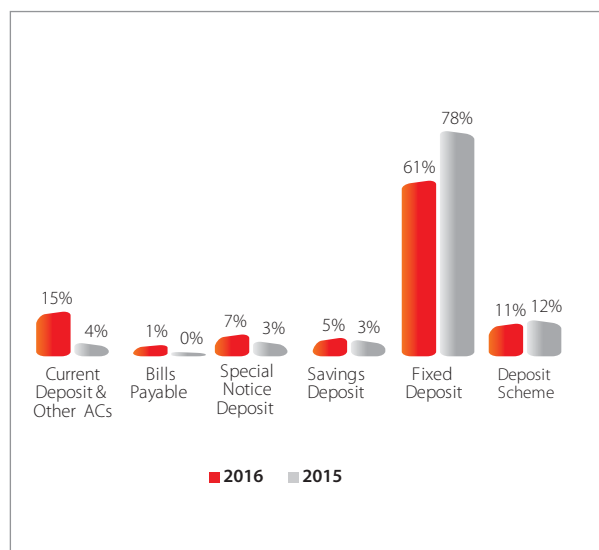
Deposits

Customers' deposits are the prime source of funding for Commercial Banks. To attract new customers, it 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, and 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 26,676 million in 2016 with a growth of 49% compared to BDT 17,956 million in 2015. The cost of deposit and cost of fund were brought down to 6.62% and 8.52% respectively in 2016, as against 8.31% & 9.73% respectively in 2015. Out of deposit, customer-based witnessed a speedy growth of 46% over the preceding year numbering a total of BDT 26,676 million as on the balance sheet date of 2016. The strong customer-based comprised individuals, corporations, small & medium size enterprises, NBFIs, government entities, NGOs and autonomous bodies and others.

Deposit Mix	Outstanding Amount (In BDT Million)		% of Growth over 2015	Deposit Mix (%)	
	2016	2015		2016	2015
Current Deposits	4,106	701	486%	15.39%	3.90%
Bills Payables	145	26	458%	0.54%	0.14%
Short Notice Deposits	1,895	536	254%	7.10%	2.99%
Saving Deposits	1,441	604	139%	5.40%	3.36%
Fixed Deposits	16,261	14,023	16%	60.96%	78.10%
Scheme Deposits	2,828	2,066	37%	10.60%	11.51%
Total Deposits	26,676	17,956	49%	100%	100%

Deposit Mix



In 2016, MDB's deposit blend was stable with cost free and low cost deposits increased excellently in comparison with the year 2015 to 28.43% from 10.39%. High cost deposits in deposit mix such as Scheme Deposit reduced to 10.60% from 11.51% of 2015. At the year-end of 2016, the ratio of Fixed Deposits to total Deposits also reduced to 60.96% from 78.10% of 2015. A wide range of liability products are now available at MDB to meet variant needs of deposit clients.

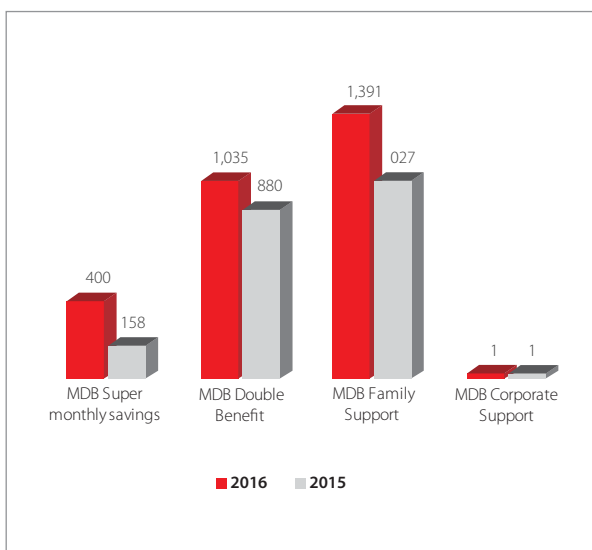
Scheme Deposits

With a view to bringing all citizens of the country into our Banking network from all of geographical segments 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 Bank contemplates to devise some new beneficial schemes with more attractive features in the coming year. During the year, the fascinating series of schemes namely MDB Super Monthly Savings, MDB Double Benefit, MDB Family Support and MDB Corporate Support are given below:

Share of Popular Deposit Scheme

Deposit Schemes	2016	2015	% of growth over 2015
	In BDT Million		
MDB Super Monthly Savings	400	158	154%
MDB Double Benefit	1,035	880	18%
MDB Family Support	1,391	1,027	35%
MDB Corporate Support	1	1	-
Total	2,828	2,066	37%

Scheme Deposits Mix



Shareholders' Equity

The shareholders' equity increased by BDT 332 million to BDT 5,399 million in 2016 as against BDT 5,067 million in 2015 (7%). Statutory reserve was up by BDT 203 million in 2016 (35% ahead), while retained earnings rose by BDT 142 million over previous year 2015. The growth in shareholders' equity will help the bank to grow on a strong foundation of capital base as well as expand its business as a whole.

Income Statements

Income and Expenses

The Bank registered net operating profit before tax and provision of BDT 1,080 million in 2016 as against BDT 819 million in 2015, representing an outstanding growth of 32%. Net profit after tax increased significantly compared with previous year of 2015 (38% ahead) making a total of BDT 668 million in 2016 compared to BDT 483 million in 2015, due to business growth, as well as capital gain on T-bills / Bonds in 2016.

Interest Income

The Bank enumerated total interest income on loans and advances of BDT 2,179 million in 2016 as against BDT 1,690 million in 2015. The Bank also earned an amount of BDT 1,332 million from commission, exchange & brokerage, income from investment and other operating income in 2016 as against BDT 1,100 million in 2015. The growth of income was mainly driven by real growth in overall assets portfolio, good sales of loan products and rise in investment incomes, fees and commissions as well as efficient utilization of fund. Yield on loans and advance reduced to 11.16 % in 2016 from 13.55% in the previous year.

Investment Income

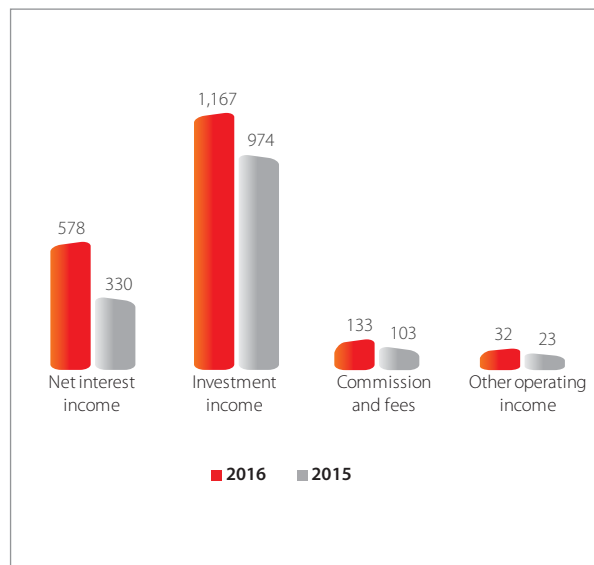
MDB's investment income consisted of interest / discount earned on treasury bills / bonds, gain on government security trading, interest on debentures so forth. Investment income in 2016 was BDT 1,167 million compared to BDT 974 million in 2015. This enabled the bank to post a significant growth of BDT 193 million (20% ahead) over the preceding year. Investment Income was another major contributor to total operating income accounting for 61% of net operating income.

Commission, Fees & Brokerage

Income from commission, fees and brokerage during 2016 increased by BDT 30 million against the preceding year (29% ahead). 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 the table below:

Particulars	2016	2015	% of growth over 2015
	In BDT Million		
Interest income	2,179	1,690	29%
Interest paid	1,601	1,360	18%
Net interest income	578	330	75%
Investment income	1,167	974	20%
Commission, fees and brokerage, etc.	133	103	29%
Other operating income	32	23	39%
Net operating income	1,910	1,430	34%
operating expenses	830	611	36%
Net operating profit before provision and tax	1,080	819	32%
Provision on loans and advances	110	145	-24%
Net Profit before tax	970	674	44%
Provision for corporate tax	302	191	58%
Net Profit after tax	668	483	39%

Revenue Mix



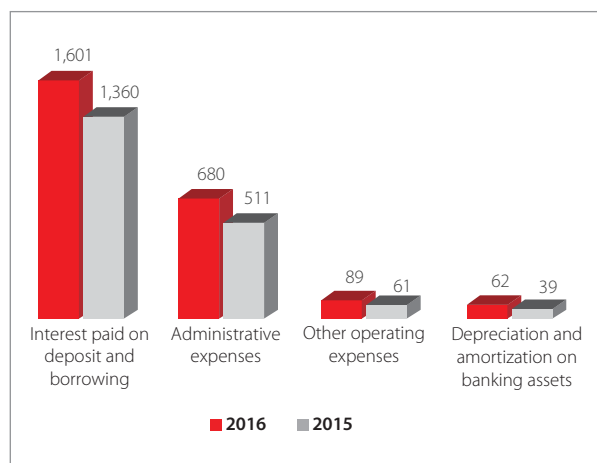
Expenses

Interest paid on deposits and borrowings, etc. was BDT 1,601 million in 2016 compared to BDT 1,360 million in 2015. Administrative expenses incurred by the bank amounted at BDT 830 million in 2016 as against BDT 611 million in 2015. Interest paid on deposits and borrowings and administrative expenses mostly increased due to expansion of business, provisioning of gratuity, provident fund, performance bonus and expansion of branch network during the year. The cost of deposit and cost of fund stood at 6.62% and 8.52% respectively in 2016 as against 8.31% & 9.73% in last year. The cost income ratio increased from 42.72% to 43.48% which indicates satisfactory operating efficiency of the Bank. Depreciation and repairs on fixed assets totaled BDT 62 million up by 59% from previous year. Additional fixed assets of BDT 79 million included the expenses against establishment of new branch premises, HO premises, ATMs, investment in IT infrastructures and so forth.

Summary of expenses is as follows:

Particulars	2016	2015	% of growth over 2015
	In BDT Million		
Interest paid on deposit and borrowing	1,601	1,360	18%
Administrative expenses	680	511	33%
Other operating expenses	89	61	46%
Depreciation and amortization on banking assets	62	39	59%
Total Expenditures	2,432	1,971	23%

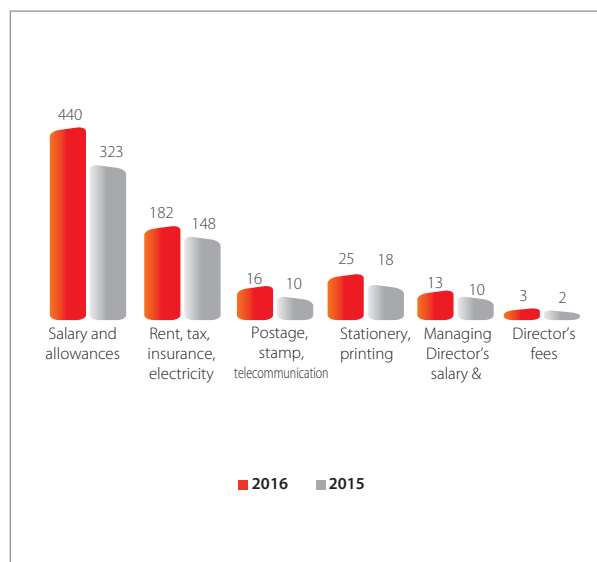
Summary of Expenses



Summary of administrative expenses:

Particulars	2016	2015	% of growth over 2015
	In BDT Million		
Salary and allowances	440	323	36%
Rent, tax, insurance, electricity, etc.	182	148	23%
Postage, stamp, telecommunication, etc.	16	10	60%
Stationery, printing, Advertisement, etc.	25	18	39%
Managing Director's salary & allowances	13	10	30%
Director's fee	3	2	50%
Total Expenditures	679	511	33%

Summary of Administrative Expenses



By and large, Bank's rent and tax, utility bills, insurance premium, printing & stationeries, repair, maintenance, office security, advertisement & business promotion costs increased during 2016 because of expansion of service delivery channels (Branches, ATM), renovation of Branches and Head Office, introduction of new products, improving brand image through increasing promotion and advertisement, etc.

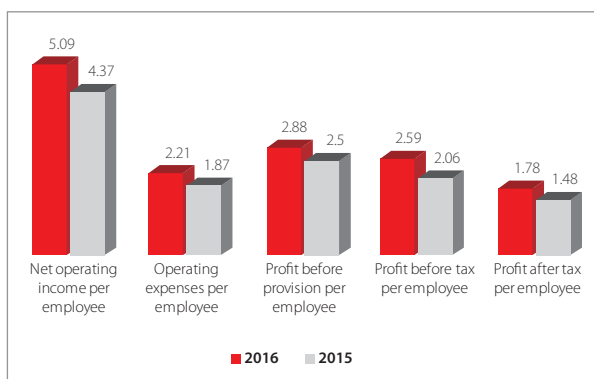
As a new growing bank inclined to expand business, base and inclusive relationship as well as for smooth running of business under compliant environment, the Bank's operating expenses are usually high at the beginning stage. However, a prudent management of expenses and cost-control are our constant 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 employees contributed to grow which is evident from the following table:

Particulars	2016	2015	% of growth over 2015
	In BDT Million		
Number of employee	375	327	15%
Net operating income per employee	5.09	4.37	16%
Operating expenses per employee	2.21	1.87	18%
Profit before provision per employee	2.88	2.50	15%
Profit before tax per employee	2.59	2.06	26%
Profit after tax per employee	1.78	1.48	20%

HR Productivity



General Provision

General provisions against unclassified loans and advances was BDT 81 million for 2016 as against BDT 78 million for 2015. The Bank also maintained general provision of BDT 13 million for 2016 against the off-balance sheet exposures, compared to BDT 10 million for 2015, in compliance with regulatory guidelines. 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.

During the year 2016, specific provision was BDT 16 million as against BDT 56 million of 2015.

Other Provision

No provision was made against diminution in value of investment in shares and protested bills, as the Bank has not required such provision during the reporting year.

Net Profit before Tax

After making appropriate provision as stated above, net profit after provision stood at BDT 970 million in 2016 compared to BDT 674 million in 2015 representing a growth of 44%.

Net Profit after Tax

The Bank has made a provision of current tax and deferred tax of BDT 301 million in 2016 as against BDT 192 million in 2015. After making appropriate provision of tax, net profit after tax stood at BDT 668 million in 2016 compared to BDT 483 million in 2015 showing a growth of 38%.

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 accumulated amount of statutory reserve stood at BDT 354 million in 2016 compared to BDT 150 million in 2015 with a growth of 36%.

Key financial ratios of the Bank:

Particulars	2016	2015
ROE-Return on average equity (PAT/ Average Equity)	12.77%	10.59%
ROA-Return on average assets (PAT/ Average Assets)	2.26%	2.48%
Cost to income ratio (Operating expense/ Revenue)	43.48%	45.22%
Capital adequacy ratio	23.30%	26.29%
Advance to Deposit ratio	78.89%	77%
NPL ratio	0.68%	1.01%
EPS (in BDT)	1.55	1.12
Net Asset Value per Share (in BDT)	12.50	11.73

Appropriation of Profit

Profit After Tax (PAT) stood at BDT 668 million for the year 2016. Profit available for distribution among Shareholders is BDT 476 million after a mandatory transfer of statutory reserve of BDT 203 million (20% on PBT) and allocation for Corporate Social Responsibility (CSR) of BDT 3.5 million. Directors have recommended stock dividend @11% (Proposed) for the year 2016.

In BDT Million

Particulars	Year 2016	Year 2015
Profit After Tax (PAT)	668	483
Retained earnings brought forward	14	21
To be appropriated	682	504
Transfer to statutory reserve	(203)	(126)
Transfer to CSR	(3)	(44)
Dividend	-	(320)
Distributable profit	476	334
Dividend for the year 2015 & 2014 (recommended):	-	-
Stock dividend [11% (proposed) in 2016 & 8% in 2015]	475	320
Retained earnings to be carried forward	1	14

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 12 (twelve) Nostro Accounts in 5 (five) 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

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 affixed 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 (details are discussed in Risk Management report in this annual report).

Corporate Sustainability

In order to uphold corporate sustainability, MDB has concentrated in the key areas i.e. nation building, creation of healthy and congenial workplace, 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 a portion of its net profit every year to the CSR Fund. The Bank conducted various CSR activities during the year 2016 (details are discussed in CSR report in 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 stakeholders' value, increasing investors' confidence, creating customers' 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 in 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 in the meeting of the Board, Executive Committee, Audit Committee and Risk Management Committee. The Managing Director & CEO is paid salaries and allowances as per approval of MDB Board and Bangladesh Bank. (Details provided in note 25.01 to the financial statement)

Accounting Records

The Directors of Bank are accountable to 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 these risks. The Board of Directors also approve an effective internal control system that also requires to set 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 that 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. BAS-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 affects the business and develops action plans to make the internal control environment stronger.

Supplier Payment Policy

The Bank has developed and implemented a set of vendor's payment policy in its procurement policy and procedures dully approved by the Board of Directors. Before processing any payment, GSD and 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/ Account Transfer in favor 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 or stakeholder since of its incorporation.

Maturity Analysis

In BDT Million

Assets	Below 1 Year	1-5 Year	Above 5 Year	Total
Interest earning assets	19,480	7,450	5,277	32,208
Non-interest earning assets	2,250	128	766	3,144
Total assets	21,730	7,579	6,043	35,352
Interest bearing liabilities	23,131	3,297	2,519	28,947
Non-Interest bearing liabilities	307	200	540	1,047
Total liabilities	23,439	3,497	3,059	29,994
Maturity Gap	(1,709)	4,082	2,985	5,358

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

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 excellent profitability trends in the year 2016. The Earnings per Share (EPS) stood at BDT 1.55 against BDT 1.12 in 2015, Return on Investments (ROI) at 12.35% against 23.16% of 2015, Return on Average Assets (ROA) stood at 2.26% against 2.48% of 2015 and Return on Shareholders' Equity (ROE) at 12.77% against 10.59% of 2015.

Meeting of the Board

The Board of Directors hold meeting on a regular basis, usually once in a month, but emergency meetings are being 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. In each meeting, the Chairman of the Board of Directors allows sufficient time for the Directors to consider respective agenda item in a prudent way and permits them to freely discuss, inquire and express independent opinions on the issues of interest so that they can fulfill their duties to the best of their abilities. During the year 2016, a total 13 (Thirteen) meetings of the Board of Directors were held.

Appointment of Auditors

M/s. Hoda Vasi Chowdhury & Co., Chartered Accountants conducted the audit of MDB for the year 2016. As per provision of Bangladesh Bank Circular, they are eligible for re-appointment. The Board Audit Committee in its 17th meeting and subsequently the Board of Directors in its 56th Meeting recommended to appoint M/s. Hoda Vasi Chowdhury & Co., Chartered Accountants as external auditors of the Bank for conducting audit for the year 2017.

Annual General Meeting

The 4th Annual General Meeting (AGM) of MDB will be held within June 2017. The Directors' Report along with the financial statements was approved at 56th Board Meeting held on March 30, 2017 for presentation to the shareholders in the 4th AGM to be held within June 2017.

Outlook 2017

In 2017, 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 (Non-funded business) 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 coming year 2017.

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 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 facilitated 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 and the business strategy is geared towards achieving this. This section covers the value of the bank delivers to its shareholders and nation at large.

The Bank's policy is to deliver optimum value in a manner that is consistent with the highest levels of fairness 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.

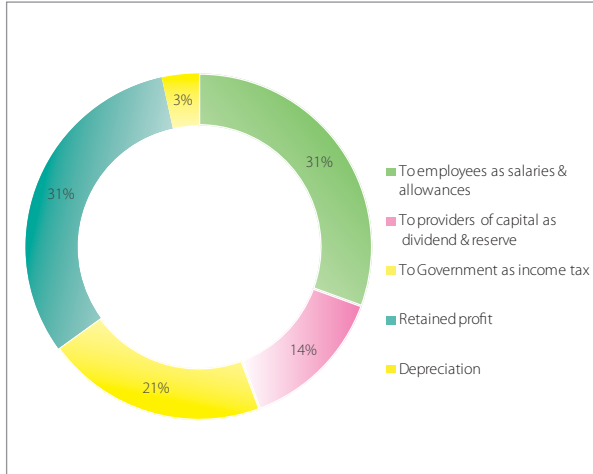
The capital adequacy computation as on 31st of December, 2016 is given below:

	In BDT Million	
Particulars of Capital Fund	2016	2015
Paid up Capital	4320	4,000
Statutory Reserve	353	150
Retained Earnings	476	334
Total Tier - I (Core) Capital	5,149	4,484
Supplementary Capital (Tier-II) :		
General Provision including Off Balance Sheet items	258	164
Revaluation Reserve on Investment in Securities	1	1
Total Tier - II (Supplementary) Capital	259	165
Total Capital (Tier I + II)	5,408	4,649
Total risk weighted assets	23,210	17,689
Core Capital Ratio (%)	22.18%	25.36%
Supplementary Capital Ratio (%)	1.12%	0.93%
Total Capital Adequacy Ratio (%) –Minimum requirement @ 10%	23.30%	26.29%

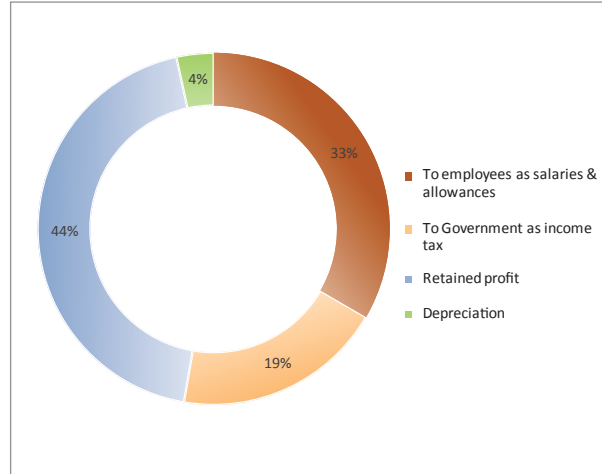
Statement of Value Added and its Distribution

	In BDT Million	
Particulars	2016	2015
Income from banking services	3,511	2,790
Less: Cost of services & supplies	(1,928)	(1,648)
Value added by banking services	1,583	1,142
Non-banking income	-	-
Provision for loans, off-balance sheet exposure and CSR	(113)	(145)
	1,470	997
Distribution of value addition		
To employees as salaries & allowances	453	333
To providers of capital as dividend & reserve	203	446
To Government as income tax	307	193
	963	972
To expansion and growth		
Retained profit	462	(7)
Depreciation	51	34
Deferred taxation	(6)	(2)
	507	25
Total	1,470	997

Distribution of Value addition-2016



Distribution of Value addition-2015



Economic Value Added Statement

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

In BDT Million

Particulars	2016	2015
Shareholders' equity	5,399	5,067
Add: Accumulated provision for Loans & Advances and Off Balance sheet exposure	330	220
Total Shareholders' equity	5,729	5,287
Average Shareholders' equity	5,508	4,706
Earnings		
Profit after tax	668	483
Add: provision for Loans & Advances and Off Balance sheet exposure	110	145
Less: written off during the year		-
Earning for the year	778	628
Average cost of equity (based on weighted average rate of Shanchay Patra issued by the Government of Bangladesh) plus 2% risk premium	10.35%	10.50%
Cost of average equity	570	494
Economic Value Added	208	134

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 (The Bank) 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 condition of Corporate Governance Guidelines and proper reporting of compliance status on the compliance 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.

Based on information and 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 of Bangladesh Securities and Exchange Commission and applicable to the bank for the year ended 31 December, 2016.



K. M. Hasan FCA
Managing Partner

Corporate Governance

Introduction

Corporate governance encompasses a set of systems and practices to ensure that the Bank's affairs are being managed in a manner which ensures accountability, transparency and fairness in all transactions in the widest sense. The objective is to meet stakeholder's aspirations and societal expectations. Good governance practices stem from the dynamic culture and positive mind-set of the organization. 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 Act, 1991 (Amended upto 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

- 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.
- 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.

Gender Balance

MDB Board of Directors has an encouraging gender balance. We have as many as 05 (five) female Directors in the Board representing 25% of the total Directors.

Composition of Board of Directors

The Board of Directors comprises 21 Directors as on December 31, 2016 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 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 Board of Directors of the Bank consists of 20 members. Since there is a decision to maintain Status Quo of the Board of Directors until disposal of the Rule issued by Honorable High Court Division of the Supreme Court of Bangladesh in the Writ Petition No. 10376/2016, dated August 28, 2016, there is no scope to appoint Independent Directors in the Board of Directors of the Bank.

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 2016, a total 13 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 and BRPD Circular Letter No. 11 dated October 04, 2015, 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/ Audit Committee / Risk Management Committee meetings (Notes to the Financial Statements, note # 30).
- Managing Director is paid salaries and allowances as per approval of the Board and Bangladesh Bank (Notes to the Financial Statements note # 25.01).

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 3rd AGM held on September 26, 2016 approved the appointment of M/s. Hoda Vasi Chowdhury & Co., Chartered Accountants as the statutory auditors of the Bank for the year 2016. In compliance with the provision 4 of BSEC guidelines, the External Auditors were not engaged in any of the following services during the year 2016:

- 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, 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 with 7 members. 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. Highlights of the Executive Committee activity during the year 2016 are appended in the Report of Executive Committee at page no 35 - 36.

Board Audit Committee (BAC)

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 recommend the Board for approval of Quarterly, Half Yearly and Annual financial reports of the bank. The Audit Committee also meets the Head of Internal Control & Compliance 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 5 Directors and is constituted with the members not included in the Executive Committee of the Board. 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 (IAS);
- 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 05 (five) meetings in 2016 and had thorough discussions and review session with the CEO, Head of Internal Control & Compliance External Auditors etc. Highlights of the Audit Committee activity during the year 2016 are appended in the Report of the Audit Committee at page no 37 - 40.

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 their own duties and responsibilities, Risk Management Committee has the following responsibilities:

- To design mechanism to determine and control risks
- To prepare organizational structure
- To review 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.

MDB Risk Management Committee (RMC) held 04 (four) meetings in 2016 and had thorough discussions and review session with the CEO and CRO on various risk related issues. Highlights of the Risk Management Committee activity during the year 2016 are appended in the Report of the Risk Management Committee at page no 41 - 43.

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 2016. 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 interest 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. The composition of all these Committees are presented in the page no 92-97.

Professional Development

All Directors, after appointment, are provided with a complete set of information in order to familiarize 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

There is a decision to maintain Status Quo of the Board of Directors until disposal of the Rule issued by Honorable High Court Division of the Supreme Court of Bangladesh in the Writ Petition No. 10376/2016, dated August 28, 2016. Therefore, there is a restriction on

Election and Re-election of Directors as per Companies Act 1994, Bank Companies Act 1991 (Amendment 2013), Bangladesh Bank's Circular and 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 dispatched 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) unaudited financial statements are also submitted to the regulatory bodies 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.

The Community

In our sustainability planning, we recognize 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 business house. The bank makes payment of corporate

tax on time and sometimes even before the time it takes effect. The Bank deducts excise duty, withheld tax and VAT on time from employee's salary, as well as customers and vendors, and deposits the same to Government Treasury on time. During 2016, MDB paid advance corporate tax of BDT 201 million while deposited withheld tax of BDT 179 million, VAT of BDT 40 million and Excise Duty of BDT 26 million.

Bank's contribution to government exchequer during the last 4 years are given below:

(In BDT Million)

	2016	2015	2014	2013
Advance Corporate Tax	201	100	50	21
Withheld VAT, Tax & Excise Duty	245	169	83	30
Total	446	269	133	51

Conflicts of Interest

The Board and the Management effectively refrain from pursuing other interest at the cost of the organization. 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 interest. In this process, connected transactions or related party transactions are brought to focus. 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 04, dated 23.02.2014 (Notes to the Financial Statement, note # 41).

Compliance Status on Corporate Governance Guidelines

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

Annexure 01

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
1.00	BOARD OF DIRECTORS			
1.1	Board's Size: Board members should be not less than 5 (five) and more than 20 (twenty)	√		
1.2	Independent Directors:	-	-	-
1.2 (i)	At least one fifth (1/5) of the total number of directors in the company's board shall be independent directors.	N/A		The Board of Directors of the Bank consists of 20 members (maximum limit). Since there is a decision to maintain Status Quo of the Board of Directors until disposal of the Rule issued by Honorable High Court Division of the Supreme Court of Bangladesh in the Writ Petition No. 10376/2016, there is no scope to appoint Independent Directors in the Board as well as Board Audit Committee.
1.2 (ii) a)	Independent director do not hold any share or hold less than one percent (1%) shares			
1.2 (ii) b)	Who is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares			
1.2 (ii) c)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies:			
1.2 (ii) d)	who is not a member, director or officer of any stock exchange;			
1.2 (ii) e)	who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market;			
1.2 (ii) f)	who 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)	who shall not be an independent director in more than 3 (three) listed companies;			
1.2 (ii) h)	who 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)	Who 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).			
1.2 (iv)	The post of independent director(s) cannot 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.	N/A		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
1.4	Chairman of the Board and Chief Executive Officer: The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals.	✓		
1.5	The Directors' Report to Shareholders:	-	-	-
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.	N/A		
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.	N/A		
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.	N/A		
1.5 (x)	Remuneration to directors including independent directors.	✓		
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.	✓		
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.	✓		Key operating and financial data from the inception has been summarized (4 years)
1.5 (xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	✓		
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 (along with name wise details where stated below) held by:-	-	-	-
1.5 (xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	N/A		There is no Subsidiary/Associated company of MDB yet form

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
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)	Executives;			
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:-	-	-	-
1.5 (xxii) a)	A brief resume of the director;	✓		
1.5 (xxii) b)	Nature of his/her expertise in specific functional areas;	✓		
1.5 (xxii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	✓		
2.00	CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS)			
2.1	Appointment: The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.	✓		
2.2	The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors.	✓		
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.	✓		Since there is a decision to maintain Status Quo of the BoD, there is no scope to appoint Independent Directors in the Board as well as BAC.
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.	✓		
3.1 (iv)	No vacancy for more than one month.	✓		No such case
3.1 (v)	The company secretary shall act as the secretary of the Committee.	✓		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.		N/A	Since there is a decision to maintain Status Quo of the BoD, there is no scope to appoint Independent Directors in the Board as well as BAC.
3.2	Chairman of 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.		N/A	Since there is a decision to maintain Status Quo of the BoD, there is no scope to appoint Independent Directors in the Board as well as BAC.

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
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)	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 Audit Committee.	N/A		The Bank yet goes for IPO
3.4.1	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)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-	-	-	-
3.4.1 (ii) a)	Report on conflicts of interests;			No such matter to report
3.4.1 (ii) b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;			No such matter to report
3.4.1 (ii) c)	Suspected infringement of laws, including securities related laws, rules and regulations;			No such matter to report
3.4.1 (ii) d)	Any other matter which shall be disclosed to the Board of Directors immediately.			No such matter to report
3.4.2	Reporting to the Authorities			No such matter to report
3.5	Reporting to the Shareholders and General Investors	✓		
4.00	EXTERNAL/STATUTORY AUDITORS			
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.	✓		
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.	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
5.00	SUBSIDIARY COMPANY			
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.			N/A
5 (ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.			N/A
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.			N/A
5 (iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.			N/A
5 (v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.			N/A
6.00	DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO)			
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.	✓		
7.00	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

Sl.	Directors	Designation	No. of Meeting	No. of Attendance	% of Attendance
1	Mr. M. Moniruzzaman Khandaker	Chairman	13	13	100.00%
2	Mrs. Nilufer Zafarullah, MP	Vice Chairman	13	09	69.23%
3	Dr. Kazi Shahidullah	Director	13	11	84.62%
4	Ms. Scherezad Joya Monami Latif	Director	13	00	0.00%
5	Mr. Abdullah Ahmed Yousuf	Director	13	01	7.69%
6	Mr. Kazi Omar Zafar	Director	13	07	53.85%
7	Master Abul Kashem	Director	13	13	100.00%
8	Mr. Mohammed Jamal Ullah	Director	13	05	38.46%
9	Al-haj Mohammed Issa Badsha	Director	13	08	61.54%
10	Mr. Ahsan Khan Chowdhury	Director	13	05	38.46%
11	Mr. Md. Wahid Miah	Director	13	07	53.85%
12	Mr. Rezaul Karim	Director	13	09	69.23%
13	Mr. A.K.M. Badiul Alam	Director	13	09	69.23%
14	Mr. Abdul Momin Mondol	Director	13	11	84.62%
15	Mrs. Ferdous Ara	Director	13	10	76.92%
16	Mr. Md. Kamal Hossain	Director	13	12	92.31%
17	Mrs. Shahnaj Parveen	Director	13	13	100.00%
18	Mrs. Lutfu Begum	Director	13	09	69.23%
19	Mr. Md. Rokonzaman Sarker	Director	13	13	100%
20	Mr. Kamal uddin Ahmed	Director	13	00	0.00%

Pattern of Shareholding

The pattern of shareholding of Midland Bank Limited as on 31 December 2016 as per BSEC'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, 2016:

- (i) Shares held by Directors and their Spouses

Sl.	Directors	Status	No. of Shares	Name of Spouse	No. of Shares
1	Mr. M. Moniruzzaman Khandaker	Chairman	11,880,000	Professor Rasheda Zaman	NIL
2	Mrs. Nilufer Zafarullah, MP	Vice Chairman	4,320,000	Mr. Kazi Zafarullah	8,640,000
3	Dr. Kazi Shahidullah	Director	1,640,000	Mrs. Shabnam Shahidullah	NIL
4	Ms. Scherezad Joya Monami Latif	Director	43,200,000	N/A	NIL
5	Mr. Abdullah Ahmed Yousuf	Director	24,840,000	Mrs. Sabiha Mahboob	1,080,000
6	Mr. Kazi Omar Zafar	Director	8,640,000	Mrs. Mariantzella Danika Zafar	NIL
7	Master Abul Kashem	Director	20,000,000	Mrs. Nigar Sultana Daizy	NIL
8	Mr. Mohammed Jamal Ullah	Director	21,600,000	Mrs. Shahnaz Jamal	NIL
9	Al-haj Mohammed Issa Badsha	Director	20,000,000	Mrs. Salma Issa	NIL
10	Mr. Ahsan Khan Chowdhury	Director	21,600,000	Mrs. Seema Chowdhury	NIL
11	Mr. Md. Wahid Miah	Director	21,600,000	Mrs. Suborna Mostafa	NIL
12	Mr. Rezaul Karim	Nominee Director of Reedisha Knitex Ltd.	21,600,000	Mrs. Shirin Akhter	NIL
13	Mr. A.K.M. Badiul Alam	Nominee Director of Garment Export Village Ltd.	21,600,000	Mrs. Shahida Alam	NIL
14	Mr. Abdul Momin Mondol	Nominee Director of Mondol Fabrics Ltd.	21,600,000	Mrs. Zannatul Ferdous	NIL
15	Mrs. Ferdous Ara	Nominee Director of Liberty Knitwear Ltd.	22,680,000	Mr. Md. Shamsuzzaman	NIL
16	Mr. Md. Kamal Hossain	Nominee Director of That's It Sportswear Ltd.	21,600,000	Mrs. Ashneel Chowdhury	NIL
17	Mrs. Shahnaj Parveen	Nominee Director of Refat Garments Ltd.	21,600,000	Mr. Md. Belal Hossain	NIL
18	Mrs. Lutfa Begum	Nominee Director of Hazrat Amanat Shah Spinning Mills Ltd.	21,600,000	Mr. Al-haj Mohammed Helal Miah	NIL
19	Mr. Md. Rokonuzzaman Sarker	Nominee Director of Beg Knit Ltd.	20,520,000	Mrs. Arzuman Ara	NIL
20	Mr. Kamal uddin Ahmed	Nominee Director of Badsha Textiles Ltd.	21,600,000	N/A	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 other Executives and Spouse : Nil
- d) Shareholders holding ten percent (10%) or more voting interest in the company : Ms. Scherezad Joya Monami Latif (10%)

MDB Photo Gallery



MDB Photo Gallery

Mr. M Moniruzzaman Khandaker, Chairman of the Bank presiding over the 3rd Annual General Meeting at Westin Hotel, Dhaka



A Board Meeting presided over by the Chairman

Kazi Zafarullah, Honourable Sponsor Shareholder of the Bank distributing cash and relief items among the flood affected poor people in the country



MDB Photo Gallery



Mr. M Moniruzzaman Khandaker, Chairman along with Mr. A K M Badiul Alam, Director of the Bank handing over the Cheque for financial assistance to Kasba Adarsha High School of Brahmanbaria

Mrs. Nilufer Zafarullah, MP, Vice Chairman of the Bank handing over a cheque to Professor Dr. Kamal Uddin, Treasurer of Dhaka University as donation to Bangabandhu Chair



Mr. Md. Ahsan-uz Zaman, Managing Director of the Bank attending the Press Conference on the occasion of the Bank's 3rd Anniversary

MDB Photo Gallery

Mr. M Moniruzzaman Khandaker, Chairman along with Mrs. Ferdous Ara, Director of the Bank handing over the Cheque for financial assistance to Kalagachia M. A. High School of Homna, Comilla



Mr. M Moniruzzaman Khandaker, Chairman of the Bank handing over the cheque for financial assistance to Home Economics Association of Bangladesh

Mrs. Nilufer Zafarullah, MP, Vice Chairman of the Bank handing over the keys of two ambulances to Mr. A. K. M. Shahidul Hoque, Inspector General of Police at Police Headquarters



MDB Photo Gallery



Mr. M Moniruzzaman Khandaker, Chairman along with Mrs. Nilufer Zafarullah, MP, Vice Chairman of the Bank handing over the Cheque for financial assistance to Shishu Bikash Kendro of Zonta Club Dhaka III

Dr. Kazi Shahidullah, Chairman, Audit Committee of the Board of Directors along with Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd handing over the cheque for financial assistance to Professor Dr. Abu Md. Delwar Hossain, Dean of Faculty of Arts, Dhaka University



Mr. M Moniruzzaman Khandaker, Chairman of the Bank handing over the cheque for financial assistance to Babutipara Girls High School of Muradnagar, Comilla

MDB Photo Gallery

Mr. M Moniruzzaman Khandaker, Chairman of the Bank handing over the cheque for financial assistance to Chand Tara Jame Mosque of Muradnagar, Comilla



Mr. Md. Ahsan-uz Zaman, Managing Director of the Bank presiding over the half-yearly Business Conference 2016

Mr. Md. Ahsan-uz Zaman, Managing Director of the Bank presiding over the half-yearly Business Conference 2016 of Corporate Banking Division



MDB Photo Gallery



Mr. Md. Ahsan-uz Zaman, Managing Director of the Bank distributing blankets among the cold stricken poor people in the country

Mr. Md. Ahsan-uz Zaman, Managing Director of the Bank distributing bicycles among under privileged school girls of different upazilas of Bogra district, under "SHAPNO JATRA", a special programme



Mr. Md. Ahsan-uz Zaman, Managing Director of the Bank handing over the key of a Microbus to Ms. Zoiton Binti Solaiman, Chief Executive Officer, Sheikh Fazilatunnassa Mujib Memorial KPJ Specialized Hospital & Nursing College

MDB Photo Gallery

Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd inaugurating Dalal Bazar Branch of the Bank at Laxmipur



Mr. Subhankar Saha, Executive Director, Bangladesh Bank and Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank shake hands after signing an agreement for participating in Long-Term financing facility under FSSP of Bangladesh Bank

Mr. Syed Mohammad Musa, Director (Operations), NID Registration Wings, Election Commission Secretariate and Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank shaking hands after signing an agreement to verify Bank's customers' information using the database of Election Commission



MDB Photo Gallery



Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd. and Mr. James P. McDonald, General Manager of InterContinental Dhaka signing an agreement on behalf of their respective organizations for Bank's Card holders availing hospitality at "Balaka VIP Lounge" at Hazrat Shah Jalal International Airport

Mr. Md. Ridwanul Hoque, SVP & Head of Retail Distribution of Midland Bank Ltd. and Mr. Sohail Majid, Head of Marketing & Sales of Novoair signing an agreement on behalf of their respective organizations for Bank's Card holder, availing EMI facility up to 6 months with 0% interest, while purchasing tickets form Novoair for International destinations as well as local holiday packages



Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd and Mr. Ahasanul Islam Titu, Managing Director & CEO of Sandhani Life Insurance Co. Ltd signing MOU on behalf of their respective organizations for electronic fund transfer service

MDB Photo Gallery

Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd inaugurating Bank's Training Institute



Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd inaugurating an exclusive workshop on service excellence titled "Delivering Happiness"

Mr. Khondoker Nayeemul Kabir, Deputy Managing Director of Midland Bank Ltd inaugurating a day long training program titled "Anti-Money Laundering & Anti-Terrorist Financing"



MDB Photo Gallery



Mr. M Moniruzzaman Khandaker, Chairman along with other Directors of the Bank attending the Bank's Annual Business Conference 2017 held at a hotel in Dhaka

Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd formally launching Bank's EMV-Chip Cards.



Management of Midland Bank Ltd. arranges Open Loan Disbursement through handing over the cheques among entrepreneurs to purchase Cattle under Milk Production and Artificial Insemination Programme of Bangladesh Bank

MDB Photo Gallery

Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd. handing over the cheques among entrepreneurs to purchase Cattle under Milk Production and Artificial Insemination Programme of Bangladesh Bank



Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd attending Bank Employees Children's Art Competition at Charukala of Dhaka University

Mr. Md. Abu Hena, Senior Vice President and Head of Chittagong Zone of the Midland Bank handing over the cheque for financial assistance to Professor Dr. Mohammad Mahbulul Haque, Chairman of Department of History, Chittagong University



MDB Photo Gallery



Midland Bank Ltd. opening Bank's Collection Booth at Narsingdi Pouroshova

Midland Bank Ltd. participates School Banking Fair in Bogra, organized by Bangladesh Bank, Bogra Office



Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd, formally inaugurating Bank's First Agent Banking Booth at Taraboo, Narayangonj

Bank Financed Projects

Adex Engineering Ltd.



BD Sea Food Ltd.

Bengal Flexipak Ltd.



Bank Financed Projects



Denim Fashion Ltd.



GPH Ispat Ltd.



Intramex Sweater Ltd.

Management Committees

MANCOM

1	Mr. Md. Ahsan-uz Zaman Managing Director and CEO	Chairman
2	Mr. Masihul Huq Chowdhury Additional Managing Director	Member
3	Mr. Khondoker Nayeemul Kabir Deputy Managing Director & CRO	Member
4	Mr. Md. Zahid Hossain Head of Corporate Banking Division	Member
5	Mr. Mohammad Iqbal Head of Emerging Corporate and Special Programmes	Member
6	Mr. Md. Zahirul Islam, FCA Head of Financial Administration Division & CFO	Member
7	Mr. Khondkar Towfique Hossain Head of International Division & NRB	Member
8	Mr. Mohammad Ridwanul Hoque Head of Retail Distribution Division	Member
9	Mr. Md. Nazmul Huda Sarkar Head of Information Technology Division & CTO	Member
10	Mr. Mostafa Sarwar Acting Head of Credit Risk Management Division	Member
11	Mr. Md. Hasanul Haque Deputy Company Secretary	Member
12	Mr. Tapash Chakraborty Head of Human Resources Management Division	Member Secretary
13	Mr. Mohammad Syejuddin Ahmmed Head of Internal Control & Compliance Division	Member
14	Mr. Nazmul Ahsan Head of Treasury & Market Risk (Front)	Member

Investment Committee

1	Mr. Md. Ahsan-uz Zaman Managing Director and CEO	Chairman
2	Mr. Masihul Huq Chowdhury Additional Managing Director	Member
3	Mr. Khondoker Nayeemul Kabir Deputy Managing Director & CRO	Member
4	Mr. Md. Zahid Hossain Head of Corporate Banking Division	Member
5	Mr. Md. Zahirul Islam, FCA Head of Financial Administration Division & CFO	Member
6	Mr. Nazmul Ahsan Head of Treasury & Market Risk (Front)	Member Secretary

Asset Liability Committee (ALCO)

1	Mr. Md. Ahsan-uz Zaman Managing Director & CEO	Chairman
2	Mr. Masihul Huq Chowdhury Additional Managing Director	Member
3	Mr. Khondoker Nayeemul Kabir Deputy Managing Director & CRO	Member
4	Mr. Md. Zahid Hossain Head of Corporate Banking Division	Member
5	Mr. Mohammad Iqbal Head of Emerging Corporate and 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. Mohammad Ridwanul Hoque Head of Retail Distribution Division	Member
9	Mr. Nazmul Ahsan Head of Treasury & Market Risk Division (Front)	Member Secretary

Risk Management Committee (RMC)

1	Mr. Khondoker Nayeemul Kabir Deputy Managing Director & CRO	Chairman
2	Mr. Md. Zahid Hossain Head of Corporate Banking Division	Member
3	Mr. Mohammad Iqbal Head of Emerging Corporate and Special Programmes	Member
4	Mr. Md. Zahirul Islam, FCA Head of Financial Administration Division & CFO	Member
5	Mr. Khondkar Towfique Hossain Head of International Division & NRB	Member
6	Mr. Mohammad Ridwanul Hoque Head of Retail Distribution Division	Member
7	Mr. Mohammad Tariqul Amin Head of Central Operations and Service Delivery	Member
8	Mr. Md. Zaidul Haq Head of Anti Money Laundering Division	Member
9	Mr. Mostafa Sarwar Acting Head of Credit Risk Management Division	Member
10	Mr. Mohammad Syejuddin Ahmmed Head of Internal Control & Compliance Division	Member
11	Mr. Nazmul Ahsan Head of Treasury & Market Risk Division (Front)	Member
12	Mr. Md. Humayoun Kabir Risk Management Division	Member Secretary

Credit Committee

1	Mr. Md. Ahsan-uz Zaman Managing Director & CEO	Chairman
2	Mr. Masihul Huq Chowdhury Additional Managing Director	Member
3	Mr. Khondoker Nayeemul Kabir Deputy Managing Director	Member
4	Mr. Md. Zahid Hossain Head of Corporate Banking Division	Member
5	Mr. Mohammad Iqbal Head of Emerging Corporate and Special Programmes	Member
6	Mr. Khondkar Towfique Hossain Head of International Division & NRB	Member
7	Mr. Mohammad Ridwanul Hoque Head of Retail Distribution Division	Member
8	Mr. Mostafa Sarwar Acting Head of Credit Risk Management Division	Member Secretary
9	Mr. Nazmul Ahsan Head of Treasury & Market Risk Division (Front)	Member

Anti-Money Laundering Compliance Committee (AMLCC)

1	Mr. Khondoker Nayeemul Kabir Deputy Managing Director & CAMLCO	Chairman
2	Mr. Khondkar Towfique Hossain Head of International Division	Member
3	Mr. Md. Zaidul Haq Head of Anti Money Laundering Division & DCAMLCO	Member Secretary
4	Mr. Md. Nazmul Huda Sarkar Head of Information Technology Division & CTO	Member
5	Mr. Mohammad Tariqul Amin Head of Central Operations and Service Delivery	Member
6	Mr. Tapash Chakraborty Head of Human Resources Management Division	Member

Social Media and Administration Review Committee (SMAR)

1	Mr. Md. Ahsan-uz Zaman Managing Director & CEO	Chairman
2	Mr. Mohammad Ridwanul Hoque Head of Retail Distribution Division	Member
3	Mr. Md. Nazmul Huda Sarkar Head of Information Technology Division & CTO	Member
4	Mr. Mohammed Rashadul Anwar Head of Public Relation Division	Member Secretary

Sustainable Finance Committee

1	Mr. Khondoker Nayeemul Kabir Deputy Managing Director	Chairman
2	Mr. Md. Zahid Hossain Head of Corporate Banking Division	Member
3	Mr. Mohammad Iqbal Head of Emerging Corporate and Special Programmes	Member
4	Mr. Md. Zahirul Islam, FCA Head of Financial Administration Division & CFO	Member
5	Mr. Khondkar Towfique Hossain Head of International Division & NRB	Member
6	Mr. Mohammad Ridwanul Hoque Head of Retail Distribution Division	Member
7	Mr. Md. Emarat Hossain Khan Head of General Service Division	Member
8	Mr. Md. Nazmul Huda Sarkar Head of Information Technology Division & CTO	Member
9	Mr. Mostafa Sarwar Acting Head of Credit Risk Management Division	Member
10	Mr. Mostafizur Rahman Head of Card Division	Member
11	Mr. Qazi Mahmudur Rahman Head of Credit Administration Division	Member
12	Mr. Tapash Chakraborty Head of Human Resources Management Division	Member
13	Mr. Mohammad Syejuddin Ahmmed Head of Internal Control & Compliance Division	Member
14	Mr. Mohammed Rashadul Anwar Head of Public Relations Division	Member
15	Mr. Md. Humayoun Kabir Risk Management Division	Member
16	Mr. Sayed Abul Imran Member of Sustainable Finance Unit	Member Secretary

Quality Control Committee (QC)

1	Mr. Md. Zahid Hossain Head of Corporate Banking Division	Chairman
2	Mr. Md. Emarat Hossain Khan Head of General Services Division	Member Secretary
3	Mr. Md. Zahirul Islam, FCA Head of Financial Administration Division & CFO	Member
4	Mr. Khondkar Towfique Hossain Head of International Division & NRB	Member
5	Mr. Mohammad Syejuddin Ahmmed Head of Internal Control & Compliance Division	Member

ICT Steering Committee

1	Mr. Khondoker Nayeemul Kabir Deputy Managing Director & CRO	Chairman
2	Mr. Md. Nazmul Huda Sarkar Head of Information Technology Division & CTO	Member Secretary
3	Mr. Mohammad Tariqul Amin Head of Central Operations and Service Delivery	Member
4	Mr. Tapash Chakraborty Head of Human Resources Management Division	Member
5	Md. Masuduzzaman Head of Legal Division	Member
6	Mr. Mohammad Syejuddin Ahmmed Head of Internal Control & Compliance Division	Member

ICT Security Committee

1	Mr. Khondoker Nayeemul Kabir Deputy Managing Director & CRO	Chairman
2	Mr. Md. Nazmul Huda Sarkar Head of Information Technology Division & CTO	Member Secretary
3	Mr. Mohammad Tariqul Amin Head of Central Operations and Service Delivery	Member
4	Mr. Mohammad Syejuddin Ahmmed Head of Internal Control & Compliance Division	Member
5	Mr. S. M. Didarul Abedin Security Unit, ITD	Member

ICT Risk Management Committee

1	Mr. Khondoker Nayeemul Kabir Deputy Managing Director & CRO	Chairman
2	Mr. Md. Zahid Hossain Head of Corporate Banking Division	Member
3	Mr. Mohammad Iqbal Head of Emerging Corporate and Special Programmes	Member
4	Mr. Md. Zahirul Islam, FCA Head of Financial Administration Division & CFO	Member
5	Mr. Mohammad Ridwanul Hoque Head of Retail Distribution Division	Member
6	Mr. Md. Nazmul Huda Sarkar Head of Information Technology Division & CTO	Member secretary
7	Mr. Mohammad Syejuddin Ahmmed Head of Internal Control & Compliance Division	Member

Branch Expansion & Interior Decoration Committee

1	Mr. Md. Ahsan-uz Zaman Managing Director & CEO	Chairman
2	Mr. Khondoker Nayeemul Kabir Deputy Managing Director	Member
3	Mr. Mohammad Iqbal Head of Emerging Corporate & Special Programmes	Member
4	Mr. Khandakar Rashed-S Zaman Research Officer	Member
5	Mr. Md. Emarat Hossain Khan Head of General Services Division	Member Secretary
6	Mr. Tapash Chakraborty Head of Human Resources Management Division	Member
7	Mr. Mohammed Rashadul Anwar Head of Public Relation Division	Member

Purchase Committee

1	Mr. Khondoker Nayeemul Kabir Deputy Managing Director	Chairman
2	Mr. Md. Zahirul Islam, FCA Head of Financial Administration Division & CFO	Member
3	Mr. Md. Emarat Hossain Khan Head of General Services Division	Member Secretary
4	Mr. Md. Nazmul Huda Sarkar Head of Information Technology Division & CTO	Member
5	Mr. Mostafa Sarwar Acting Head of Credit Risk Management Division	Member

Performance by Banking Segments

CORPORATE BANKING DIVISION

Midland Bank Limited adopted centralized business model in 2015. 2016 was a year to establish the footprint under this new model which the Bank successfully did. Being the main business driver of the Bank under centralized business model, Corporate Banking Division played a very vital role in overall business achievement of Midland Bank Limited. Out of total asset book of BDT 21.05 billion, BDT 16.33 billion was contribution of Corporate Banking Division which is 80% of total book. In liability side, out of total liability book of BDT 26.68 billion, BDT 4.75 billion was contributed by corporate liability team and also corporate asset team, under their separate liability target, which is 18% of total liability book of the bank.

Corporate Asset Team's contribution and initiatives

In asset side, corporate asset team penetrated in RMG sector, Textile sector, Foods & Beverage Sector, Shipbreaking sector, Steel sector, Power & Energy sector, Automobile sector. Among NGOs and NBFIs, corporate team targeted only top tier NGOs (Top-20) and NBFIs with sound financial strength. Due to careful scrutiny and selective approach, NPL ratio could be managed at a range of below 1%.

The bank formulated and adopted Derivatives Policy in the year 2016. The products offered under the policy are Forward, SWAP and 'PUT' Options. Under the framework of the policy, the bank carried out USD 5.8 million worth transaction to cater the need of its valued corporate clients.

The Bank also signed Long Term Financing Facility (LTFF) agreement with Bangladesh Bank on 27th December 2016. With this agreement, the Bank has successfully opened the avenue to provide financing in foreign currency for longer tenure to private sector firms with a view to contributing increased outputs in the country. The financing will be available to exporters, small and medium scale enterprises and other private sector firms in the country.

Corporate Liability Team's contribution and initiatives

During 2016, separate corporate liability team was formed to ensure steady inflow of deposits and reduce the cost of fund of the bank. By year end, corporate liability book reached the threshold of BDT 4.75 billion out of which, centralized corporate liability team's contribution was BDT 4.17 billion. Bank's own branch network at convenient locations, facility to access Online Banking System and BEFTN, lucrative interest rate, helped corporate liability team to successfully penetrate in the market and ensure desired satisfaction for the customers.

During 2016, Bank devised few customized liability products for large corporate customers, keeping in mind their need and also the current market demand. That helped to build up a healthy sized corporate liability portfolio within a very short time by the contribution of few large corporate houses. Among them, relationship with Meghna Group has been very vital for the bank. They are currently maintaining big volume deposits with our bank. During the year, Bank also started collecting tuition fees of Southeast University students by setting up a collection booth at their Tejgaon campus. At the end of the year, an agreement was signed with Sandhani Life Insurance Company Limited for collection of premium and payment of policy on maturity.



Student Fees Collection Booth at Southeast University, Tejgaon Campus

RETAIL DISTRIBUTION

Retail Distribution activities gaining momentum in 2016

The operation and business activities of Retail Distribution Division (RDD) since its start in March 2015, is growing rapidly and gaining strong momentum. With 21 branches, 23 own branded ATMs (and access to 5,000+ ATMs across the country through NPSB network), proposed increase in branch network and introduction of Agent Banking RDD, Midland Bank is moving ahead in line with the philosophy -- "bank for inclusive growth". At Retail Distribution, we have full range of deposit and loan products (e.g. different types of current, savings, fixed deposit, monthly savings scheme, personal loan, car loan, home loan, secured overdrafts and loans etc.) to cater to the financial requirements of our valued clients.

We have made our presence in the market through our strategically located branches and a customer base of above 30,000. Through this customer base we have been able to source a significant amount of low and no cost deposits. We continue to source new customers and have strong focus on this key driver.

We have seen an unprecedented growth (138% growth) in savings account balance in the year 2016 (despite a falling interest rate regime) only due to intensive focus on acquiring new customers through quality service offerings.

Even as a fourth generation bank and new to the banking industry, MDB received BDT 11.30 crore remittance in 2016 and collected BDT 95.89 crore utility bill (e.g. DESCO, DPDC, REB, WASA, BRTA etc.).

To add value and support the growth of the nation MDB opened its collection booths for BRTA fees at Bogra and a collection booth at Narsingdi Municipality (Pourashava) office. These initiatives have enhanced the brand image of MDB in the locality and we plan to continue such initiatives in 2017.

Launch of midland online mobile application

Keeping in mind the convenience of our valued clients, MDB launched midland online application (app) for android mobile phone users. Any MDB customer who is an active registered user of our Internet Banking i.e. midland online can use midland mobile app through their android phone.

Currently the following services are available:

▪ Account Statement (Last 50 Transactions)	▪ Mobile Top-up Service
▪ Internal Fund Transfer (in-between MDB accounts)	▪ Credit Card Bill Payment
▪ Inter Bank Fund Transfer (BEFTN)	▪ Utility Bill Payment (DESCO, DPDC)
▪ Cheque Book Request	

The midland mobile app will be available for Apple devices very soon.

The launch of mobile app has helped MDB to move a step ahead in the competitive banking arena and demonstrated its commitment to move forward with the Digitalization initiatives in the country.

Establishing a compliance and performance based culture

In line with the bank's focus on developing a compliance and performance based culture, all branches have ramped up their efforts to source business for the bank in a compliant and service excellence oriented manner. This is positively reflected in the bank's profitability and audit reports.

A good number of training and marketing events were organized at all branches to boost up the product and compliance knowledge and make good relationship with the local community.

Our aim for the future

In 2017, we would implement strategic sales approach to use minimum input and gain maximum output and expand the distribution network and make a strong presence in the market.

MSME FINANCING

Small and medium enterprises are considered the growth engine of the country's economy. Our focus on SME sector, MSME sector to be precised reflects its huge contribution to the country's GDP, employment creation and export earnings. In line with local and global trends, we gave priority to develop SMEs placing special emphasis in 2016 on extending financing to manufacturing and service oriented business through flexible terms.

Micro/small/medium enterprise- means an entity i.e. proprietorship, partnership and private limited ideally not a public limited company and fulfill the following criteria:

Enterprise Category	Nature of Enterprise	Value of Assets excluding land & building	Manpower
Micro Enterprise	Manufacturing	BDT 5 lac to BDT 50 lac	10 to 24
	Trading	Up to BDT 5 lac	Up to 05
	Service	Up to BDT 5 lac	Up to 10
Small Enterprise	Manufacturing	BDT 50 lac to 10 crore	25 to 99
	Trading	BDT 5 lac to 1 crore	6 to 10
	Service	BDT 5 lac to 1 crore	10 to 49
Medium Enterprise	Manufacturing	BDT 10 crore to Tk. 30 crore	100 to 250
	Trading	BDT 1 crore to BDT 15 crore	11 to 50
	Service	BDT 1 crore to BDT 15 crore	50 to 100

Cottage is a family dominant business falls under micro segment. In case of women entrepreneurship, the female entrepreneur is said to be women entrepreneur, if she becomes owner of a proprietorship business and in case of partnership and private limited company if maximum share (at least 51%) is owned by women.

Bangladesh Bank as regulatory body undertakes an intensive initiative to promote the MSME sector in terms of formulating policy, making awareness, monitoring and implementation as well as re-financing support through the commercial banks and financial institutions.

Bangladesh Bank gives priority in financing to the women entrepreneurs, small enterprise, micro enterprise, cottage industries, new entrepreneurs, disadvantaged entrepreneurs like disable, 3rd gender, ethnic groups etc. with re-financing opportunity at lower rate of interest. Cluster financing is another important priority of Bangladesh Bank. Re-financing schemes for the MSMES and their fund size as introduced by Bangladesh Bank are as follows:

Thrust Sectors & Re-finance Schemes	Fund Source	Fund Size
Agro-based industry	Bangladesh Bank Own Fund	BDT 450 Crore
Women Entrepreneurs	Bangladesh Bank Own Fund	BDT 150 Crore
Cottage, Micro and Small Enterprise	Bangladesh Bank Own Fund	BDT 600 Crore
New Entrepreneurs	Bangladesh Bank Own Fund	BDT 100 Crore
SMES-Manufacturing Sector (TSL)	JICA Fund	BDT 450 Crore
Re-finance for Islami Sharia based Banks	Bangladesh Bank Own Fund	BDT 275 crore
Urban Building Safety Project (UBSP, BD-P84)	JICA Fund	BDT 300 crore

Benefits of MSME financing and re-financing

- Portfolio diversification
- Risk diversification
- Higher return from loan interest and charges
- Lower provision on unclassified loan that affects bank's higher profitability
- Less capital charge that affects bank's higher profitability
- Availability of re-finance for long term at lower rate having good spread of bank's profitability
- Minimizing asset-liability mismatch from long term re-financing
- CSR benefits
- Value addition in CAMELS Rating
- Bank's branding
- Promote sustainable economic development

With a vision for inclusive growth, Midland Bank is committed to the compliance of Bangladesh Bank directives and recommendations. We have policy for financing MSMEs approved by the Board of Directors. The division has already developed total 29 products, out of which 26 are Loan Products and 03 are Deposit Products for booking business, enhancing Bank's contribution for the MSME entrepreneurs. Products are developed in consideration of wide coverage and capacity of financing all sorts of customers segments; the Micro, Cottage, Small and Medium Enterprises and also the underprivileged entrepreneurs. The prime objective of designing such products is strategically focused on underserved segment of the economy for inclusive growth, structuring and segregation of Bank's lending basket for risk control. To ensure continuous assistance and service to the customers of SME and Women Entrepreneurs, Midland Bank Ltd. has already introduced the dedicated help desk in each branch and appointed focal person to serve the entrepreneurs. We regularly publish our SME products in panel ad column of different newspapers to communicate our potentials customers. We participate in different workshops, seminars and fairs arranged by Bangladesh Bank, SME Foundation, different chambers, banks etc. for customers' awareness.

Our Business Growth

Year	Borrower	Disbursed (BDT in crore)	Growth in %
2013	14	15.13	-
2014	92	143.30	847.12%
2015	168	147.25	2.75%
2016	324	155.45	5.56%

Our MSME Loan Portfolio at a Glance

• Cumulative disbursement from the year 2013	: BDT 461.12 crore
• Number of borrowers	: 324
• Loan outstanding as on December 31 st 2016	: BDT 218.65 crore
• Annual loan disbursement target to Bangladesh Bank in 2017	: BDT 145.00 crore
• Loan disbursed during 2016	: BDT 155.45 crore
• Achievement against Bangladesh Bank target in 2016	: 129.54%
• Loan given to women entrepreneurs in 2016	: BDT 38.67 crore
• Loan given to new entrepreneurs in 2016	: BDT 7.22 crore
• R-finance obtained from BB [From inception]	: BDT 4.52 crore
• NPLV as on December 31 st 2016 of SME	: 0.37 crore / 0.10%

Our Financing Plan for the year 2017

<input type="checkbox"/> New disbursement	: BDT 145.00 crore
<input type="checkbox"/> Explore market	: Through team effort & campaign
<input type="checkbox"/> Keep NPL	: Below 1%
<input type="checkbox"/> Branding of the bank	: Through innovative work

AGRICULTURE CREDIT

Agriculture is the main economic activity and lifeline of the Bangladesh economy; and it is firmly integrated with the life and livelihoods of the people of Bangladesh. Agriculture sector makes an important contribution to GDP of the country, provides employment of about half of the labor force, remains a major supplier of raw materials for agro-based industries and contributes significantly to export earnings of Bangladesh. Agriculture sector comprises crops, fisheries, livestock and forestry sub-sectors with crop sub-sector being the predominant. Agriculture is the principal source of food and nutrition. Therefore, its role is important in improving the wellbeing of the vast population through enhancing productivity, profitability and employment generation in the rural areas. Agriculture sector is a special field of social activities that are directly involved in food and nutritional security, income generating opportunities and poverty reduction. In last few years, Bangladesh bank has taken very important initiatives through banking channel to flourish agri activities in the country. Bangladesh bank is introducing separate agri policy for every financial year, issuing related circulars time to time.

Midland bank obtained its license from the Bangladesh Bank in 2013 with a condition to achieve @5% agri loan outstanding against Bank's total loans & advances outstanding figure of 31st March. From the beginning of the activities, MDB was trying to lending in agri sector and successfully met up the given target of Bangladesh Bank. MDB got appreciation letter from Bangladesh Bank for achieving the Agriculture Financing target of FY 2014-2015. For the fiscal year 2015-2016 (based on July to June), MDB's disbursement target in agri lending was Tk. 30.00 crore. MDB achieved its target for the financial year 2015-2016 by 155.88% & Special Agricultural Credit at 4% concessional Interest Rate by 145%. To achieve the target for the FY 2016-2017 MDB is working very hard & already achieved almost 168.55% against yearly target at the end of December 2016.

INTERNATIONAL TRADE & NRB

International Trade

International Trade is one of the challenging arenas of banking operations which yields higher income for a bank. Globalization has made it very dynamic to operate. The Bank has its stretched and enlarged global network reaching every corner of the world for extending every kind of foreign exchange related services to the customers. Thus, the Bank is growing steadily and sustainably in the International Trade arenas with the passage of time.

Import

In 2016 Midland Bank Limited continued sustained growth in its Import Business. This year total Import of the Bank was USD 95.74 million (Tk. 7,535.10 million) registering a growth of 35% over the Import of 2015 (USD 71.03 million equivalent to Tk. 5,590.00 million). Our major imported items for 2016 were Capital Machineries, Fabrics and Accessories, Scrap Vessel etc.

Export

Despite the aftershock of global economic downturn, which still persisted in 2016, Midland Bank Limited registered a sound growth in its export in 2016. The combined foreign currency inflow from export and foreign remittance has enabled our Bank in efficient treasury fund management. In 2016 the total export of the Bank was USD 37.94 million (Tk. 2,988.60 million) against USD 18.80 million (Tk. 1,480.00 million) in 2015. YOY growth was 101%.

Foreign Correspondents

Over the years Midland Bank Limited has continuously developed strong correspondent relationship with internationally reputed banks to facilitate its foreign trade business, able to enhance the overall credit line with foreign banks. We have also been able to enhance the rebate/fee income from our foreign correspondents in 2016. As of 31st December, 2016 the number of foreign correspondents stood at 64 in 42 countries of the world.

Nostro Accounts

The Bank currently maintains 12 nostro accounts in major international currencies: US Dollar, Pound Sterling, Japanese yen, Euro & Dollar accounts under Asian Clearing Union with reputed international banks which ensure effective foreign currency management and timely payment of foreign currency commitments.

SWIFT Operations

Midland Bank Limited became a member of SWIFT in 2013 to ensure smooth, reliable and secured financial transactions for its retail and corporate customers. In the third quarter of 2016, Midland Bank Limited SWIFT unit introduced SWIFT Alliance Message Management 7.1.20 so that all branches can be linked up with SWIFT uninterrupted with more than 11,000 Live Institutions in more than 200 countries and territories around the world.

Foreign Remittance

Foreign remittance is a buzz word for all rising countries in recent age as it is just not a part of the income of nations; it is a power on which developments run smoothly. In Bangladesh, remittance is one of the most essential economic variables as it helps in balancing balance of payments, increasing foreign exchange reserves and enhancing national savings. Inward Remittance of Midland Bank was USD 3.00 million in 2016 a 65% growth over the previous year.

TREASURY

Treasury wholesale market experienced excess liquidity throughout the year of 2016. Yield of government bill-bond rate experienced major fall and prevailed at historic low level. Central Bank, with a view to keep the money market rate stable at around 3.0-4.0%, mopped out excess liquidity from market by issuing 7, 14 and 30 days Bangladesh Bank bill. USDBDT market remained almost stable till October, supported by good export earnings and dollar buy program by Central Bank. However, slow remittance receipt coupled with strong import growth at year end created some year-end volatility resulting in depreciation of BDT against USD by approximately 0.50%.

Midland Bank Treasury:

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



Money Market Desk

Midland Bank Money Market Desk is one of the most active and efficient desks in the inter-bank market. Dealers exercise all kinds of money market products available including call money, term money, Swap, Repo and Reverse Repo etc.

Fixed Income & Investment Desk

Midland Bank Fixed Income & Investment Desk is responsible for bank's investment in various Government securities like Treasury Bills and Bonds and other financial products 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. Due to active market making in Treasury Bill-Bond, Midland Bank was awarded best PD bank for the period of Jan-Mar 2016 by Bangladesh Bank.

Foreign Exchange Desk

Midland Bank 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

Midland 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 management to promote proper balance sheet management as well as financial strength and wellbeing of the bank.

Treasury transaction volume

Midland Bank treasury deliberately runs trading book with a view to earn profit by investing different asset classes of longer term and funding this trading book by borrowing on shorter term. In 2016, total foreign exchange transaction volume was USD 2844.64 million compared to USD 1498.2 million in 2015, achieving a transaction growth of 89.9%. Also, Midland Bank treasury was very active in secondary bond trading. Total transaction volume in secondary bond market in 2016 was BDT 28,360.40 million which was 11.10% of entire market.

Treasury Priorities in 2017

- Maximize portfolio size as well as return by discovering new investment opportunities.
- More active participation in secondary market of government securities by exploring market to both corporate and individual customers.
- Establish corporate sales desk to tap foreign exchange business and enhance cross selling capabilities.
- Take exposure in secondary equity market to diversity investment universe and achieve handsome return.
- Manage balance sheet with specific focus on interest rate movement and business need.

Treasury Market Outlook for 2017

Market outlook always correlates with money growth, expected inflation, private sector credit growth, benchmark rate and level of government borrowing. Inflation on December was within expected level of inflation by Central Bank, also global oil price 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 and luxury to reduce benchmark rate. Government borrowing from banking system is at low level due to slow ADP implementation. Remittance performance will be a major concern for the country, due to large mismatch between formal and informal market and slower economic growth in Middle Eastern countries. Current account balance was negative in

second half of 2016. Although lower fuel and commodity price will provide some comfort on import payment, sluggish growth of remittance may put pressure on USDBDT rate and taka may depreciate by 1.0-2.0% in 2017. In our projection, money market rate will be stable around reference rate (repo rate or 7 days Bangladesh-Bank Bill rate) with some volatility. Yield on government securities will remain stable around the year-end rate of 2016.

AGENT BANKING

Midland Bank Ltd. (MDB) aspires to contribute in country's financial inclusion through the establishment of Agent Banking, to reach out to the geographically dispersed locations and to the poor segment of the society, with a range of banking and financial services.

Despite efforts of Commercial Banks to promote SME (small and medium enterprises) banking, only 59% of the poor population have access to formal credit. Another study conducted in 2011 by the Bangladesh Bank shows there are 67 bank branches and ATMs per 1,000 square kilometers in Bangladesh.

This reflects the fact, running any bank branch in a remote area is not very cost effective. Setting up a formal banking branch involves a large amount of fixed cost and a substantial variable cost on maintenance. However, the number of transactions that take place in rural, remote or less densely-populated areas is not enough to make up for those costs. For this reason, there are not enough incentives available for the Commercial Banks to render their services in those areas by using their existing structure.

Agent banking is seen as an alternative option, viable and can ensure the access of the marginalized people to several financial services, especially in remote areas.

Through Agent Banking, MDB plans to connect the un-banked people through the engaged Agents under a valid agency agreement. These un-banked people will get banking and financial services from the engaged agents and other alternate delivery channels, rather than a teller of the bank. This will be less costly hence viable, prudent and rewarding.

The Bank will give due importance on branding its Agent Banking operation to make it popular among all walks of life. Hence, all its activities will be properly named and duly registered with the concerned government authorities. Appropriate branding strategy will be adopted so that decision for Agent Banking moves forward in right way with steady growth and achievement.

MDB's Agent Banking customers can avail the following services through MDB's Agents:

- Cash deposit and cash withdrawal
- Collection of bill (Utility)
- Inward Foreign remittance payment
- Fund transfer (internal and through BEFTN and RTGS)
- Balance inquiry
- Issue of mini statement MDB Agent Banking
- Collection & processing of A/C opening form & documents, loan application, credit and debit card application form
- Facilitating small value loan disbursement and recovery of loan installments
- Clearing cheque collection
- Cash payment under government social safety net program
- Collection & preservation of necessary banking Email & letters
- Beside these other facilities directed by MDB and approved by Bangladesh Bank
- Passport fee collection, if applicable
- Mobile top up

Midland Bank Limited (MDB) formally launched its 1st Agent Banking Booth at Tarabo, Rupganj, Narayanganj in January 2017 to take modern Banking services to the unbanked masses. We expect to see number of Agent Banking Booths and customers to increase rapidly in 2017.

MDB CARDS

Cards Division has successfully completed the year 2016 and it was a year of progress and evolution. During 2016, MDB on-boarded 1144 Visa credit card and 10944 Visa debit card customers. The credit card outstanding reached at Tk. 67 million at the end of the year 2016 and delinquency is nil to date. Cards Division continuously increased the number of discount partners in 2016 and signed agreements with big merchant establishments including Fashion & Lifestyle, Restaurants, Hotel & Resorts and Health & Beauty Care etc. to attract MDB Cards to augment usage against attractive discount offers. Highlights of the year 2016 include initiating EMV Chip Cards to accelerate Card business with latest features and functionalities, deploying 2 onsite ATMs and 3 offsite ATMs across the country, launching e-statement for Visa credit cards to obsolete paper based statement, introducing EMI facility "EasyPay" with 0% interest against credit card transactions.

Priorities for the year- 2017

- Introducing Biometric Smart Card Reader at ATM for fingerprint recognition,

- Launching EMV Chip card for credit, debit and prepaid cardholders,
- Incorporating 2FA (2-Factor Authentication) for E-commerce transactions,
- Introducing value added services i.e. credit shield insurance program, reward points and internet banking on cards etc. for credit cardholders.

INFORMATION TECHNOLOGY

MDB Information Technology Division is equipped with industry standard infrastructure and an interactive & professional team to support dynamic IT enabled services of the Bank. We are using a robust Core Banking System (CBS) to manage our banking operations. We launched a number of IT enabled services, like Internet Banking, RTGS (Real Time Gross Settlement, a faster payment system in Bangladesh), 24X7 Contact Centre. For achieving business objectives as well as ensuring better services and quality, number of applications were designed in-house with business intelligence to offer variety of banking products and services.

MDB implemented secure and reliable communication channel with scalable, redundant and load balanced architecture to ensure highest level of availability. Secured communication channel is maintained to ensure security of the bank. Network zones were efficiently managed, the access in the networks were monitored and maintained strictly.

During the year 2016, we developed and launched internet banking android apps, through our internal expertise, thus allowed our customers to manage their banking through smart phone. The customer can get account statement, maintain inter & intra bank fund transfer using his/her gadget. As a part of in-house development, we developed fixed asset management software to register our assets digitally, covering physical tagging, tracking, depreciation, write-off etc. We also implemented Agent Banking Solution of the Bank, to reach banking services to rural and unbanked population of the country.

To strengthen practices and procedures in compliance of Central Bank, we are going to establish our 1st Disaster Recovery Site (DRS) by the year 2017, with world renowned, latest and sophisticated devices and technology to run our banking services. Moreover, we are going to develop internet banking apps, to cover maximum platform of the gadgets. We believe the automation and robustness of the processes will ensure transparency and accuracy of the services of the bank.

MDB'S SERVICE EXCELLENCE

MDB is always dedicated to maintaining the best service standard in the banking industry. We believe that customer service needs to encompass every interaction that a customer has with a brand. Our vision is to become the most appreciated brand in the banking sector in Bangladesh by creating long lasting value for its stakeholders and by providing sustainable growth. In pushing for sustainable growth, Midland Bank Limited, since its inception, architects its products and service channels in such a way that it delivers not only quality customer services but is also responsive attitude to the needs of our customers. We believe in rendering service with a smile and we want to be referred by our customers for our standard and quality customer service. We have developed a Central Customer Service and Complaints Management Division at head office to redress customer, because MDB management has zero tolerance approach towards customer services. The names and emails of this cell's members are published in MDB website. It also includes phone, email, chat, web forms, and social communications, as well as self-service support sites, contact centre etc.

Making way for Customer Feedback

We love to be appraised by our customer so that we can improve and excel. At MDB, we always believe in valuing our customers' opinions and make our customers' believe that their opinions are truly important to us. With that conviction, we have introduced a feedback form at all our Branch counters, where our customers are able to share their feedbacks through this form. The feedback form is also posted in our Bank website, so that Customers can submit their feedbacks from anywhere. There is also email address like info.mdb@midlandbankbd.net through which customers can send their comments on our services instantly. All these customer feedbacks enable us to monitor the branch service level centrally and also help us to know the reason of customers' dissatisfaction instantly, if any, upon which we can take necessary initiatives to improve our service further. To assess the prevailing service level with the standard and also to identify the improvement areas, every year the Bank conducts Surprise Visit, Annual Audit and Inspection at Branches.

MDB never sleeps

We have established a 24/7 Contact Centre to provide the best customer service and track any complaint or opinion of the customers.

Key Priority in 2017

While ensuring customer service at MDB, we believe, customer delight depends on the efficient delivery of

products and services within expected timelines. Organizations effectiveness, efficiency and productivity depend on how & when we are delivering to our valued customers. With a vision of becoming the fastest bank in terms of delivering service in the financial industry of Bangladesh, MDB will implement its robust customer service standard and Customer awareness strategy effectively.

CUSTOMER SERVICES & COMPLAINTS MANAGEMENT

MDB is always dedicated to maintaining the best service standard in the banking industry. We believe that customer service needs to encompass every interaction that a customer has with a brand. While ensuring customer service at MDB, we believe customer delight depends on the efficient delivery of products and services within expected timeline, organizations effectiveness, efficiency and productivity depends on how and when we are delivering to our valued customers.

With a vision of becoming the fastest bank in term of delivering service in the financial industry of Bangladesh we have implemented four major areas of customer services like, Customer Charter Booklets, Service Standard re-designed, Code of Conduct on customer service and Customer Awareness program. To assess the prevailing service level with the standard and also to identify the improvement area and strengthening our service standard, we prioritize the following like: conduct training program for Customer Service Manager (CSM), Survey on customer service, procure Short Code number to contact MDB directly and many more.

HUMAN RESOURCES MANAGEMENT

Human Resources Management is one of the key factors of enhancing the Bank's overall performance. The main functions of HR are to find out the latent talent of the employees and utilize them properly towards achieving organizational goal. The Bank has already established a performance driven working culture to expedite the utmost effort of its employees.

Our HR mission is to be the employer of choice in the financial sector where the employee will work with pride and pleasure. MDB believes that Human Resource Development is a continual process and the output of the development helps the organization to meet the objective and long term vision of the organization. The Bank recruits people from all sections of the society based on their competencies. We highly emphasize on attitude driven talent acquisition process because we

don't offer merely a job for the employees but we are highly conscious to shape their career and make them confident for the best fit of the next role. The main motto of Human Resources Management Division is to hike the service excellency curve for the internal and external customers of the Bank. 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 and 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 in organization like private commercial Banks. To cope with new challenges, our strategic approach is to ensure technology based environment. Thus we thrive for caring our people so that they can positively contribute in the profitability curve of the organization.

Training and Development

The Bank has already established its own Training Institute with the vision to enhance the knowledge of the human resources of the Bank. The institute stresses on ensuring a formal platform, where employees can exchange their ideas, update knowledge base to open up their eyes to complexities of the banking arena.

Since its inception, MDBTI has already arranged a number of exclusive trainings related to leadership, core banking and other aspects of banking. Moreover the foundation course for the employees have been arranged and completed successfully. Renowned training professionals have enlightened the foundation course and imparted valuable knowledge to the beginners of MDB.

The objective of MDBTI is to thrive to reach to an extent where preminent training programmes shall be arranged to assist the employees to function more effectively in their present positions by exposing themselves to the latest concept, information, technology and developing the skills required in their fields to meet up the future needs of the Bank. The ultimate goal of the Training Institute is to create a strong professional pool who can lead the Bank for its sustainable growth.

RESEARCH AND PLANNING DIVISION

The primary mission of a Research and Planning Division is to provide expert policy and technical advice based on a sound framework for business planning through the conduct of economic and social research, policy analysis, rational planning, technical

cooperation-coordination and the compilation and analysis of statistical information.

Financial markets, institutions and infrastructures are at the center of our financial system, and their resilience is of the utmost importance to support financial growth, innovation and efficiency. Financial innovation never stops. To stay relevant, a bank's policies and frame work must keep pace with and support future developments with the assistance and guidance of Research and Planning Division. In recent days, the banking sector has become extremely competitive in Bangladesh. Every bank has to be on top of what they are doing and thus maximize the share of this sector. To be proactive in every decision, information is the key to assess and forecast future business conditions. As a result, Research and Planning Division dedicated to gathering information to present a view of future prospects and risks has evolved in playing a key role in a banking organization. Proper presentation and exploitation of information is the basis for providing valuable decision that ultimately determines whether a bank will add or lose value.

The goal of Research and Planning Division at Midland Bank is to be at the forefront of research and analysis as a necessary part of its policies and actions. This means making creative use of the best analytical tools and data sources to tackle the most challenging issues to guide management decisions in order to maximize business performance. A well-measured approach and analysis of the market and own business in the process of decision and functional engagement is mandatory for MDB to excel in today's competitive market. In 2016, amidst a difficult market, Midland Bank achieved significant growth in deposit, business and profitability by utilizing sensible decisions, successfully completing more than three and a half years of banking operations with its network of 21 branches.

Even though research and planning expenditure in the Bangladesh banking industry is minimal compared to international standards, Midland Bank made significant investment in its Research and Planning Division in order to consolidate existing position, accelerate further development and ensure excellence in its banking operations. In implementation of its development strategy, Midland Bank established training institute with the vision to build up professionals with technical and conceptual skills, ensuring a formal platform where employees can exchange their ideas, update knowledge base and understand the complexities of the banking world. Even with the considerable success achieved in 2016, MDB must aim higher and face upcoming

challenges with more speed and enthusiasm. A well-structured and robust 'Research and Planning' wing should be available in 2017 to add stimulant to the Bank and infuse dynamism to its operation by providing insight into how to achieve the Bank's quest to be a model bank in the industry.

Key Responsibilities of R&P in 2016:

- Branch feasibility study
- ATM feasibility study
- Interest rate sensitivity of liquid retail deposit
- Interest rate sensitivity of loans
- Research on business policy, monetary and fiscal policy and regulatory guidelines
- Lend ideas and insights for business as well as branding development
- Manage primary, secondary and syndicated market research
- Develop new asset products in the field of Corporate, SME, Agriculture and Green Banking
- Assist in repackaging existing products based on market demand and regulatory compliance
- Analyze top customers loss causes and remedies
- Design and create reports and presentations of survey results on customers, employees and prospects
- Hold review meetings with Senior Management or Divisional Heads on important findings

2017 Objectives:

- Explore market opportunities
- Conduct feasibility studies for expansion
- Assist in developing new asset and liability products
- Repackage low performing liability products
- Research on business policies
- Seek ways to obtain more value from existing studies and identify opportunities
- Identify and resolve data gaps
- Provide deeper insight into MDB's prospective customers and generate specific action plan
- Lend ideas and insights to new branding initiatives
- Develop comparative reports on deposit mix, Loan, income and performance ratios
- Enrich MDBs policy models through increased financial modeling
- Identify and assess vulnerabilities
- Research on the implications of trends and changes that affect MDB
- Develop tools and methods to better identify and analyze risks to MDBs financial stability
- Expand and enhance banking services to entities critical to MDB

Looking Forward to 2017

To ensure competitiveness and quality of products and services as well as well-timed exploration of market as the core of research and planning challenges, Research & Planning Division has sprouted as a key segment of Midland Bank. As R&P at MDB goes through brainstorming sessions in the process of development, it will try to open up new avenues of business by assisting and guiding management to make often difficult but productive decisions. Consistent with the Bank's Strategic Plan, and reflecting on the Bank's commitment to maximize its impact, a number of changes are essential in 2017 in order to align better to the Bank's mission. However, actions and assertions are not conclusive and warrant management review and recommendation so as to pick the best, which in turn will complement R&P's standard and capabilities. . At the end of 2016, when we look back into our journey across the just concluded year, there remain certain achievements on our part. Winner's comfort and complacency is of little avail for corporate voyagers. Rather, a fighting spirit for everyday competition is what befits the occasion. R&P's will strive to reach a newer height in 2017, and MDB must translate R&P resource and support into a tangible gain and not least, as a meaningful leadership to the Bank. R&P drew inspiration from the achievements in 2016 and looks forward to ambitious feats in 2017 by being part of a collaborative effort by all the divisions to achieve MDBs goals and, ultimately, MDBs vision.

CREDIT ADMINISTRATION DIVISION

CAD is one of the core divisions of MDB, which started centralized operations since 2015. This division deals with documentation, disbursement and monitoring of a loan in order to mitigate credit risk. Submission of regulatory return timely is also within the ambit of the Division according to the prescribed criteria. There are different official designated to deal with different functions at Credit Administration Division. For example, one of them is fully assigned for corporate loan documentation while other is assigned for SME or retail loan and someone else is fully assigned to Bangladesh Bank Reporting or CIB Extracting.

Responsibilities of Credit Administration Division

The Credit Administration function is semi-technical in ensuring that proper documentation and approval are in place for the disbursement of financial facilities. For this reason, it is essential that the functions of Credit Administration must be strictly segregated from Relationship Management/Marketing in order to avoid the possibility of controls being compromised or issues

not being highlighted at the appropriate level. The core objective of Credit Administration Division included are as follows:

- ☞ To ensure the completeness of documentation
- ☞ To monitor insurance coverage of assets pledged as collateral
- ☞ To confirm facility disbursements after all terms and conditions have been met
- ☞ To monitor borrower's compliance and account conduct/performance through Relationship Manager
- ☞ To submit MDB Credit Data to Bangladesh Bank CIB Server
- ☞ To extract credit information of borrower from Bangladesh Bank CIB Server
- ☞ To survey prospective collateral security through vendors
- ☞ To ensure credit related transaction
- ☞ To submit credit related periodic returns to internal and external stakeholders
- ☞ To make custodianship of all security documents in two centres i.e. Dhaka and Chittagong

In 2016, CAD successfully overcome on extracting CIB report. Now there is no any pending issue regarding CIB requisition. Almost all disbursement request has been executed prior scrutiny of documentation. Few request have not been complied due to some non-fulfillment of Conditions. There is a significant preparation for the robust business target in 2017 has been taken for quick disbursement with zero tolerance of rules and regulations.

Credit Administration is one of the important division of MDB which helps to all business units to run business smoothly along with mitigation of credit risk. Though CAD is operating in a very good way but still there are some scopes for improvement those can make the division better.

LEGAL DIVISION

Bank has a separate Legal Division which deals with the law and policy issues and filing of suits against defaulted borrowers as well as monitor the suits filed by the bank or against the bank for early disposal of the cases with a view to recover the bank's Non-Performing Loans. With continuous follow up and legal pressure recovery results are expected in future. Legal Division also cross check the legal opinion on property documents as and when necessary.

ANTI-MONEY LAUNDERING

Money Laundering and Terrorist Financing have become very important issue in recent times. It is widely recognized to be an essential component of terrorist activity as terrorists are able to facilitate their activities only if they have the financial resources. To do so they need opportunity to use financial institutions. Both money laundering and terrorist financing can weaken individual financial institution, and they are also a threat to a country's overall financial sector reputation as well

as national security. So, combating money laundering and terrorist financing is, therefore, a key element in promoting a strong, sound and stable financial sector.

MDB, as a compliant Bank, is firmly determined not to let such money launderers and terrorist or perpetrators to use it as a channel to launder money or finance terrorist in any possible way. With this concern, MDB has established an Anti-Money Laundering Division (AML) which consists of four sections (Inspection, Monitoring, Compliance & Account Enquiries) which operates independently under the guidance of a DMD & CAMLCO. The prime responsibility of AML is to identify and mitigate the risk in respect of Money Laundering and Terrorist Financing. The key objective of AML is to assist & guide all employees of the Bank, using adequate resources for identifying of weakness and taking appropriate measures to overcome the same to be a fully compliant with Money Laundering (ML) and Terrorist of Financing (TF) legislations, guidelines and circulars. MDB has its own Anti Money Laundering (AML) & Combating Financing of Terrorism (CFT) compliance program. Some of the initiatives undertaken in the year 2016 as a part of its rigorous AML & CFT compliance program are as follows:

Midland Bank has performed the following AML & CFT functions in 2016:

- Messages were sent from the desk of Managing Director & CEO on January 06 and July 21, 2016 to all employees of the Bank for ensuring compliance in AML and ATF issues.
- To facilitate the implementation of the Money Laundering Prevention Act and Anti-Terrorism Act in Midland Bank and keep consistency with the Money Laundering and Terrorist Financing Risk Assessment Guidelines and the Money Laundering & Terrorist Financing Risk Management Guidelines of BFIU, Midland Bank has developed Money Laundering and Terrorist Financing Risk Management Policy Guidelines which includes Anti Money Laundering, Anti-Terrorist Financing, Customer Acceptance, Know Your Customer (KYC) policy and Risk Based Approach which has already been provided in our all business units including branches.
- AML is regularly arranging training programs on AML & CFT for all employees specially Branch officials. In 2016, the AML arranged several training programs on AML & CFT where 115 officials participated.
- AML has conducted inspection on AML & CFT compliance status of branches and conducted 2 hours session at branch premises to build up awareness among the employees.
- AML has developed "Questions & Answer Based Guidebook" on AML & CFT which has already been uploaded in our MDB Corporate system to keep update all officials of the Bank.
- AML has submitted a number of Suspicious Transaction Report (STR) and Suspicious Activity Report (SAR) to BFIU ;

- AMLD has extended its initiative to create awareness on AML & CFT among the customers by displaying awareness banner on conspicuous place of the branches and distributing awareness leaflets.
- AMLD continuously communicates with branches for improving their AML & CFT compliance culture, identify needs and directing branches as and when needed and responding to queries of branches.
- AMLD has performed well in respect of BFIU system check lists on AML & CFT issues.
- 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.

Our Goals for 2017

Our main goals are to improve our compliance culture in all units of MDB. Specific goals are as follows:

- We shall update our ML & TF Risk Management Policy Guidelines in 2017 incorporating of updating master circular # 10 of Bangladesh Financial Intelligence Unit (BFIU).
- Continuing communication with branches for improving their AML & CFT compliance culture, identifying needs and directing branches as and when needed and responding to queries of branches.
- Monitoring of branches shall be robust in 2017 which shall include conducting special inspections on branches as a part of its own monitoring program of branches' AML & CFT compliance, apart from ICCD.
- AMLD will identify training needs and ensure adequate AML & CFT training sessions to aware all officials of the Bank about their duties & responsibilities for the purpose of mitigating ML & TF risk within the Bank.
- AMLD will launch an automated sanction screening tool with the help of IT to perform screening against UNSCR, OFAC and domestic sanction list.

INTERNAL CONTROL & COMPLIANCE

An effective internal control and compliance system has become essential in order to underpin effective risk management practices and to ensure smooth performance of the Bank. Internal Control and Compliance Division of any Bank acts as the watchdog of Bank's established internal controls and compliances. ICCD of MDB is continuously working independently towards providing reasonable assurance regarding achievement of objectives of various internal controls. The core focus of MDB other than financial goal is to establish a vibrant compliance culture in the Bank ensuring engagement all officials of corporate hierarchy

and ICCD has been entrusted with utmost independence by both Board of Directors and Management to recognize and assess all of the material risks that could adversely affect the achievement of the Bank's goals. ICCD also ensures compliance with laws and regulations, policies and procedures issued by both the bank Board/Management and the regulators.

In 2016, ICCD in MDB had three fold of functions naming as separate departments viz. a. Audit and Inspection Department, b. Monitoring Department and c. Compliance Department. However, as per Bangladesh Bank's revised guideline on Internal Control & Compliance (BRPD Circular No. 03 dated 08.03.2016 and amendment through BRPD Circular No. 06 dated 04.09.2016), the Head of ICCD of MDB will report his activities and findings to the senior management and Head of Audit although being part of ICCD administratively will report directly to the Board Audit Committee and will be responsible to the Board Audit Committee. The Board of Directors in its 52nd meeting held on November 23, 2016 approved necessary changes regarding structure, reporting line and responsibility of Audit department as per the revised guideline. Functions of above three departments in 2016 are enumerated below:

- Audit and Inspection Department:** To reduce the operational risk of the bank, Midland Bank Limited conducts regular Audits/Inspections on the basis of affairs of the bank based on different manuals, instructions, rules and regulations and procedures laid down by the Bank and Bangladesh Bank and other regulatory authorities from time to time. Special Audit is also undertaken whenever special instructions are given by the Board of Directors, Executive committee, Audit committee and Risk Management Committee of the Bank.

Functions of Audit & Inspection Department:

- To conduct periodic audit in different Branches and Division /Departments/Units of Head Offices.
- To carry out surprise checks in the various areas.
- To conduct special investigation in cases of gross employee wrongdoing or major violation.
- To identify deviation in the operational processes from set policies and procedures;
- To recommend process improvement as and when necessary;
- To recommend to the head of internal control and compliance division regarding the effectiveness of the control system of individual Branch and Division /Department /Units as well as whole of the organization.

b. Monitoring Department: Monitoring Department is responsible to monitor the operational performance of various Branches /Divisions/Departments. The Department followed 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 & inspection team for thorough review.

Functions of Monitoring Department:

- To establish Monitoring mechanism /procedures to ensure high risks areas are regularly reviewed.
- To ensure all limits set internally or externally are properly followed and appropriate reports are generated regularly.
- To review operational performance against key control issues of individual office.
- To analyze various reports and assess key risk areas.
- To recommend to the head of Internal Control to send Audit/Inspection team in the areas where regular deficiencies are identified.

c. Compliance Department: 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 level and notifies the other Departments regarding regulatory changes. This Department is also responsible to arrange timely submission of compliance report of Bangladesh Bank Inspection Report.

Functions of Compliance Department:

- Responsible to ensure timely dissemination of all regulatory updates;
- To obtain clarifications from regulatory authorities;
- To provide training and guidance as and when necessary on regulatory issue;
- To maintain strong liaison with the regulatory authorities
- To maintain all relevant circulars and regulatory guidelines;
- To ensure regulatory requirement are properly incorporated in the operation task.
- To assist Head of Internal Control in establishing compliance culture.

Activity status of ICCD of MDB in 2016:

Risk Based Audit checklist for both Branches and Head Office Divisions were revised by ICCD in 2016. The checklists were prepared in aligned with existing and updated manual, policies and circulars of Bank and also with related instructions of Bangladesh Bank and other regulatory bodies. Based on these checklists, risk based audit was performed on Branches and Divisions/Departments throughout the year. A separate risk based audit checklist for surprise inspection was also prepared to undertake the surprise inspection in the Branches. Special audit at newly opened Branches during 2015 and 2016 were also conducted by ICCD in 2016. In addition, special inspections on Anti Money Laundering activities of Branches were also conducted by ICCD. On the basis of customer complaint and in compliance of instruction of Senior Management and Board of Directors, ICCD also conducted some special investigations. As per instruction of Bangladesh Bank, ICCD also prepared health report of the Bank on the basis of financial position of 31.12.2015 and the report was approved by Board of Directors afterwards. Besides, ICCD coordinated Bangladesh Bank’s inspection teams whenever various units/branches were audited by the regulatory authority and also ensured timely submission of compliance report of BB Inspection in different areas e.g. comprehensive inspection at Divisions and Branches etc.

ICCD completed the following major works in 2016 which are presented in comparison with those of 2015:

SL No.	Particulars	Performance – 2015	Performance-2016
Audit and Inspection Department			
01.	Annual Audit and Inspection of branches (including AML system check)	11 Branches	20 Branches
02.	Annual Audit and Inspection of head office divisions / departments	18 Div./Dep't.	19 Div/Dep't
03.	Surprise Visit to the branches	14 Times	21 Times
04.	Special Inspection of new branches	4 Branches	5 Branches
05.	Special Inspection report on anti money laundering	14 Branches	23 Branches
06.	Special Investigation against complaint and Board/ Management directives	5 Cases.	3 Cases
Monitoring Department			
07.	Review of QOR, LDCL and DCFCL	3 Times	2 Times
08.	Review of various statements like loans and advances, foreign exchange	4 Times	6 Times
Compliance Department			
09.	Internal Audit and Inspection report review and compliance monitoring	74 Times	143 Times
10.	Bangladesh Bank and other regulator’s inspection report and compliance thereof	22 Times	30 Times
11.	Compliance of regulatory changes: placed summarized report	3 Times	4 Times

Bangladesh Bank Inspection Statistics

Bangladesh Bank inspection team conducted a total number of 18 inspections on 08 division/department/units of the head office and 10 branches during the year 2016 which includes Comprehensive Inspection, Inspection on Foreign Exchange Transaction Risk Management, Internal Control & Compliance, Information System Security, Asset Liability Management and Credit Risk Management.

SL No.	Nature of Inspection	Head Office	Branch
i.	Comprehensive Inspection	1	8
ii.	Comprehensive Inspection on Foreign Exchange Transaction	1	1
iii.	Internal Control & Compliance (ICC)	1	-
iv.	Information System Security	1	1
v.	Foreign Exchange Risk Management	1	-
vi.	Asset Liability Management	1	-
vii.	Anti-Money Laundering	1	-
viii.	Credit Risk Management	1	-

Major Initiatives to be Taken in 2017

ICCD will take initiatives to accomplish the following project works and departmental tasks in 2017:

Projects

- ICCD will revise the existing ICCD policy in line up with the revised guideline of ICCD by Bangladesh Bank by early 2017.
- Revision of RBA checklists for both Branches and Divisions as per revised guideline of ICCD by Bangladesh Bank by early 2017.
- Preparation of health report of Bank on the basis of financial position of 31.12.2016.

Audit and Inspection Department

- Audit and Inspection of branches (including branch AML system check): ICCD will conduct risk based comprehensive audit in all 21 Branches of the Bank in 2017.
- AML System check as per BFIU Circular No. 10, dated 28.12.2014: As per BFIU Circular No. 10, dated 28-12-2014, ICCD will conduct audit on AML system in all 21 branches and also in additional 3 branches.
- Audit and Inspection of head office divisions/departments: A total of 22 divisions will be audited in 2017.
- Surprise Visit to the branches: 21 branches will be

audited under surprise visit in 2017. In addition, one Branch will be audited twice whose last year's audit report was moderate.

- Special Inspection on branches as per ICC guideline para 4.5: Upon reviewing of QOR by the monitoring department.
- Special Audit on newly opened branches: As when required.
- Special Investigation/Inspection to the branches / HO divisions: As when required.

Monitoring and Compliance Department

A. DCFCL, QOR and LDCLs

- QOR and LDCLs will be collected by monitoring team by the next month of the respective quarter end.
- Upon reviewing of the QOR and LDCLs and if required, after visiting the branches monitoring department will prepare a summary report of QOR and LDCLs within next two months of the respective quarter end.
- Collection of statement of various statement from various divisions like statement of credit, foreign exchange, treasury functions, finance and accounts to assess the risk.
- Monitoring team will instruct audit and inspection team to conduct visit to the branches to check DCFCLs at least 2 times in 2017 from the Branches.

B. Compliance of Bangladesh Bank Reports

- Over the year Compliance unit will ensure compliance of Bangladesh Bank Inspection Reports on Branches within time line for General Banking/Operations.
- Over the year Compliance unit will ensure compliance of Bangladesh Bank Inspection Reports on Branches within timeline for Foreign Exchange.
- The unit will ensure compliance of comprehensive Inspection of Bangladesh Bank as and when required.
- Bangladesh Bank Inspection reports on Core Risk Areas (ALM, AML, CRM, FEX, ICC, ICT) and other special Areas (SME, Retail, Cards, Mobile Banking, Agent Banking etc.) as and when required.

- Preparation of summary report on the above reports including compliance status for Management, Audit Committee and Board.

- Liaison with BB and contact with other regulatory authorities as and when required.

C. Compliance of Regulatory Changes

- Regulatory instructions to be complied in the Bank over the year.
- Keep record of all the regulatory instructions from the regulator.
- Quarterly summary report to be placed to the management citing regulatory instruction received from various regulators and compliance status thereof.

D. Compliance of Internal Audit and Inspection Report, Surprise Visit Report and other reports

- Compliance team will involve compliance of Internal Audit and Inspection Report, Surprise Visit Report and other reports round the year. Preparation of summary report on the various reports including compliance status for Management, Audit Committee and Board.

RISK MANAGEMENT

Board of Directors (BoD)

Risk Management activities which are being reviewed by the Board Risk Management Committee are being communicated in the form of meeting minutes (including decisions and recommendations) to the Board of Directors. During the year BoD reviewed and approved risk management structure of the Bank which was constituted as per the guidance of Bangladesh Bank. BoD also approved Enterprise Risk Management Policy guideline which was formulated in light of the guidance from Bangladesh Bank and MDB's own capacity and potentiality also being taken into account.

Board Risk Management Committee (BRMC)

A Board Risk Management Committee has been formed in the Bank to oversee the activities of Management level Risk Management Committees of the Bank as well as to oversee the implementation status of investment (credit) Risk, Foreign Exchange Risk, Profit Rate Risk, Liquidity Risk, Risk Based Capital Requirement, Provisioning (required and maintained); etc.

Disclosure of activities of the Board Risk Management Committee (BRMC) is as follows:

Particulars	As on 31 December 2016 (in Number)
Number of Board RMC Meetings	4
Risk Issues Identified	As prescribed by Bangladesh Bank
Number of Members of Board RMC	5

Management Level Risk Management Committee (RMC)

A strong Risk Management Committee has been formed in the Bank comprising the heads of all the risk taking organs, regular meeting in the committee is being arranged and organized by the Risk Management Division. The committee sits usually once a month or more when necessary. In the meeting of RMC, all the existing/identified and foreseeable/potential risks issues are discussed and recommendations to the concerned risk taking organs is to address, measure and take the required steps to mitigate the risk factors. Disclosure of activities of Risk management Committee (RMC) is as follows:

Particulars	As on 31 December 2016 (in Number)
Number of RMC Meeting	07
Number of risk issues identified in RMP	As prescribed by Bangladesh Bank
Number of risk issues presented in RMC	As prescribed by Bangladesh Bank
Number of Member of RMC	13

Risk Management Division (RMD)

Risk Management Division of the Bank is responsible for establishing Bank's risk management framework and to ensure that the procedures for identification, monitoring, mitigating and managing risks are in place as per risk management guidelines, core Risk Management Guidelines of each area and Basel accord is also being complied effectively. The Bank's risk mitigating technique is not to wait for the risk but to take precautionary measures before incident happens. To supplement the stand of the Bank, RMD is extensively working on robust RM practices and exchange of ideas about RM for creating an acceptable risk management culture within the Bank.

Risk appetite statement

MDB's risk appetite statement defines the amount of risk we are willing to assume in pursuit of our strategic and financial objectives. Our guiding principle is to practice sound risk management, supported by strong capital and funding positions, as we pursue our client-focused strategy. In defining our risk appetite, we take into

consideration our vision, values, and strategy, along with our risk capacity (defined by regulatory constraints).

Risk Management Report is being prepared on monthly basis. RMC reviews the identified risk issues in its monthly meeting and submits the same to BB on monthly basis. Apart from that the findings of RMP are also being reported to RMC of the Board of the Bank on quarterly basis for compliance and Guidance against the particular risks. Disclosure of activities of RMD is as follows

Particulars	As on 31 December 2016 (in Number)
Number of RMP Presented in RMC	07
Number of Risk issue identified RMP	As prescribed by Bangladesh Bank
Number of Manpower in RMD	03

Risk Management Reporting

As per directives of Bangladesh Bank, RMD of the Bank performed the following reporting during the year 2016. Detailed are as follows:

Particulars	Format/Method	Compliance
Risk Management Report	As per BB provided format and own analytical modules	Complied
Comprehensive Risk Management Report (CRM/R)	As per BB provided format and own analytical modules	Complied
Stress Testing Report	BB provided formats	Complied
Statement of Capital Adequacy (Pillar-I of Basel Accord)	BB provided formats	Complied
Statement of Internal Capital Adequacy Assessment Process (Pillar-II of Basel Accord)	As per BB provided format and own analytical modules	Complied
Statement of Market Discipline (Pillar-III of Basel Accord)	As per BB provided format and own analytical modules	Complied
Risk reporting	Own analytical modules	Complied

Key Risk Mitigation

BB identified core risks through issuing industry best practices framework. Those frameworks provide benchmark to be followed by the banks. Currently, Core risk issues are being reviewed by the Management level RMC on regular basis and the relevant recommendations are conveyed to the respective divisions against the particular risk issues to mitigate the identified issues. Detailed statuses of core risk management of the Bank are as follows:

Credit risk

Credit risk is the risk of financial loss due to a borrower or counterparty failing to meet its obligations in accordance with contractual terms.

Increased focus has been given in managing Credit Risk Management. Total credit administration process has been centralized which have mitigated various risks arising from human error in branch banking. Similarly, 100% of Branches came under the umbrella of centralized trade service process during the year 2015.

Environmental Risk Management

Environmental risk management seeks to offer a structure for addressing the risk to make a certain course of sustainable financial and economic growth. Environmentally derived risks for the Bank are inability of the clients to make payments due to unexpected environmental costs, decrease in the value of security due to environmental impairment during the term of investment etc. Environment risk management procedure includes identifying environmentally derived, potential liabilities for Bank in transactions, assessing the awareness and commitment and resources of the client to manage the environmental risk creating those potential liabilities, manage and control the Bank's exposure to environmentally derived liabilities. As per instruction of BB, the bank has implemented Environmental Risk Rating (ERR) and Environmental Due Diligence (EDD) of the eligible customers in the light of ERM guidelines.

Market Risk

Market rate is defined as the possibility of losses in on and off-balance sheet positions arising from movements in market prices. The exposure of the Bank to market risk arises principally from customer-driven transactions. The market risk positions subject to this requirement are:

- i. The risks pertaining to profit rate related instruments and equities in the trading book;
- ii. Foreign exchange risk and commodities risk throughout the bank (both in the banking and in the trading book).

Interest Rate Risk

Interest Rate Risk is the risk, which affects the Bank's financial condition due to change in the market interest rates. The changes in interest rates may affect both the current earnings as well as the net worth of the Bank (economic value perspective). The risk from earnings perspective is measured as impact on the Net Investment Income (NII). Similarly, the risk from economic value perspective can be measured as it has impact on Economic Value Equity (EVE) since the value of the Bank's assets, liabilities and off-balance sheet (OBS) instruments changes because of the changes of present value of future cash flows when interest rates change.

Interest rate risk in the banking book is the burning issue since bank's earning is exposed to risk. To reduce the risk, the following activities are performed by the bank:

- Interest rate is determined considering the expectation of the depositors;
- Gap analysis is considered for fixing the interest rate;

Foreign Exchange Risk Management

Foreign exchange risk is involved in purchase and sale of any national currency against other national currency. The foreign Exchange risk arises due to unexpected movement of market price of the holding of currencies or the price of the assets denominated in foreign currencies.

Treasury Division oversees foreign exchange risk, net open position, dealing room operations and anti-money laundering aspects in foreign exchange transactions etc.

For effective and efficient management of foreign exchange risk, the Bank has a well-developed and well-structured Foreign Exchange Risk Manual and an international standard dealing room manual. Further, in order to mitigate the risk, Bank follows all kinds of guidelines and directives that central Bank advises from time to time. Treasury Division carries out the activities of foreign exchange as per procedures of dealing room manual. The front office independently conducts the transactions and the back office is responsible for verification of the deals.

Asset Liability Risk Management

Asset Liability Management (ALM) defined as a well-planned, well-organized and systematic process of monitoring and maintaining assets and liabilities of the Bank which focuses on maximization of profit through minimization of various risks like liquidity risks, rate of return risk etc. and ultimately leads the Bank to a healthy and stable growth. In the above context, RMC of the Bank reviews and monitors asset-liability risk of the bank regularly and decisions taken in the ALCO meeting is also reviewed and discussed. The Bank has a dedicated committee, called the ALCO comprising of the Senior Management of the Bank headed by the Managing Director & CEO to take important decisions related to the balance sheet, liquidity & profit rate risks of the Bank. Treasury Division of the Bank looks after the asset-liability management risk.

Liquidity Risk

Liquidity risk is the potential loss to the bank in case of either its liability to meet its obligations. Liquidity risk arises when the cushion provided by the liquid assets is

not sufficient to meet maturing obligations. Accordingly, short of liquidity may have to undertake transactions at heavy cost resulting in a loss of earnings or, in a worst case scenario. The liquidity risk could result in liquidation of the Bank if it is unable to undertake transactions even at current market prices. Accordingly, Treasury Division of the Bank is managing liquidity risk considering its sources of fund to meet its requirements. Apart from that Asset-Liability Management Committee (ALCO) of the Bank oversees and manages the mismatches in its liquidity to minimize the risk.

Money Laundering Risk Management

MDB takes care of the money laundering and terror financing matter as a crucial part of its risk management activities. Bank has formulated its own guidelines for prevention of money laundering approved by the Board of Directors in line with Bangladesh Bank AML/CFT laws, rules and regulations. RMC of the Bank reviews and monitors the AML activities i.e. Suspicious Transaction Report, Cash Transaction Report, number of branch inspected, number of workshop held on AML and number of participants etc.

Internal Control and Compliance Risk Management

As per core risk guideline of BB, ICCD is acknowledged as one of the key RM organ of the Bank. To mitigate its operational risks identifying various malpractices prevailing in operational activities, the division has formulated robust and resourceful policy guideline which ensures that Bank demonstrates compliance and conformity with relevant regulations of the Central Bank and other regulatory bodies. In addition, they ensure that corrective action plans are implemented within the set deadline and they also ensure proper corporate discipline and awareness. During the year 2016, the ICCD successfully conducted comprehensive inspection on some of the divisions of head office and branches as its scheduled manner and submitted findings thereon to the competent authority for discussion, review, suggestion and proper evaluation. Thus the ICC system of the Bank always plays active role in mitigating operational risk and it contributes in the process of being a well compliant Bank in the industry.

Top and Emerging Risks

RMD monitors and reviews top and emerging risks that may affect our future results, and takes actions to mitigate potential risks if required. We perform in-depth analyses, which can include stress testing our exposures relative to the risks and provide updates and related developments to the Board on a regular basis. This section describes the top and emerging risks that RMD

considers with potential negative implications, as well as regulatory and accounting developments that are material for MDB.

Technology, Information and Cyber Security Risk

Financial institutions like MDB are evolving their business processes to leverage innovative technologies and the internet to improve client experience and streamline operations. At the same time, cyber threats and the associated financial reputation and business interruption risks have also increased.

Operational Risk

Operational risk refers to the risk of unexpected losses due to physical catastrophe, technical failure and human error in the operation of the Bank, including fraud, failure of management, internal process errors and unforeseeable external events. ICCD of the Bank is in place to address and assess all the operational risks.

Residual Risk

The Bank uses different techniques to reduce their credit risk. Improper application of these techniques may rise to additional risks that render the overall risk management less effective. Accordingly, these additional risks are termed as residual risks which arise mainly out of the following situations:

1. Error in documentation
2. Error in valuation of collateral

The following activities are performed by the Bank to minimize the above two issues under residual risk:

- Adequate and valid documentation are being ensured for minimizing capital charge under error in documentation

- Valuations of collaterals are being done properly.

Risk Based Capital Management

Supervisory Review Process (SRP), the second pillar of Basel accord covers a wide range of risks, including core risks as mentioned above, to ensure adequate capital against all risks. In fact minimum capital is maintained against credit risk, market risk, and operational risk under pillar-1 of Basel accord and SRP covers all other risks. In Bank's point of view, risks are endless. Therefore, Bangladesh Bank has detected some of the risky areas to measure the risks in a structured way which is known as SRP, which comes under the guideline of pillar-2 of Basel accord.

Stress Testing

Stress testing is a risk management technique used to evaluate the potential effects of an institution's financial condition at a specific event and/or movement in a set of financial variables. It is an integral part of the capital adequacy framework. The focus of stress testing relates to exceptional but plausible events. This involves several shocking events. Each shocking event contains minor, moderate and major level of shocks.

The findings of stress testing are being reviewed in the meeting of the Risk Management Committee and the same are also being reported to Bangladesh Bank and Board Risk Management Committee of the Bank for their guidance against the particular risk areas. In view to finding of stress testing, guidance from Bangladesh Bank and Board RMC are also being taken into account for assessing potential risks of the Bank.



Report on Risk Management



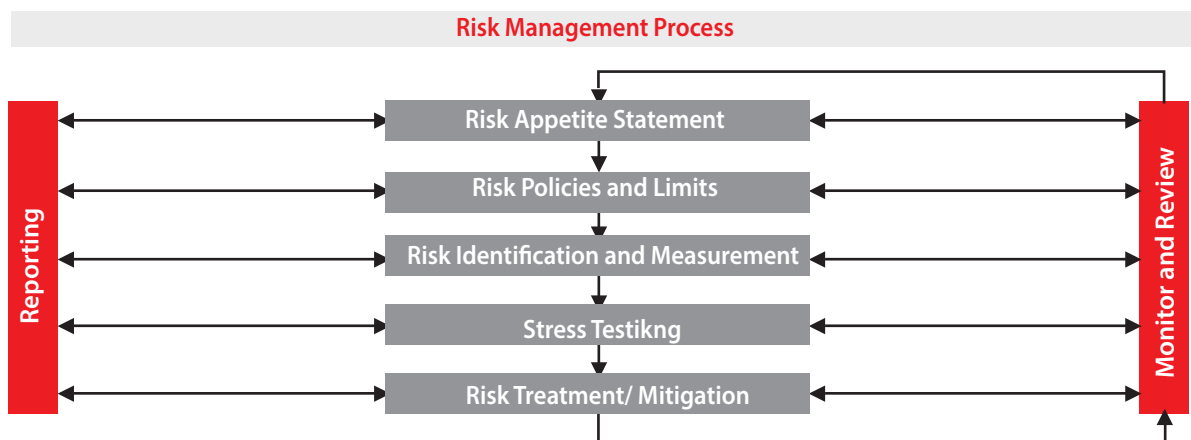
Statement of the Chief Risk Officer

The prime objective of risk management is to appropriately balance the trade-off between risk and return. Financial Services Institutions (FSIs) worldwide are pursuing a full, integrated understanding of the risks that are inherent to their business. As financial institute, MDB is exposed to certain amount of risks which are associated with its lending, trade-service business and operational activities. Managing and mitigating such risks are always a prioritized concern of Midland Bank Limited.

The Risk Management group, led by Chief Risk Officer (CRO), is responsible for setting risk mitigations strategies and for providing independent insight in businesses decision. Risk Management works to identify, assess, mitigate, monitor and control the risks associated with business activities and strategies.

The Risk Management group performs several important activities including:

- ❖ Developing MDB's risk appetite and associated management control metrics;
- ❖ Setting risk strategy to manage risks in alignment with our risk appetite and business strategy;
- ❖ Establishing and communicating risk policies, procedures and limits to control risks in alignment with risk strategy;
- ❖ Measuring, monitoring and reporting on risk levels;
- ❖ Identifying and assessing emerging and potential strategic risks;
- ❖ Deciding on transactions that fall outside of risk limits delegated to business lines; and
- ❖ Ensuring compliance with regulation and anti-money laundering



Risk appetite statement

MDB's risk appetite statement defines the amount of risk we are willing to assume in pursuit of our strategic and financial objectives. Our guiding principle is to practice sound risk management, supported by strong capital and funding positions, as we pursue our client-focused strategy. In defining our risk appetite, we take into consideration our vision, values and strategy, along with our risk capacity (defined by regulatory constraints). It defines how we conduct business, which is to be consistent with the following objectives:

- o Safeguarding our reputation and brand;
- o Engaging in client-oriented businesses that we understand;
- o Maintaining a balance between risks and returns;
- o Meeting regulatory expectations and/or identifying and having plans in place to address any issues in a timely manner;

Our risk appetite statement is reviewed annually in conjunction with our strategic, financial and capital planning cycle to ensure alignment and is approved annually by the Board. To help ensuring MDB stays within its risk appetite, the Board, BRMC, and Senior Management regularly receive and review reporting on our risk profile against the risk appetite limits.

All strategic business decisions, as well as day-to-day business decisions, are governed by our risk appetite framework. Strategic decisions are evaluated through a due diligence process to ensure that the risk exposure is within our risk appetite; these decisions require approval from the Board before implementation. Day-to-day activities and decisions are governed by our framework of risk tolerance limits, policies, standards and procedures that support our risk appetite statement.

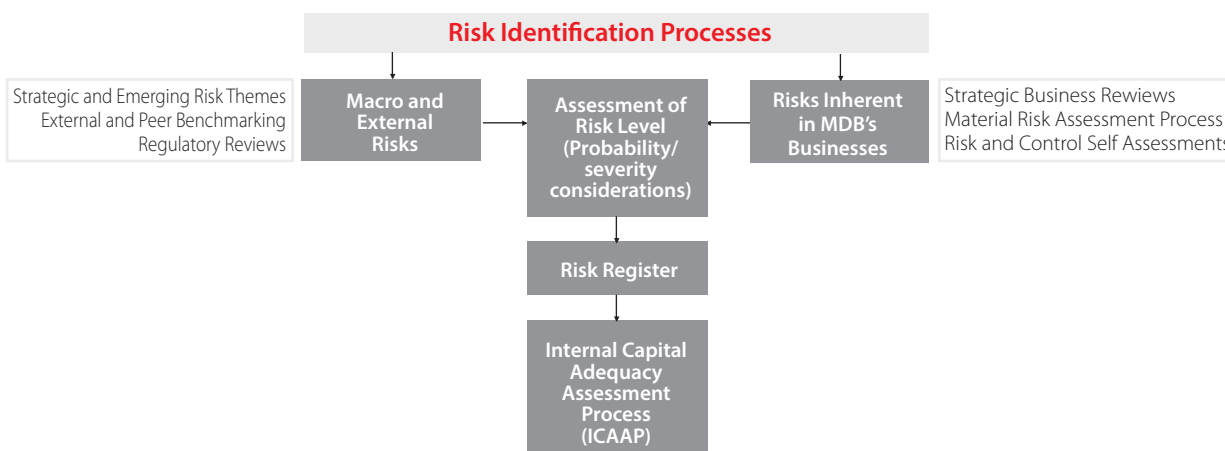
Risk policies and limits

Our risk policies and limits framework is intended to ensure that risks are appropriately identified, measured, monitored and controlled in accordance with our risk appetite. For most risks, we have developed an overarching framework document that sets out the key principles for managing the associated risks and our key risk policies and limits. This framework is supported by standards, guidelines, processes, procedures and controls that govern day-to-day activities in our businesses. Oversight is provided by management committees, as well as the Board/Board Committees.

Risk identification and measurement

Risk identification and measurement are important elements of our risk management framework. Risk identification is a continuous process, generally achieved through:

- o Regular assessment of risks associated with lending, trading and credit exposures;
- o Ongoing monitoring of trading and non-trading portfolios;
- o Assessment of risks in new business activities and processes;
- o Assessment of risks in complex and unusual business transactions; and
- o Regular monitoring of the overall risk profile considering market developments and trends, and external and internal events.



The decision to register a new risk is based on a risk assessment through our risk identification processes and includes criteria such as materiality, measurability and probability. Furthermore, the decision to hold capital for a new risk is also based on whether the risk is being mitigated, and whether capital is deemed to be suitable for mitigation.

Risk is usually measured in terms of expected loss, unexpected loss and economic capital.

Expected loss

Expected loss represents the loss that is statistically expected to occur in the normal course of business in a given period of time.

Unexpected loss and economic capital

Unexpected loss is the statistical estimation of the amount by which actual losses might exceed expected losses over a specified time horizon, computed at a given confidence level. We use economic capital to estimate the level of capital needed to protect us against unexpected losses. Economic capital allows us to assess performance on a risk-adjusted basis.

We also use techniques such as sensitivity analysis and stress testing to help ensure that the risks remain within our risk appetite and that our capital is adequate to cover those risks. Our stress testing program includes evaluation of the potential effects of various economic and market scenarios on our risk profile, earnings and capital.

Management Action Trigger

MDB established Early Warning (EW) indicators as Management Action Trigger (MAT). The MAT is a trigger Level to warn of breach limit position. MDB has established MAT as early warning in liquidity risk, forex etc.

Stress testing

Stress testing supplements our other risk management tools by providing an estimate of tail risk (i.e., low probability, high severity events). Results of stress testing are interpreted in the context of our risk appetite, including metrics for capital adequacy. Enterprise-wide stress testing, capital planning and financial planning processes are integrated for a comprehensive information system.

Risk treatment/mitigation

Risk treatment/mitigation is the implementation of options for modifying risk levels. MDB pursues risk mitigation options in order to control its risk profile in the context of risk appetite. MDB's objective is to proactively consider risk mitigation options in order to optimize results.

Credit risk

Credit risk is the risk of financial loss due to a borrower or counterparty failing to meet its obligations in accordance with contractual terms.

Credit risk arises mainly from our Retail, MSME, Emerging Corporate, Corporate Banking and Capital Markets lending businesses. Other sources of credit risk include our trading activities, including our OTC derivatives, debt securities, and our repo-style transaction activity. In addition to losses on the default of a borrower or counterparty, unrealized gains or losses may occur due to changes in the credit spread of the counterparty, which could impact the carrying or fair value of our assets.

Increased focus has been given in managing Credit Risk Management. Total Credit Administration Process has been centralized which have mitigated various risks arising from human error in branch banking. Similarly, 100% of Branches came under the umbrella of centralized Trade Service process during the year 2015. To reduce the residual risks the security related documents are revalidated by legal firms and also cross examined by the CAD and ICCD of MDB in random basis. Corrective measures have been taken as per the audit report issued. Periodical Stock verification and insurance coverage has been made mandatory before renewing any credit proposals. MDB has been encouraging the borrowers to get their company rated by ECAI to come under rating procedure.

Market risk

Market risk is the risk of economic financial loss in our trading and non-trading portfolios from adverse changes in underlying market factors, including interest rates, foreign exchange rates, equity market prices, commodity prices, credit spreads, and customer behavior for retail products. Market risk arises in MDB's trading and treasury activities, and encompasses all market related positioning.

The trading book consists of positions in financial instruments and commodities held to meet the near-term needs of our clients.

The non-trading book consists of positions in various currencies that are related to asset/liability management (ALM) and investment activities.

Risk measurement

We use the following measures for market risk:

- VaR enables the meaningful comparison of the risks in different businesses and asset classes.
- Stress testing and scenario analyses provide insight into portfolio behavior under extreme circumstances.
- Liquidity coverage ratio (LCR), net stable funding ratio (NSFR) for liquidity risk.

- Stress testing on regular basis to assess the sensitivity with regard to interest rate risk, FX risk, equity risk and liquidity risk.
- Assessment of additional capital requirement (Pillar II, Basel III) against market risk is also conducted on yearly basis.

Liquidity risk

Liquidity risk is the risk of having insufficient cash or its equivalent in a timely and cost-effective manner to meet financial obligations as they come due. Common sources of liquidity risk inherent in banking services include unanticipated withdrawals of deposits, the inability to repay maturing debt, credit and liquidity commitments, and additional pledging or other collateral requirements.

MDB possesses a comprehensive liquidity management framework that supports our business strategy, aligns with our risk appetite and limits established within the liquidity risk management policy, and adheres to regulatory expectations. The liquidity risk management policy requires, we maintain sufficient liquid assets and diversified funding sources to consistently fund our balance sheet, commitments and contingent obligations, in order to maintain the strength of our enterprise under both normal and stressed conditions.

Our management strategies, objectives and practices are regularly reviewed to align with changes to the liquidity environment, including regulatory, business and/or market developments. Liquidity risk remains within MDB's risk appetite.

Operational risk

Operational risk is the risk of loss resulting from people, inadequate or failed internal processes and systems, or from external events.

As part of the normal course of business, MDB is exposed to operational risks in its business activities and external environment. Our comprehensive Operational Risk Management Framework, supported by policies, tools, systems and governance structure, is used to mitigate operational risks. We continuously monitor our operational risk profile to ensure we are operating within MDB's approved risk appetite.

1. Operational risk is managed through the three lines of defense model. **Front line businesses** form our first line of defense. Their primary responsibility is the day-to-day management of operational risk inherent in their products and activities.
2. **The second line of defense** includes Risk Management and other compliance functions, which are responsible for monitoring and providing independent oversee of operational risk matters in their respective risk types and for providing effective challenges to business lines' operational risk assessments and mitigation activities.
3. Internal Audit, **our third line of defense**, assesses and provides an independent opinion on the design and operating effectiveness of MDB's management of operational risk and the strength of the internal control environment.

Operational risk management approach

Information transparency, timely escalation, clear accountability and a robust internal control environment are the principles forming the basis of the Operational Risk Management Framework which supports and governs the processes of identifying, measuring, mitigating, monitoring, and reporting operational risks. We mitigate operational losses by consistently applying control-based approaches and employing risk-specific assessment tools.

Regular review of our risk governance structure ensures clarity of and ownership in, key risk areas.

Reputation and legal risk

Our reputation and financial soundness are of fundamental importance to us and to our clients, shareholders and employees.

Reputation risk is the risk of negative publicity regarding our business conduct or practices which, whether true or not, could significantly harm our reputation as a leading financial institution, or could materially and adversely affect our business, operations or financial condition.

Legal risk is risk of financial loss arising from one or more of the following factors: (a) civil, criminal or regulatory enforcement proceedings against us; (b) our failure to correctly document, enforce or comply with contractual obligations; (c) failure to comply with our legal obligations to customers, investors, employees, counterparties or other stakeholders; (d) failure to take appropriate legal measures to protect our assets or security interests; or (e) vicarious misconduct by our employees or agents.

Regulatory compliance risk

Regulatory compliance risk refers to the risk of regulatory sanctions arising from MDB's failure to comply with regulatory requirements that govern its activities.

Respective departments are responsible for the development and maintenance of a comprehensive regulatory compliance program, including maintain relationship with regulatory authorities.

Environmental risk

Environmental risk is the risk of financial loss or damage to reputation associated with environmental issues, whether arising from our credit and investment activities or related to our own operations. Our green banking and environmental policy, commits MDB to responsible conduct in all activities to protect and conserve the environment; safeguard the interests of all stakeholders from unacceptable levels of environmental risk; and support the principles of sustainable development.

Top and emerging risks

We monitor and review top and emerging risks that may affect our future results, and take action to mitigate potential risks. We perform in-depth analyses, which can include effective risk assessment tools and provide updates and related developments to the Board on a regular basis. This section describes the top and emerging risks that we consider with potential negative implications, as well as regulatory and accounting developments that are material for MDB.

Technology, information and cyber security risk

Financial institutions like MDB are evolving their business processes to leverage innovative technologies and the internet to improve client experience and streamline operations. At the same time, cyber threats and the associated financial, reputation and business interruption risks have also increased.

These risks continue to be actively managed by us through strategic risk reviews, enterprise-wide technology and information security programs, with the goal of maintaining overall cyber resilience that prevents, detects and responds to threats such as data breaches, malware, unauthorized access and denial-of-service attacks.

Given the importance of electronic financial systems, including secure online and mobile banking provided by MDB to its clients, MDB continues to develop controls and processes to protect our systems and client information from damage and unauthorized disclosure. MDB monitors the changing environment globally, including cyber threats, evolving regulatory requirements, and mitigation strategies. In addition, we benchmark against best practices and provide regular updates to the Board.

Despite our commitment to information and cyber security, MDB and its related third parties may not be able to fully mitigate all risks associated with the increased complexity and high rate of change in the threat landscape. However, MDB continuously monitors its risk posture for changes and continues to refine security protection approaches to minimize the impact of any incidents that may occur.

Disintermediation risk

Clients are increasingly shifting their service transactions from branches to digital platforms. As such, competitive pressure from digital disruptors, both global technology leaders and smaller financial technology entrants, is increasing and the risk of disintermediation is growing due to the level of sophistication of these non-traditional competitors.

MDB manages disintermediation risk through strategic risk reviews as well as investment in emerging channels, in data and analytics capabilities, and in technology and innovation in general, to meet our clients' changing expectations, while working to reduce our cost structure and simplify operations.

Geo-political risk

The level of geo-political risk escalates at certain points in time. While the specific impact on the global economy and on global credit and capital markets would depend on the nature of the event, in general, any major event could result in instability and volatility, leading to widening spreads, declining equity valuations, flight to safe-haven currencies and increased purchases of gold. In the short run, market shocks could hurt the net income of our trading and non-trading market risk positions. Although Bangladesh is unlikely to be directly subject to geo-political risk, the indirect impact of reduced economic growth, as well as potential impacts on commodity prices, could have serious negative implications for general economic and banking activities.

MDB 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. In addition to that, as per the bank Company (Amended up to 2013) Act 1991 and as guided by Bangladesh Bank Circular No. 11 dated October 27, 2013 the Board Risk Management Committee (BRMC) 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 & CRO

Report on Overall Risk Management in MDB

Risk Management

Bank's business decisions contain an element of risk. Therefore understanding and managing risk is fundamental to a bank's strategic planning and decision making process. MDB's risk management stance is to proactively assist the business in delivering superior and sustainable value to shareholders. The Bank's capacity to identify, assess and mitigate the risks it faces is essential for a growing bank which has completed three and a half years of operations. Establishing strong corporate governance and risk management culture are foundations for graceful existence. MDB's risk management framework has remained resilient throughout 2016, amidst a challenging macroeconomic environment and fierce competition. Over the past year, the Bank has taken a number of initiatives to strengthen its risk management capabilities. Some of these initiatives include adopting an integrated risk management policy, improved watch-listing of customers, streamlining reporting of past due contracts, and strengthening compliance risk management.

Regulatory Environment

Since 2008, governments and regulators worldwide have dedicated their efforts to design and implement measures aimed at reducing the impact of a future financial crisis in their respective countries. A sound risk management framework is fundamental to the prudent management of Banks. The Basel III framework has been embedded in the supervisory process of the Bangladesh Bank, central bank of our country. With the issuance of the direction on "Integrated Risk Management Framework" for scheduled banks in 2012, Bangladesh Bank formulated clear guidelines on the management of risk, covering credit, interest rate, liquidity, market and operational risks as well as stress testing. The Internal Capital Adequacy Assessment Process (ICAAP) was implemented in 2013 requiring banks to link their risk management processes to the management of capital. With the formalization of the Liquidity Coverage Ratio (LCR), which is based on the Basel III Liquidity Standards, the regulator set yet another milestone to improve the capital and risk management processes of local banks and promote a more resilient banking sector.

Risk Governance

The Bank's risk governance framework is based on three lines of defence, focusing on informed involvement of the Board, with accountability and responsibility of business lines and appropriate support through internal controls, risk management and governance processes.

The first line of defence for risk management resides with the business units who ensure that all risks identified are managed appropriately and in line with the Bank's internal controls and processes.



The risk management function forms the second line of defence and independently assesses all material risks. It ensures that the risk management framework encompasses event identification, risk assessment, measurement, control activities and reporting. The risk management division also undertakes an independent review of the credit approval process in accordance with the delegated authority levels.



The third line of defence comprises of compliance, internal audit and external audit, which function independently, reviewing and challenging the Bank's risk management controls, processes and systems and verifying adherence to regulatory guidelines and reporting requirements.

MDB's approach to managing risk is to combine the knowledge of its business units and risk professionals with the wisdom of the bank's Board of Directors. MDB's Board is ultimately responsible for risk management and sets the tone from the top for an effective management of risk through its strategic goals and high-level objectives. In discharging its risk governance responsibility, MDB's Board operates through two key committees:

1. The Board Risk Management Committee (BRMC), and
2. The Board Audit Committee (BAC).

The Board Risk Management Committee (BRMC) sets the Bank's risk appetite and policy guidelines and assists the Board in fulfilling its responsibilities relating to the oversight of MDB's risk management strategies, policies and processes that have the potential to impact significantly the bank's earnings performance, capital protection and reputation. The approach involves active monitoring of the level of risk exposure against the bank's risk appetite.

The Board Audit Committee (BAC) provides its assessment on the effectiveness of internal audit and external disclosure in line with accounting policies and financial reporting to the Board.

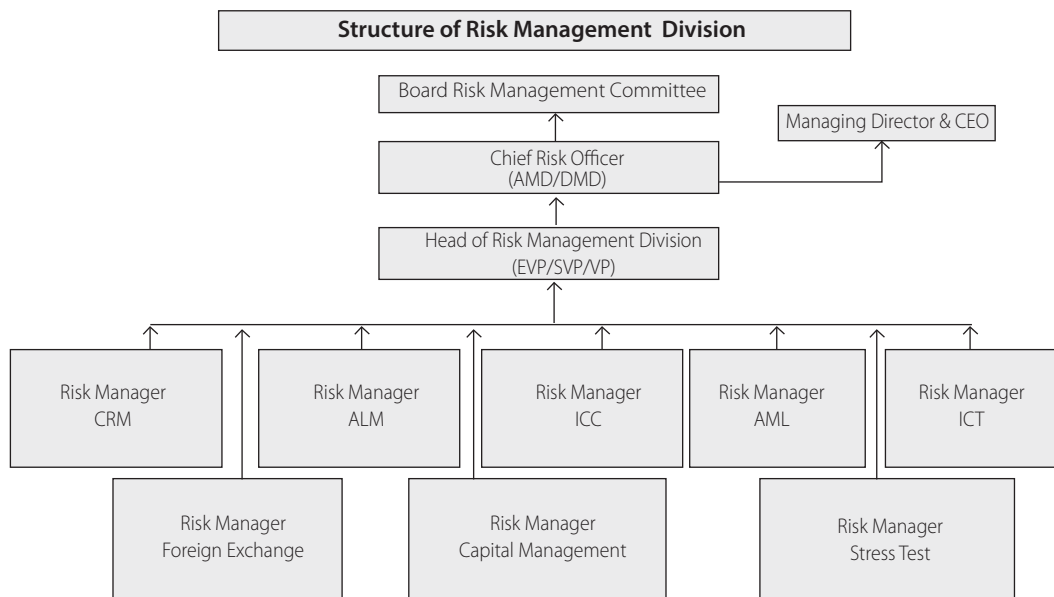
Several Executive Management Committees each with specialized focus support the BRMC and are responsible for the coordination of risk matters for the different business areas.

MDB's Risk Management Division is independent of the business units it monitors. It plays a central role in monitoring the bank's risk appetite and partners with the business lines to ensure that risk management is truly embedded in MDB's corporate culture.

Key functions of Board Risk Management Committee

- Establish the risk culture of the Bank and provide direction on risk management enhancements in the day to day decision making process.
- Review and approve the Bank's risk appetite and risk parameters, covering all types, levels, and concentrations of risk.
- Promote constructive discussions on risk matters with the CRO and other committee members, challenging management on risk-related decisions and processes.
- Review compliance and regulatory risk issues.
- Obtain reasonable assurance and be confident that management has identified the relevant risks that could affect the ability of the business to achieve its strategic goals.

Risk Governance Structure



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, responsible committees and corporate management with escalation at each level depending on the basis of its severity of the breach. MDB has mapped its risk appetite setting and some prudential limits following regulatory guidelines. Qualitatively, monitoring takes place through sound policies, procedures and controls meant to limit risk. The defined risk tolerance limits provide a basis for gliding business activities of the bank. It sets boundaries aligning bank's business strategy with stakeholder expectations.

MDB's risk management framework incorporates active management and monitoring of credit, liquidity, market and operational risks. The Bank also monitors interest rate risk (in the banking book) as well as compliance risk on a regular basis. Other risk areas identified and monitored are concentration risk, reputational risk and business/strategy 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 arises primarily from Corporate Banking, SMEs and Retail loans and advances. Given the scale and materiality of 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 but fairly diversified on major business segments. Enhancement of capacity and logistics to increase exposure on retail and small business is focused for diversification of portfolio and better risk-return tradeoffs.

Credit Risk Management Policy

MDB's Credit Risk Management 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.
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 deterioration in the financial health of a borrower.
Loan origination and Risk Appraisal	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 in bank's portfolio and very small size of retail portfolio. Since the bank will grow in 2015 with greater focus on retail and small portfolio, a dedicated recoveries and credit quality division 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.

Delegation of lending authority

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, Deputy Managing Director and Head of Credit Risk Management Division currently have credit approval authority. All credit proposals except secured by financial assets and other bank's acceptance are recommended by the credit committee. Branch Managers can approve some loans fully secured by MDB Deposits.

Credit Rating Models

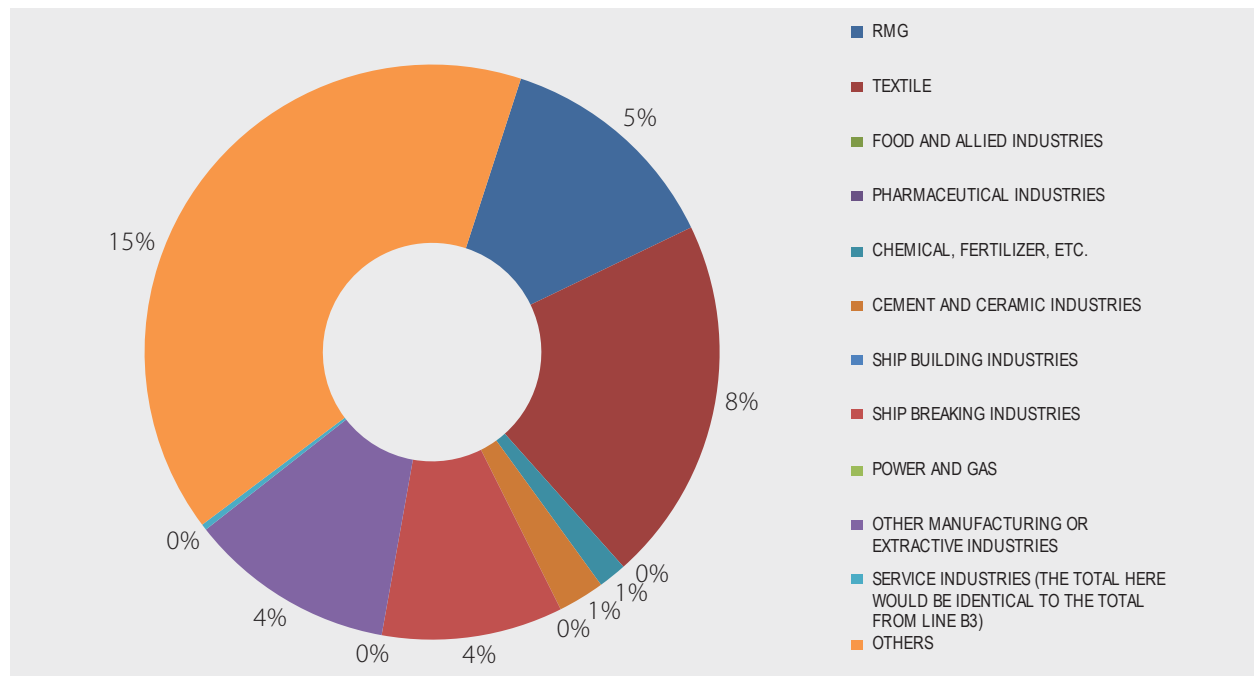
Bank uses a numerical grading system for all corporate and SME clients other than small segment customers. The grading system is called 'Credit Risk Grading Matrix' (CRGM), which is introduced by Bangladesh Bank and mandatory to use the tool before taking lending decision. CRGM compares degree of credit risk associated with a borrower but, this model does not have any predictive ability. The numeric grades from 1 to 8 indicate degree of lending risk of a borrower in descending order, while 6 to 8 grades are assigned to default borrowers. Lower grade number indicates higher creditworthiness and lower likelihood of default. There is a regulatory restriction on lending new large loan customers (exposure on which customer is 10% or more than banks capital), if its CRG is 4 (marginal) or below. It is also bank's internal policy that CRG of a borrower has to be 'Acceptable-3' or better.

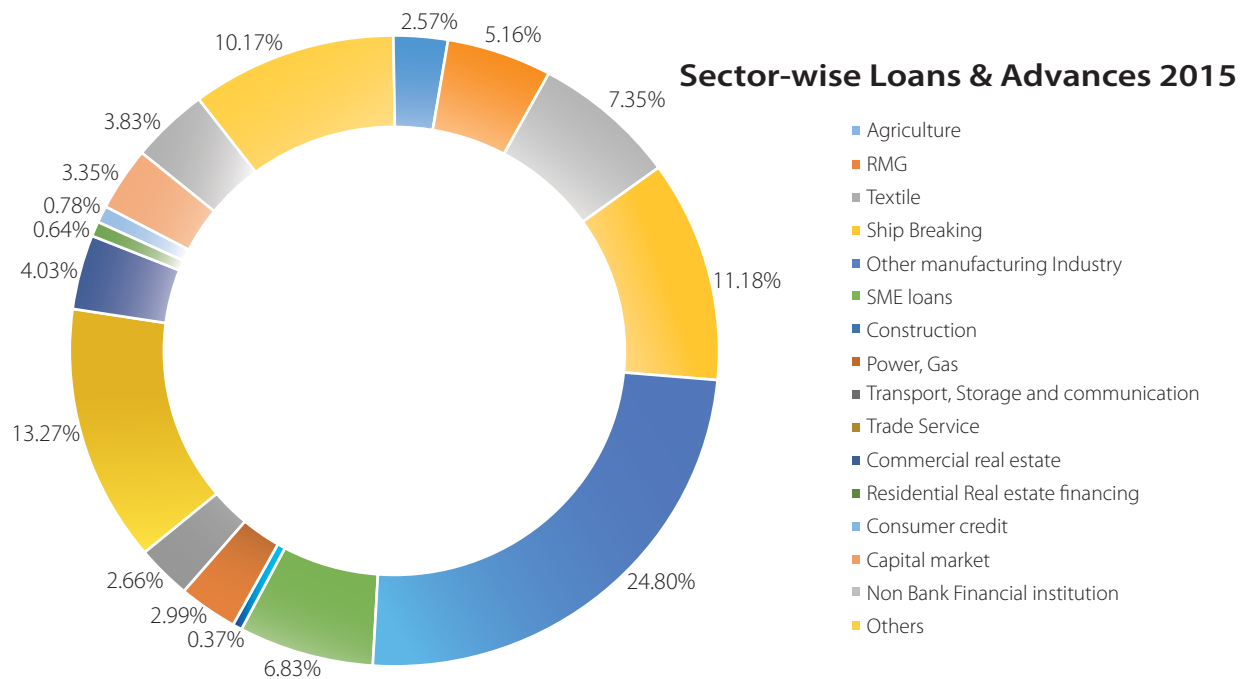
Retail and small segment borrowers are currently assessed against pre-approved criteria outlined in Product Program Guidelines (PPG) approved by the Board of Directors.

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

Sector wise loan and advance 2016





Credit Risk Mitigation

The Bank uses range of strategies to 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 factor 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 which helps the bank to mitigate 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 source of repayment, the bank is aware that accepting security from creditors does not replace the necessity for high quality standards in its credit granting 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 customer's credit risk profile and collateral arrangement with other lenders. Sometimes, regulatory instructions decides requirement for collateral.

When determining security, bank is guided by 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.
- b. The Bank should be in a position to realize such security in the event of default in the manner applicable, without difficulty.

Non-Performing Loans (NPL)

Non-performing Loans (NPL) as percentage of total loans decreased in 2016 compared with previous year. However, the amount of default loans did not changed significantly. Domestic financial and banking sector are stable but NPL in the banking industry has increased and expected to increase more if a large amount of loans, restructured earlier under special arrangements, re-entered into adverse classification categories. NPL, as a percentage of Total Loans and Advances, was 0.68% at the end of 2016; sliding from 1.01%.

Market Risk Management

Market Risk is the risk that changes in equity and commodity prices, as well as movements in foreign exchange rates and interest rates that may adversely affect the Bank's income from trading and banking books. MDB's Board approves

the market risk appetite and related limits for both the banking and the trading book 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.

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.

Value at Risk Approach (VaR)

The Bank uses historical Value-at-Risk (VaR) approach to derive quantitative measures for market risk under normal conditions. VaR measures the expected loss of a financial position over a given holding period for a specific confidence level. Market risk exposures for the Bank's overnight foreign exchange positions are monitored using VaR methodology. MDB uses a 1 day, 95% VaR for overnight foreign exchange positions to reflect that the daily loss will not exceed the benchmark limit. As on 31st of December 2016, Bank's VaR position was BDT 0.05 Million against limit of BDT 2.00 Million. Currently banks proprietary equity holding is BDT 44.37 Million at market price as on 31st of December 2016, which was acquired by conversion of corporate bond as per indenture of the bond.

Although VaR is a valuable guide to risk, the Bank is aware of its limitations such as the use of historical data as a proxy for estimating future events, which may not encompass all potential events, particularly those which are extreme in nature, the assumption that all positions can be liquidated in one day and the use of a 95% confidence level which does not take into account loss that might occur beyond this level of confidence.

Interest Rate Risk in Banking Book

Interest rate risk in the banking book arises from the structural interest rate risk caused by the differing re-pricing characteristics of the bank's assets and liabilities. The Bank is exposed to interest rate risk arising from a fixed rate liability book where re-pricing is slower than the majority of loan portfolio. However, substantial portion of loans and deposit base contractually or otherwise can be re-priced within a year which is an additional strength, which serves to reduce our vulnerability to interest rate risks. Interest rate risk is assessed through regular review of net interest yields by product to ensure interest rate margins and spreads are maintained and revisiting asset and liability pricing in line with our expectations on the interest yield curve. The Bank's ALM system is used to monitor the gap between the Bank's interest rate sensitive assets (RSA) and interest rate sensitive liabilities (RSL) for the different maturity buckets. This allows the Bank to determine the change in the Bank's interest income due to a change in interest rates.

RSA RSL Gap		In BDT Crore				
Particulars	<1M	1-3M	3-6M	6-12M	1-5Y	5>
Rate Sensitive Asset (RSA)	450.6	714.0	446.0	277.3	752.7	524.0
Rate Sensitive Liability (RSL)	749.2	862.0	290.9	301.2	512.5	24.4
Net Gap	(298.65)	(148.00)	155.13	(23.92)	240.27	499.58
Cumulative Gap	(298.65)	(446.66)	(291.52)	(315.45)	(75.18)	424.41

Loss on NII from Adverse Movement of Interest Rate	1 month	3 Months	1 Year
1% Adverse Movement of Interest Rate	0.2489	1.1166	3.1545
2% Adverse Movement of Interest Rate	0.4978	2.2333	6.3089

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 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, liquidity ratios to include adherence 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 gap analysis (contractual) as on 31st of December 2016

In BDT Crore

Particulars	Up to 1 month	1-3 months	3-6 months	6-12 Months	1-2 Years	2-3 years	3-5 Years	5-7 years	7-10 year	10 years>	TOTAL
Total Assets	687	753	465	322	123	140	507	141	225	157	3522
Total liabilities	744	1,064	309	314	178	116	237	8	17	536	3,522
Net Liquidity gap	(57.18)	(311.27)	156.23	8.44	(54.58)	24.11	270.43	133.70	208.64	(378.51)	-
Cumulative gap	(57.18)	(368.45)	(212.22)	(203.78)	(258.36)	(234.25)	36.17	169.88	378.51	-	-

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 2016	Position as of 31 Dec 2016
Liquid Asset to Total Assets	>30.00%	34.90%
Gross Loan to customer deposit	<=85.00%	79.00%
Liquidity Coverage Ratio	>=100.0%	418.80%
Cash Reserve Requirement	>=6.50%	6.69%
Statutory Liquidity Require	>=13.00%	23.67%
Leverage Ratio	>3.00%	13.98%
Net Stable Funding Ratio	>=100.00%	122.21%

Basel III Implementation

Following guidelines are issued by the Central Bank of Bangladesh on the implementation of the Basel III Liquidity Coverage Ratio (LCR), the Bank shows comfortable ratios in the observation period for LCR requirements as per December 2015 reporting.

Liquidity Coverage Ratio	Minimum Limit: 100%	Position as per Dec 2016 reporting: 418.80%
Leverage	Minimum Limit: >3.00%	Actual as on 31 December 2016: 13.98%

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.

Outsourcing

MDB's outsourcing practice is guided by the central bank's guidelines. Outsourced activities are managed by its users. Respective divisions carry out a due diligence on potential service providers before entering into a new service agreement or renewing an existing contract. The due diligence process covers the material factors that could impact a service provider's ability to perform the business activity and includes assessing expertise and experience, financial and technical abilities, reputation in industry and if the service provider is an existing one, a report on its performance to date. Other important factors the Bank considers are the service provider's internal control framework, performance standards, technology in place and whether the service provider has an adequate Business Continuity Plan. Some of the business activities outsourced include ATM cash management and cash transport, customers' contact point verification, valuation of collateral and legal vetting of property offered as collateral.

Compliance Risk

Compliance risk is the risk of 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 of the organization, allocated resources for operating systems and delivery networks and increased managerial capacities and capabilities.

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 shareholder 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.

Stress Testing

Stress Testing model has been 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 Management Committee. Summary of stress test result as on December 31, 2016 is given below:

Credit Risk

Stress test for credit risk assesses changes in CRAR due to the impact of the increase of non-performing loans triggered by five pre-determined shock events with three levels of shock- Minor, Moderate and Major. These five shock events are:

- i. Increase in NPL: This individual shock explains the impact if a portion of performing loan directly downgrades to Bad & Loss category that requires 100% loan loss provision. Levels of shock are: 3%, 9% and 15%.
- ii. Increase in NPL due to large top borrowers: Default of large borrowers can create significant impact on the bank. This indicator explains the impact of three standard events; default of 3 top borrowers, top 7 borrowers, and top 10 borrowers directly to "Bad & Loss" category.
- iii. Fall in the forced sale value of mortgaged collateral: This measures that the loss bank could suffer from the event of decrease in market value of Land & Building mortgaged with the bank as collateral. Standard levels of shock are applied @10%, 20% and 40%.
- iv. Negative shift in NPL Category: This shock indicator measures additional requirement of loan loss provision due to negative shift of a portion of non-performing loan to the next worst category. For example, Special Mention to Sub Standard, Sub Standard to Doubtful and Doubtful to Bad & Loss. Applied levels of shock are 5%, 10% and 15%.
- v. Increase in NPL in RMG and Capital Market Sectors: This shock indicator measures additional requirement of loan loss provision due to shift of performing loans of the RMG and capital Market segments directly into 'Bad & Loss' category. Applied levels of shock are 3%, 9% and 15%.

Interest Rate Risk

Interest rate risk is potential that the value of the on balance sheet and off balance sheet positions of the bank would be negatively affected with the change in the interest rates. The vulnerability of adverse effect due to interest rate can be measured by simple sensitivity and duration gap analysis.

Simple sensitivity analysis measures the impact on NII (Net Interest Income) at each maturity bucket resulted from the change in the interest rate. On the other hand Duration Gap Analysis measures a single duration gap form weighted average remaining maturity of each risk sensitive assets and liabilities. Once the GAP is determined, effect on NII can be computed applying level of shocks. For both measures, shock levels are fixed at 1%, 2% and 3%.

Exchange Rate Risk

The stress for Exchange Rate Risk assesses the impact of exchange rate on Capital to Risk weighted Asset Ratio (CRAR). The stress is determined by computing the decline of the value of assets (net short/long Fx position) due to adverse change in exchange rate by 5%, 10% and 15%.

Equity Price risk

The stress for equity price risk assesses the impact of the falling price of capital market instruments on bank's exposure in capital market. Levels of shock are 10%, 20% and 40% which are calibrated on CRAR.

Liquidity Risk

The stress test Liquidity risk evaluates the resilience of the bank if the bank faces cash withdrawal pressure above the average pattern for continuous five working days. A bank is considered well liquid if it survives continuous stress for 5 working days without restoring liquidity from outside. Standard levels of shock are 2%, 4% and 6% over normal withdrawal.

Combined Shock

The stress test also measures effect of combined shocks on Capital to Risk weighted Asset Ratio for assumptions includes: decrease in the FSV of the collateral, increase in non-performing loans, negative shift in NPL categories. Change in interest rate, change in foreign exchange rate, and change in the market value of shares and securities. Combined shocks from all these events are calibrated on CRAR.

Credit Shock under Basel III

Standardized approach of Basel III allows banks to compute its Risk Weighted Assets following external rating of the borrower. Higher the external rating, lower the risk weight; hence regulatory requirements of capital depend on the external rating customers. Under such circumstance, if credit rating of any customer downgrades, CRAR of the bank will be affected. The stress test measures how CRAR will be affected if risk weighted assets are increased due to downgrading of customer's external rating. Applied levels of shock are 5%, 10% and 15%.

Summary of stress Testing Results as on 31 December 2016 is presented below:

Stress Test	: Simple Sensitivity Analysis
Position as on	: 31st of December 2016
Regulatory CRAR	: 10.625%
CRAR before shock	: 23.30%

Individual Shocks	CRAR aftershocks (%)		
	Minor	Moderate	Major
Performing loan directly downgraded to B/L (RMG sector)	23.30	23.29	23.28
Performing loan directly downgraded to B/L (Textile)	23.18	22.95	22.72
Increase in NPLs due to default of top large borrowers	17.28	11.19	7.92
Negative shift in NPL categories	23.29	23.18	23.09
Decrease in FSV of the collateral	23.26	23.22	23.14
Increase in NPLs	21.99	19.02	15.11
Interest Rate Shock	21.41	19.53	17.64
FEx: Currency Appreciation	23.28	23.25	23.23
Equity Shock	22.97	22.64	21.97

Particulars	Level of Shock		
	Minor	Moderate	Major
CRAR after combined shock	19.70	14.34	7.68

Particulars	Level of Shock		
	Minor	Moderate	Major
CRAR after credit shock under Basel III (Balance Sheet)	23.09	22.88	22.68

Particulars	Level of Shock		
	Minor	Moderate	Major
CRAR after credit shock under Basel III (Off Balance Sheet)	23.28	23.26	23.24

Way Forward

As MDB's operations are growing gradually in size and complexity, the Bank's risk management framework is reviewed regularly to ensure its effectiveness and robustness, which is essential in fulfilling our obligation to all our stakeholders and sustainable existence. Risk originated from business activities directly related to our people, processes and systems are in greater control of the bank, but bank generally respond to externally generated risks related to economy, regulations, competition and technology. Going forward, we will continue our risk management initiatives across our network and support and share best practices with our customers and business partners.

Basel II & III approaches

Risk Type	Approaches prescribed by Basel II	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	Continuation of Standardized Measurement Method since trading book is small and mostly made of plain vanilla products.
Operational Risk	1. Basic Indicator Approach 2. The Standardized Approach 3. The Advanced Measurement Approach	Basic Indicator Approach	Continue with Basic Indicator Approach. Capacity building in Operational Risk Management will be emphasized.

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, 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 increase 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 exposure;
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
Capital	Common Equity Capital	2% of RWA	4.5% of RWA (Min)
	Tier 1 capital	4% of RWA	6.0% of RWA (Min)
	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%

Key Components	Particulars	BASEL II	BASEL III
Capital Buffer	Capital conservation buffer	N/A	2.5% of RWA
	Discretionary countercyclical buffer	N/A	(0%-2.5% of RWA) as per BB Direction
Leverage	Leverage Ratio	Not required	Minimum 3%
Liquidity	Liquidity Coverage Ratio		≥ 100%
	Net Stable Funding Ratio		≥ 100%
Deduction	Asset Revaluation Reserve	50% to be included in capital	Not to be included in the capital

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 flourishing 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 Capital	Additional Tier-1 Capital	Tier-2 Capital
Common shares issued by the banks that meet the criteria for classification as common shares for regulatory purposes (or the equivalent for non-joint stock companies).	Instruments issued by the banks that meet the criteria for inclusion in Additional Tier 1 capital (and are not included in common equity Tier 1).	Instruments issued by the banks that meet the criteria for inclusion in Tier 2 capital (and are not included in common equity Tier 1).
Stock surplus (share premium) resulting from the issue of instruments included Common Equity Tier 1.	Stock surplus (share premium) resulting from the issue of instruments included in Additional Tier 1 capital.	Stock surplus (share premium) resulting from the issue of instruments included in Additional Tier 2 capital.
Retained Earnings: Accumulated and other comprehensive income and other disclosed reserves.	Instruments issued by consolidated subsidiaries of the bank and held by the third parties (i.e. minority interest) that meet the criteria for inclusion in Additional Tier 1 capital and are not included in Common Equity Tier 1 capital	Instruments issued by consolidated subsidiaries of the bank and held by the third parties (i.e. minority interest) that meet the criteria for inclusion in Additional Tier 2 capital and are not included in Common Equity Tier 1 capital.
Common shares issued by consolidated subsidiaries of the bank and held by third parties (i.e. minority interest) that meet the criteria for inclusion in common Equity Tier 1 capital.	Regulatory adjustments applied in the calculation of additional Tier 1 capital	Certain loan loss provisions; and Regulatory adjustments applied in the calculation of Tier 2 Capital.
Regulatory adjustments applied in the calculation of Common Equity Tier 1 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. The Basel Committee for Banking Supervision (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-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 capital, 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 counter-cyclical Ratio evolves with a defined range.

d. Liquidity Standard

Basel II 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 UK. With a view to reducing the risk of this happening again, bank will have to comply with two new ratios:

Liquidity Coverage Ratio (LCR)

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

<p>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.</p>	$\text{NSFR} = \frac{\text{Available stable funding}}{\text{Required stable funding}} \geq 100\%$
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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, leading to a reduction in different business model and potentially 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 re-build and re-store 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 Guideline 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 Limited (MDB) 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 banking model.

Market Discipline

Disclosures on Risk Based Capital (Basel-III)

1. **Introduction:**

Use of excessive leverage, gradual erosion of level and quality of capital base, insufficient liquidity buffer, pro-cyclicality and excessive interconnectedness among systematically important institutions are identified as reasons of recent bank failures. Bank for International Settlements (BIS) came up, in response, with new set of capital and liquidity standards in the name of Basel III. Incompliance with the 'Revised Guidelines on Risk Based Capital Adequacy (RBCA)' issued by Bangladesh Bank in December 2014, Banks in Bangladesh have formally entered into Basel III regime from 1 January 2015. The new capital and liquidity standards have greater business implications for banks.

Midland Bank Limited (MDB) has also adopted Basel III framework as part of its capital management strategy in line with the revised guideline. These Market discipline disclosures under Basel III are made following 'Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III)' for banks issued by Bangladesh Bank in December 2014. The purpose of Market discipline is to complement the minimum capital requirements and the supervisory review process. Establishing a transparent and disciplined financial market through providing accurate and timely information related to liquidity, solvency, performance and risk profile of a bank is another important objective of this disclosure

2. **Disclosure Policy**

Bank calculates Risk Weighted Assets (RWA) under the following approaches as per Basel III guidelines (BRPD circular no. 18, dated December 21, 2014):

- a) Standardized approach for credit risk,
- b) Standardized approach for market risk and,
- c) Basic Indicator approach for operational risk.

3. **Board Overview**

As strategic advisors to management, Board of Directors continued to prudently balance growth opportunities—with risk discipline and shareholder value creation. Board along with the senior management team work together to build momentum for our Bank's transformation by focusing on three integrated bank-wide priorities: client focus, innovation and simplify action.

Board of Directors recognizes the progress made over the past year across these priorities, including building stronger and deeper relationships with clients, as the team strives toward our goal of being #1 in client experience. Progress has also been made on the innovation and simplification front, as we delivered new technologies that improved the banking experience for clients and simplified processes making it easier to do business with us.

At MDB, BoD is committed to delivering sustainable earnings growth to shareholders. They have embarked on initiatives to free up resources that will allow the Bank to reinvest in business to accelerate revenue growth and reduce structural cost base. They will do so with a keen focus on industry-leading fundamentals in capital, expenses and risk management.

4. 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 as of December 31, 2016.</p> <p>A brief description of the Bank and its subsidiaries are given below:</p> <p>Midland Bank Limited (MDB):</p> <p>Midland Bank Limited ("the Bank") was incorporated on March 20, 2013 as a Public Limited Company in Bangladesh under Companies Act, 1994 with the registered office at N.B. Tower (Level 6 to 9), 40/7 North Avenue, Gulshan 2, Dhaka-1212. The Company was also issued Certificate of Commencement of Business on the same day. It started commercial banking operation on June 20, 2013 through opening first branch at Dilkusha Commercial Area in the name 'Dilkusha Corporate Branch.' Presently, the number of branches stood at 21 (twenty one) including 11 rural branches covering commercially important locations of the country.</p> <p>The principal activities of the Midland Bank Limited (MDB) are to provide all types of commercial banking services to customers through its branches, Corporate units and SME Center in Bangladesh. The Bank also entitled to provides money market operations, investment in merchant banking activities, financial intermediary services and any related financial services.</p>
c)	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Not Applicable
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

5. 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) Statutory Reserve and (iii) Retained Earnings.</p> <p>Tier-2 Capital of MDB consists of (i) General Provision against unclassified Loans and Off-balance sheet exposures and (ii) Revaluation Reserve on Investment in Securities.</p>
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Quantitative disclosure

In BDT Million

b)	The amount of Tier-1 capital with separate disclosure of:	Solo
	I. Fully Paid up capital	4,320.00
	II. Non repayable share premium account	-
	III. Statutory reserve	352.78
	IV. General reserve	-
	V. Retained earnings	476.41
	VI. Minority interest in subsidiaries	-
	VII. Non-cumulative irredeemable preference shares	-
	VIII. Dividend equalization account	-
	Sub-Total (A)	5,149.19
c)	The total amount of Tier 2 capital (B)	258.82
d)	Other deductions from capital	-
e)	Total eligible capital (A+B)	5,408.02

6. Capital Adequacy:**Qualitative disclosure**

a)	A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities.	<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 23.30% against the minimum regulatory requirement of 10.625%. Tier-I capital adequacy ratio for "Solo" is 22.18% as against the minimum regulatory requirement of 5.625%. 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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Quantitative disclosure

In BDT Million

	Particulars	Solo
b)	Capital requirement for credit risk	2,026.759
c)	Capital requirement for market risk	94.785
d)	Capital requirement for operational risk	199.483
e)	Total and Tier-1 capital ratio:	
	• For the consolidated group; and	-
	• For stand alone	95.21%
	Minimum capital requirement (10% of RWA or BDT 400 crore, which is higher)	4,000.00
	Total Risk Weighted Assets (RWA)	23,210.27
	Total and Tier-1 Capital Ratio:	
	Total CRAR	23.30
	Tier-1 CRAR	22.18%
	Tier-2 CRAR	1.12%

7. Credit Risk:

Qualitative disclosure

a)	<p>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 Tk 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 Tk 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”. <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> <ul style="list-style-type: none"> ➤ Sub-standard- if the irregular status continues after a period of 12 (twelve) months, the credits are classified as “Sub-standard”. ➤ Doubtful- if the irregular status continue after a period of 36 (thirty six) months, the credits are classified as “Doubtful”. ➤ Bad/Loss- if the irregular status continue after a period of 60 (sixty) months, the credits are classified as “Bad/Loss”. <p>A Continuous loan, Demand loan or a Term Loan which remained overdue for a period of 02 (two) months or more, are treated as “Special Mention Account (SMA)”.</p>
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ii) Description of approaches followed for specific and general allowances and statistical methods.	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:	
	Particulars	Rate
	On unclassified small enterprise financing (SME)	0.25%
	On unclassified general loans and advances	1%
	On interest receivable on loans	1%
	On off-balance sheet exposures	1%
	On unclassified loans for housing finance, loans for professionals to set-up business and loans to share business	2%
	On unclassified consumer financing other than housing finance, loan for professionals and loans for BGs/MBs/SDs	5%
	On unclassified Short Term Agricultural and Micro Credits	2.50%
	On Special Mention Account (SMA) except Short Term Agricultural and Micro Credits	0.25% to 5%
	Specific provision:	
	On substandard loans and advances (SS) other than Short Term Agricultural and Micro Credits	20%
	On doubtful loans and advances (DF) other than Short Term Agricultural and Micro Credits	50%
	On bad / loss loans and advances (BL)	100%
	On substandard loans and advances (SS) other than Short Term Agricultural and Micro Credits	20%
	On doubtful loans and advances (DF) other than Short Term Agricultural and Micro Credits	50%
	On doubtful short term Agricultural and Micro Credits	5%

Quantitative 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	In BDT Million
	Term Loan	6,698.52
	Overdraft	4,811.69
	Time Loan	4,839.21
	Cash Credit	1,016.12
	Loan Against Trust Receipts (LTR)	1,714.72
	Consumer Loan	231.34
	Payment Against Documents (PAD)	0
	Agricultural Credit	1,415.64
	EDF Loan	88.97
	Packing Credit	34.13
	Staff Loan	147.90
	Other Loans & Advances	5.48
	Total	2,1044.89

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	In BDT Million
		Urban	
		Dhaka Zone	17,135.93
		Chittagong Zone	3,276.64
		Rajshahi Zone	66.40
		Sub-Total	20,478.97
		Rural	
		Dhaka Zone	447.14
		Chittagong Zone	13.64
		Rajshahi Zone	83.04
		Mymensingh	22.10
		Sub-Total	565.92
		Grand Total (Urban + Rural)	21,044.89
d)	Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.	Industry or counterparty type distribution of exposures, broken down by major types of credit exposure of the Bank:	
		Particulars	In BDT Million
		Agriculture	1,418.70
		RMG	915.32
		Textile Industries	1,592.92
		Ship Breaking	1,179.04
		Other Manufacturing Industries	3,891.20
		Small & Medium Enterprises (SME)	320.03
		Power & Gas	-
		Transport, Storage and Communication	12.73
		Trade Services	3,641.76
		Commercial real estate financing	187.71
		Residential real estate financing	152.48
		Loans, Advances & Lease to Managing Director/CEO and other senior executives	147.90
		Loans and Advances to Institutions in which the Director of the Bank have interest	22.17
		Consumer Credits	172.99
		Capital Market	645.18
		NBFIs	2,263.82
		Others	4,480.94
Total	21,044.89		
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	In BDT Million
		Repayable on Demand	527.50
		Not more than 3 months	6,316.70
		More than 3 months but less than 1 year	6,875.90
		More than 1 year but less than 5 years	6,438.50
		More than 5 years	886.29
		Total	21,044.89

f)	By major industry or counterparty type:		33,818.86
i) Amount of impaired loans and if available, past due loans, provided separately;	The amount of classified loans and advances of the Bank are given below as per Bangladesh Bank guidelines.		46,707.59
	Particulars		
	Continuous Loans & Advances		41.82
	Demand Loans & Advances		10.99
	Term Loans & Advances		90.69
	Short Term Agro Credit and Micro Credit		-
Total		143.50	
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 exposures, interest on receivable, diminution in value of investment and other assets-suspense of the Bank according to the Bangladesh Bank guidelines.		
	Particulars		In BDT Million
	Provision on classified loans and advances		72.82
	Provision on unclassified loans and advances		221.40
	Provision on Off-balance sheet exposures		36.05
Total		330.27	
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		In BDT Million
	Provision on classified loans and advances		16.15
	Provision on unclassified loans and advances		80.70
	Provision on Off-balance sheet exposures		13.16
Total		110.01	
g)	Gross Non Performing Assets (NPAs)		
Non-Performing Assets (NPAs) to Outstanding loans and advances.			
Movement of Non-Performing Assets (NPAs)	Particulars		In BDT Million
	Opening balance		139.69
	Addition/adjustment during the year		3.81
Closing balance		143.50	
Movement of specific provisions for NPAs	Particulars		In BDT Million
	Opening balance		220.26
	Provisions made during the period		110.01
	Transferred from unclassified loan & advances		-
	Write-off		-
Write-back of excess provisions		-	
Closing Balance		330.27	

8. Equities: Disclosures for Banking Book Positions

Qualitative disclosure

a)	The general qualitative disclosure requirement with respect to equity risk, including	
	Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and	Investment in equity securities are broadly categorized into two parts: i) Quoted Securities (Common or Preference Shares & Mutual Fund) that are traded in the secondary market (Trading Book Assets). 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>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>	<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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Quantitative disclosure

In BDT 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.	12.01	44.37
c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	39.76	
d)	Total unrealized gains (losses)	32.36	
	Total latent revaluation gains (losses) of T-bills/bonds	249.88	
	Any amounts of the above included in Tier-2 capital.	1.02	
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	4.44	
	General Market Risk	4.44	

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

Qualitative disclosure

<p>a)</p>	<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> <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)

Quantitative disclosure

In BDT Million

b)	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
		Loans & Advances	6766.40	4246.60	1300.00	1355.60
		Balance with other Banks & Financial Institutes	5245.80	100.00	0	0
		Government Securities	252.90	0	0	1.10
		Investment in other Securities	44.40	0	0	0
		A. Rate Sensitive Assets	12309.50	4346.60	1300.00	1356.70
		Demand Deposits	107.30	59.40	42.30	41.10
		Term Deposits	12470.00	2495.60	750.00	1128.40
		Saving Deposits	1085.00	600.60	427.70	418.60
		Borrowing from other Banks	2150.00			
		B. Rate Sensitive Liabilities	15812.30	3155.60	1220.00	1588.40
		GAP (A-B)	(3502.80)	1191.00	80.00	(231.70)
		Cumulative GAP	(3502.80)	(2311.80)	(2231.80)	(2463.50)
		Adjusted Interest Rate Changes (IRC)	1%	1%	1%	1%
		Quarterly earnings impact (GAP*IRC)	(8.80)	3.0	0.20	(0.60)
		Cumulative earnings impact to date	(8.80)	(5.80)	(5.60)	(6.20)
		Earning impact / Average quarterly net profit	-3.46%	-2.28%	-2.20%	-2.43%

10. 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> <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.
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<p>ii) Methods used to measure Market risk.</p>	<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.
<p>iii) Market Risk Management system.</p>	<p>Treasury Division manages the market risk and ALCO monitors the activities of Treasury Division in managing such risk.</p>
<p>iv) Policies and processes for mitigating market risk.</p>	<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 / polices and risk management prudential limits are adhere to.</p> <p>The Treasury Division are taking following measures to minimize the several market risks:</p> <ul style="list-style-type: none"> i) Foreign exchange risk management: 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. ii) Equity Position Risk: 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: <ul style="list-style-type: none"> a) Security of Investment b) Fundamentals of securities c) Liquidity of securities d) Reliability of securities e) Capital appreciation f) Risk factors and g) Implication of taxes etc.

Quantitative disclosure

In BDT Million

b)	The capital requirements for	Solo
	Interest rate risk	71.10
	Equity position risk	8.87
	Foreign exchange risk and	14.81
	Commodity risk	-
	Total Capital Requirement	94.78

11. Operational Risk

Qualitative disclosure

a)	i) Views of BOD on system to reduce Operational Risk	<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, 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>Human Resources Management is one of the key factors of enhancing the Bank's overall performance. The main functions of HR are to find out the latent talent of the employees and utilize them properly towards achieving organizational goal. The Bank has already established a performance driven working culture to expedite the utmost effort of its employees.</p> <p>Our HR mission is to be the employer of choice in the financial sector where the employee will work with pride and pleasure. MDB believes that Human Resource Development is a continual process and the output of the development helps the organization to meet the objective and long term vision of the organization. The Bank recruits people from all sections of the society based on their competencies. We highly emphasize on attitude driven talent acquisition process because we don't offer merely a job for the employees but we are highly conscious to shape their career and make them confident for the best fit of the next role. The main motto of Human Resources Management Division is to hike the service excellency curve for the internal and external customers of the Bank. 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 in organization like private commercial Banks. To cope with new challenges, our strategic approach is to make the techy so that they can cope technology based environment. Thus we thrive for caring our people so that they can positively contribute in the profitability curve of the organization.</p>

		<p>Workforce Diversity</p> <p>MDB believes that organization’s success and competitiveness depends upon its ability to embrace workforce diversity and realize the benefits. With that believe, MDB tries to handle workforce diversity in an efficient way so that MDB can increase adaptability, broader service range, recognize variety of viewpoints, manage more effective execution. As on 31 December 2016, workforce diversity is furnished below:</p> <table border="1" data-bbox="462 401 1414 562"> <thead> <tr> <th>Age Group</th> <th>Male</th> <th>Female</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Above 50 years</td> <td>08</td> <td>-</td> <td>08</td> </tr> <tr> <td>30-50 years</td> <td>261</td> <td>28</td> <td>289</td> </tr> <tr> <td>Below 30 years</td> <td>65</td> <td>13</td> <td>78</td> </tr> <tr> <td>Total</td> <td>334</td> <td>41</td> <td>375</td> </tr> </tbody> </table>	Age Group	Male	Female	Total	Above 50 years	08	-	08	30-50 years	261	28	289	Below 30 years	65	13	78	Total	334	41	375
Age Group	Male	Female	Total																			
Above 50 years	08	-	08																			
30-50 years	261	28	289																			
Below 30 years	65	13	78																			
Total	334	41	375																			
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 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. • Changes in credit quality of borrowers Risk of deterioration of credit quality of borrowers is inherent in Banking business. This could result due to global economic crisis and supply side distortion. The changes in the import prices affected the commodity sectors and ship breaking industry. Deterioration in credit quality requires provisioning. • Changes in policies and practices of regulatory bodies to revise practices, pricing and responsibilities of the financial institutions 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. • Implementation of Basel-III Basel-II is fully effective from 2015 and MDB needs to be complied with respect to credit risk management, its supervision and establishment of effective internal control. The grading of the borrowers and its link with capital requirement may slow down the credit expansion. The establishment of effective control requires more investment in technology and operating expenses are likely to increase. • Changes in market conditions 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. • The risk of litigation 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. • 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. 																				

<p>iv) Policies and processes for mitigating operational risk</p>	<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; • 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 Report and Comprehensive Risk Management Report (CRMR) have also been prepared on the basis of monthly and semi-annually respectively which addressing different areas of risk and their mitigating tools & techniques guided by the members of Risk Management Division; • In order to perform the risk management function smoothly, RMD had invited all the Operational Divisions vide letter 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.
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	<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, 2016 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"> i) be gross of any provisions; ii) be gross of operating expenses, including fees paid to outsourcing service providers; iii) exclude realized profits/losses from the sale of securities held to maturity in the Banking book; iv) exclude extraordinary or irregular items; v) exclude income derived from insurance.

Quantitative disclosure

In BDT Million

	Particulars	Solo Basis
b)	The capital requirement for operational risk	199.48

12. Liquidity Risk

In line with the provisions of liquidity risk management under Basel III, Bangladesh Bank on the basis of the relevant guideline of Bank for International Settlements (BIS) has identified the (i) Liquidity Coverage Ratio (LCR); (ii) Net Stable Funding Ratio (NSFR); and (iii) Leverage under the purview of 'Liquidity' ratio vide BRPD Circular No. 18 dated 21 December 2014 and DOS Circular No. 1 dated 1 January 2015.

Qualitative disclosure

a)	i) Views of BOD on system to reduce Liquidity Risk	<p>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.</p> <p>The Board of Directors reviews the liquidity risk of the Bank on quarterly rest while reviewing the Quarterly Financial Statements, Stress Testing Report etc. Besides, the RMC of the Board also reviews the liquidity position while reviewing the risk status report on quarterly basis.</p> <p>Upon reviewing the overall liquidity position along with the outlook of MDB funding need, investment opportunity, market/industry trend, the Board takes its strategic decision regarding deposits, funding, investments, loans as well as interest rates polices etc.</p> <p>The Board of MDB always strives to maintain adequate liquidity to meet up Bank's overall funding need for the huge retail depositors borrowers' requirements as well as maintain regulatory requirements comfortably.</p>
	ii) Methods used to measure Liquidity risk.	<p>Measurement Methodology:</p> <p>The maintenance of Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR) are considered as the fundamental methods/tools to measure the liquidity position/risk of MDB. LCR or Liquidity Coverage Ratio is a new liquidity standard introduced by the Basel Committee.</p> <p>This standard is built on the methodologies of traditional liquidity coverage ratio used by banks to assess exposure to contingent liquidity events. LCR aims to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for 30 calendar days. LCR goes beyond measuring the need for liquid assets over the next 30 days in a normal environment. It measures the need for liquid assets in a stressed environment, in which deposits and other sources of funds (both unsecured and secured) run off, to various extents, and unused credit facilities are also drawn down in various magnitudes. These runoffs are in addition to contractual outflows.</p> <p>The equation:</p> $\text{LCR} = \frac{\text{Stock of high quality liquid assets}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100\%$ <p>Definitions for the LCR:</p> <p>The calculation of the LCR requires three important quantities to be defined:</p> <ul style="list-style-type: none"> A. Total value of stock of high quality liquid assets B. Total cash outflows, next 30 days (stressed scenario) C. Total cash inflows, next 30 days (stressed scenario) <p>Net Stable Funding Ratio:</p> <p>NSFR or Net Stable Funding Ratio is another new standard introduced by the Basel Committee.</p> <p>The NSFR aims to limit over-reliance on short-term wholesale funding during times of abundant market liquidity and encourage better assessment of liquidity risk across all on- and off-balance sheet items. The minimum acceptable value of this ratio is 100 percent, indicating that available stable funding (ASF) should be at least equal to required stable funding (RSF). ASF consists of various kinds of liabilities and capital with percentage</p>

		<p>weights attached given their perceived stability. RSF consists of assets and off-balance sheet items, also with percentage weights attached given the degree to which they are illiquid or “long-term” and therefore requires stable funding. The time horizon of the NSFR is one year. Like the LCR, the NSFR calculations assume a stressed environment.</p> <p>The equation:</p> $\text{NSFR} = \frac{\text{Available amount of stable funding}}{\text{Required amount of stable funding}} \geq 100\%$ <p>The calculation of the NSFR requires two quantities to be defined: A. available stable funding (ASF) and B. required stable funding (RSF).</p> <p>NSFR is met if ASF exceeds RSF, that is if $\text{ASF}/\text{RSF} \geq 1$ or 100%</p> <p>In addition to the above, the following measures have been put in place to monitor the liquidity risk management position of the Bank on a continued manner:</p> <ol style="list-style-type: none"> Asset-Liability Maturity Analysis (Liquidity profile); Whole sale borrowing capacity; Maximum Cumulative Outflow (MCO); <p>Besides the above, the following tools are also used for measuring liquidity risk:</p> <ol style="list-style-type: none"> Stress Testing (Liquidity Stress); Net open position limit - to monitor the FX funding liquidity risk;
	iii) Liquidity Risk Management system	<p>In MDB, at the management level, the liquidity risk is primarily managed by the Treasury Division (Front Office) under oversight of ALCO which is headed by the Managing Director along with other senior management. Treasury Division (Front Office) upon reviewing the overall funding requirements on daily basis sets their strategy to maintain a comfortable/adequate liquidity position taking into consideration of Bank’s approved credit deposit ratio, liquid assets to total assets ratio, asset-liability maturity profile, Bank’s earning/profitability as well as overall market behavior and sentiment etc.</p> <p>Apart from the above, Financial Administration Division also monitors & measures the liquidity risk in line with the Basel III liquidity measurement tools, namely, LCR, NSFR, Leverage Ratio. RMD addresses the key issues and strategies to maintain the Basel III liquidity ratios to the respective division (s) on regular interval.</p>
	iv) Policies and processes for mitigating liquidity risk.	<p>To mitigate the several liquidity risks, the Bank formed Asset Liability Management Committee (ALCO) who monitors the Treasury Division’s activities to minimize the liquidity risk. ALCO is primarily responsible for establishing the liquidity 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 / polices 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>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, liquidity ratios to include adherence 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.</p>

Quantitative disclosure BDT in Million

b)	Liquidity Coverage Ratio	Solo		
		The Liquidity Coverage Ratio (LCR) under Liquidity Ratios of Basel III of Midland Bank Limited as of 31 December 2016 was as under:		
		Particulars	Ratio	
			BB requirement	MDB’s position
		Liquidity Coverage Ratio (LCR)	100%	418.80%

Net Stable Funding Ratio (NSFR)	The Net Stable Funding Ratio (NSFR) under Liquidity Ratios of Basel III of Midland Bank Limited as of 31 December 2016 was as under:		
	Particulars	Ratio	
		BB requirement	MDB's position
Net Stable Funding Ratio (NSFR)	100%	122.21%	
Stock of High quality liquid assets	As stipulated by BB vide DOS Circular Letter No. 1 dated 1 January 2016, the Stock of High Quality Liquid Assets (SHQLA) of Midland Bank Limited as of 31 December 2016 was as under: 6,740.74		
Total net cash outflows over the next 30 calendar days	1,609.54		
Available amount of stable funding (ASF)	27,802.07		
Required amount of stable funding (RSF)	22,748.69		

13. Leverage Ratio

Qualitative disclosure

a)	i) Views of BOD on system to reduce excessive leverage	<p>In order to avoid building-up excessive on- and off-balance sheet leverage in the banking system, a simple, transparent, non-risk based leverage ratio has been introduced. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. The leverage ratio is intended to achieve the following objectives:</p> <p>a) constrain build-up of leverage in the banking sector which can damage the broader financial system and the economy; and b) reinforce the risk based requirements with an easy to understand and a non-risk based measure.</p> <p>The Board of Directors of MDB primarily views on the growth of On and Off balance sheet exposures commensurate with its expected growth so that the excessive leverage is reduced. Within the On-balance components, again, the Board emphasizes on the growth of the prime component i.e. the loans and advances and maintaining good asset quality so as to maximize the revenue as well as the capacity to generate capital internally (in the form of retained earnings) to trade-off the excessive leverage supposed to be caused by asset growth.</p> <p>At the outset of asset growth, the Board also views the growth of its sources of fund i.e. deposit growth taking into consideration of projected business growth so that the credit-deposit ratio is maintained at a sustainable basis as well as to reduce the mismatches of asset-liability gap within the tolerable limit to manage the liquidity risk.</p>
	ii) Policies and processes for mitigating market risk.	To mitigate excessive on and off-balance sheet leverage, the Bank formed Basel Unit who monitors the implementing status of Basel –III within the Bank as per the guidelines on risk based capital adequacy issued by Bangladesh Bank.
	iii) Approach for calculating leverage ratio	<p>A minimum Tier 1 leverage ratio of 3% is being prescribed both at solo and consolidated level.</p> <p>The banks will maintain leverage ratio on quarterly basis. The calculation at the end of each calendar quarter will be submitted to BB showing the average of the month end leverage ratios based on the following definition of capital and total exposure.</p> $\text{Leverage Ratio} = \frac{\text{Tier 1 Capital (after related deductions)}}{\text{Total Exposure (after related deductions)}}$

Quantitative disclosure

In BDT Million

b)		Solo	
Leverage Ratio	Leverage Ratio (LR) under Basel III of Midland Bank Limited as of 31 December 2016 was as under:	Particulars	
		Ratio	
		BB requirement	MDB's position
	Leverage Ratio	3%	13.98%
On balance sheet exposure	Total On-balance Sheet exposure for calculating Leverage Ratio under Basel III of Midland Bank Limited as of 31 December 2016 was as under:	Particulars	
		Amount	
		Total On Balance Sheet Assets [A]	35,345.88
		less: Total Specific Provision [B]	72.47
	Total Adjusted On Balance Sheet exposure [A-B]	35,273.41	
Off balance sheet exposure	1,563.95		
Total exposure	Total Exposures for calculating Leverage Ratio under Basel III of Midland Bank Limited as of 31 December 2016 was as under:	Particulars	
		Amount	
		Total On Balance Sheet Exposures [A]	35,345.88
		Total Off-Balance Sheet Exposures [B]	1,563.95
		less: Total Deduction/ Regulatory adjustments [C]	72.47
	Total Adjusted exposure [A+B-C]	36,837.36	

14. Remuneration
Qualitative disclosure

a)	Information relating to the bodies that oversee remuneration	i) Name of the bodies that oversee remuneration	At the management level, primarily the Human Resources Division oversees the 'remuneration' in line with its HR management strategy/policy under direct supervision and guidance of Management Committee (MANCOM) of the Bank. The Bank has approved pay scale approved by the Board of Directors. Employee type in MDB is Regular & Contractual
		ii) Composition of the main body overseeing remuneration	The MANCOM is headed and chaired by the Managing Director & CEO of the Bank along with other members of top executive management (Deputy Managing Directors) and the Heads of different functional divisions of Head Office. Head of Human Resources Division acts as the Member Secretary of the MANCOM of MDB. There is a pay scale approved by the competent authority where the salaries and increments are fixed designation wise and the same is followed accordingly
		iii) Mandate of the main body overseeing remuneration	The mandate of the Management Committee (MANCOM) as the main body for overseeing the Bank's remuneration is to review the position of remuneration and associated matters and recommend to the Board of Directors for approval of its restructuring, rearrangement and modification commensurate with the industry best practices as per requirement
		iv) External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process	The Bank has no External Consultant permanently regarding 'remuneration' and its process. However, experts' opinion may have been sought in case to case basis regarding income tax matter, lawyers' opinion for settlement of employees' dues in case of death, penalty etc. if required, by the management

		v) A description of the scope of the bank's remuneration policy (e.g by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches	The Bank does not differentiate the 'Pay Structure' and 'Employee benefits' by regions. However, variation in remuneration is in practice based on nature of Job/business line/activity primarily bifurcated for the employees who are directly recruited by the Bank and the headcounts/employees explored through outsourcing service providers as per rule
		vi) A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group	We consider the members of the senior management, branch managers and the employees engaged in different functional divisions at Head Office (except the employees involved in internal control, risk management and compliance) as the material risk takers of MDB
b)	Information relating to the design and structure of remuneration processes	i) An overview of the key features and objectives of remuneration policy	Remuneration and other associated matters are guided by the Bank's Service Rule as well as instruction, guidance from the Board from time to time in line with the industry practice with the objectives of retention/hiring of experienced, talented workforce focusing on sustainable growth of the Bank
		ii) Whether the remuneration committee reviewed the bank's remuneration policy during the past year, and if so, an overview of any changes that was made	Human Resources Division under guidance of MANCOM, the Board and senior management reviews the issues of remuneration & its associated matters from time to time
		iii) A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee	The risk and compliance employees are carrying out the activities independently as per specific terms of references, job allocated to them. Regarding remuneration of the risk and compliance employees, Human Resources Division does not make any difference with other mainstream/ regular employees and sets the remuneration as per the prevailing rule of the Bank primarily governed by the employees' service rule of the Bank
c)	Description of the ways in which current and future risks are taken into account in the remuneration processes	i) An overview of the key risks that the bank takes into account when implementing remuneration measures	The business risk including credit/default risk, compliance & reputational risk are mostly considered when implementing the remuneration measures for each employee/group of employee Financial and liquidity risk are also considered
		ii) An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure	Different set of measures are in practice based on the nature & type of business lines/segments etc. These measures are primarily focused on the business target/goals set for each area of operation, branch vis-à-vis the actual results achieved as of the reporting date. The most vital tools & indicators used for measuring the risks are the asset quality (NPL ratio), Net Interest Margin (NIM), provision coverage ratio, credit-deposit ratio, cost-income ratio, growth of net profit, as well the non-financial indicators, namely, the compliance status with the regulatory norms, instructions has been brought to all concerned of the Bank from time to time

		iii) A discussion of the ways in which these measures affect remuneration	While evaluating the performance of each employee annually, all the financial and non-financial indicators as per pre-determined set criteria are considered; and accordingly the result of the performance varies from one to another and thus affect the remuneration as well
		iv) A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration	No material change has been made during the year 2016 that could affect the remuneration
d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration	i) An overview of main performance metrics for bank, top-level business lines and individuals	The Board sets the Key Performance Indicators (KPIs) while approving the business target/budget for each year for the Bank and business lines/segments. The management sets the appropriate tools, techniques and strategic planning (with due concurrence/approval of the Board) towards achieving those targets. The most common KPIs are the achievement of loan, deposit and profit target with the threshold of NPL ratio, cost-income ratio, cost of fund, yield on loans, provision coverage ratio, capital to risk weighted asset ratio (CRAR), ROE, ROA, liquidity position (maintenance of CRR and SLR) etc.
		ii) A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance	The remuneration of each employee is paid based on her/his individual performance evaluated as per set criteria. And, accordingly, the aggregate amount of remuneration of the Bank as a whole is linked/ impacted to the same extent
		iii) A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak. This should include the bank's criteria for determining "weak" performance metrics	The Bank follows remuneration process as per set criteria with no in general adjustment in the event of weak performance metrics/scorecard
e)	Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance	i) A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance	The Bank pays variable remuneration i.e. annual Increment based on the yearly performance rating on cash basis with the monthly pay. While the value of longer term variable part of remuneration i.e. the amount of provident fund, gratuity fund are made provision on aggregate/individual employee basis; actual payment is made upon retirement, resignation etc. as the case may be, as per rule

		ii) A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements.	Not Applicable
f)	Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms	<p>i) An overview of the forms of variable remuneration offered (i.e. Cash, shares and share-linked instruments and other forms. A description of the elements corresponding to other forms of variable remuneration (if any) should be provided.</p> <p>ii) A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description the factors that determine the mix and their relative importance.</p>	<p>The Bank pays variable remuneration on cash basis (i.e. Direct credit to the employee Bank account and/or Payment Order/Cheque), as the case may be, as per rule/practice.</p> <p>The following variable remuneration has been offered by MDB to its employees:</p> <p>Annual Increment Bank provides annual increments based on performance to the employees with the view of medium to long term strategy and adherence to Midland Bank values.</p>

Quantitative disclosure

In BDT Million

		Solo
b)	Number of meetings held by the main body overseeing remuneration and remuneration paid to its member	There were 12 (Twelve) meetings of the Management Committee (MANCOM) held during the year 2016. All the members of MANCOM are from the core banking area/operation of the Bank. No remuneration was paid to the members of the Management Committee for attending the meeting except their regular remuneration
	Number of employees having received a variable remuneration award	375
	Number of guaranteed bonuses awarded	2 festival bonuses
	Total amount of guaranteed bonuses awarded	25.07

	Solo												
Number of sign-on awards made	Nil												
Total amount of sign-on awards made	Nil												
Number of severance payments made	Nil												
Total amount of severance payments made	Nil												
Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	Nil												
Total amount of deferred remuneration paid out	Nil												
Breakdown of amount of remuneration awards for the financial year to show	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" style="text-align: center;">In BDT Million</th> </tr> </thead> <tbody> <tr> <td>Fixed</td> <td style="text-align: right;">391.06</td> </tr> <tr> <td>Variable</td> <td style="text-align: right;">36.56</td> </tr> <tr> <td>Deferred</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td>Non-deferred.</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td>Different forms used (cash, shares and share linked instruments, other forms).</td> <td style="text-align: center;">Cash</td> </tr> </tbody> </table>	In BDT Million		Fixed	391.06	Variable	36.56	Deferred	Nil	Non-deferred.	Nil	Different forms used (cash, shares and share linked instruments, other forms).	Cash
In BDT Million													
Fixed	391.06												
Variable	36.56												
Deferred	Nil												
Non-deferred.	Nil												
Different forms used (cash, shares and share linked instruments, other forms).	Cash												
Total amount of outstanding deferred remuneration	Nil												
Total amount of retained remuneration exposed to ex post explicit and/or implicit adjustments.	Nil												
Total amount of reductions during the financial year due to ex post explicit adjustments.	Nil												
Total amount of reductions during the financial year due to ex post implicit adjustments	Nil												



- ◆ Sustainability Report
- ◆ Green Banking
- ◆ Corporate Social Responsibility

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 mold 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. Focusing at educating and protecting customers are 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. Bank has 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 2017, the bank will strengthen its environmental and social risk management system in line with regulatory guidelines.

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 2016, we continued to demonstrate our support for SMEs, increasing our lending to 168 entrepreneurs BDT 3056.70 million (disbursement) enriching our SME products and services. We disbursed agri credit of BDT 374.45 million to a total of 12 farms and farmers. During 2016, we have extended a total BDT 338.22 million to 14 MFIs to serve financial needs of 9863 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 of 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 2016, we have disbursed a good sum of BDT 92.80 million to a number of Zig Zag eco-friendly Brick Kilns, vermicompost and solar home system, Bio-gas Plant, Solar Power System and other renewable energy sectors. In our attempt for green finance in 2016, we have disbursed a good sum of BDT 92.80 million to a number of Zig Zag eco-friendly Brick Kilns, vermicompost and solar home system.

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 2016

1. Financed BDT 92.80 million to 04 Zig Zag eco-friendly Brick Kilns, vermicompost and solar home system
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 2016, we allocated an amount of BDT 45 million (10% of profit) towards meeting our CSR objectives. We spent a total of BDT 43.09 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 2016, 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 386.70 million in loans to Women Entrepreneurs in the calendar year 2016. 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 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 Sustainable Banking

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 on green banking practices, initiatives and activities to Green Banking and CSR Department of Bangladesh
- 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.

MDB Green Report 2016

In BDT million

SL	Particulars	Total		Remarks
		No of Projects	Amount	
A.	Introducing Green Finance	-		Policy formulation is under processing
01	Effluent Treatment Plant (ETP)	-		
02	Bio-gas Plant	-		
03	Solar Panel System/Renewal Energy Plant	-		
04	Hybrid Hoffman Kiln (HHK)	-		
05	Green Finance at reduced rate of interest	-		
	Others (if any) Zig Zig Brick Project	04	32	
	Total	04	32	
B.	Online Banking			
01	No. of ADCs (own ATM & ADM)	23		
02	Shared ADCs	4,750		
03	No. of Branches with online coverage	21		
04	No. of total accounts	42,913		
04	No. of accounts facilitated with Internet Banking	1,303		
05	No. of accounts facilitated with Mobile/SMS Banking	20,326		
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 Others (if any)	Yes		
E.	Sector Specific Environment Policy			
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	-		
03	Management Plan & Guideline Others (if any)	Yes		

Green Activities of MDB

Midland Bank Limited (MDB) is much more aware to implement and promote green banking initiatives in line with the Bangladesh Bank's policy guidelines. Bank's Board of Directors 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 Sustainable Finance Unit
- Allocated annual budget for green banking
- Incorporated environmental risk in CRM
- Introduced 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

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

- Ensuring economic use of electricity
- Using energy saving lights in bank premises
- Shutting down the computer properly and switching off the computer monitor before leaving office everyday
- Ensuring that light, fans, air conditioners have been switched off before leaving office everyday
- Using energy efficient electronic equipment

Fuel Consumption

- Ensuring economic use of fuel
- Buying energy efficient cars to reduce gas and petroleum consumption

Paper Consumption

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

Water Consumption

- Not misusing drinking water
- Ensuring economic use of water in all other cases

Others

- Avoiding 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 coloring the world green in 2017 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)

Initiated by Bangladesh Bank in 2008, the Corporate Social Responsibility (CSR) mainstreaming campaign in our financial sector, has enthused local banks and financial institutions, into a broad range of direct and indirect social responsibility engagements, including humanitarian relief and disaster response, to widen opportunities for disadvantaged population segments, with support in the areas of Healthcare, Education and Training.

With a view to the above and as per instruction of Bangladesh Bank, MDB has already formed a dedicated CSR Unit, under direct supervision of the Managing Director of the Bank at the Bank's Head Office. As per instruction by the Board of Directors of the Bank, MDB has already started CSR activities at the time of its inauguration.

As per Bangladesh Bank's guideline, CSR Unit has proposed budgetary allocations for CSR programmes annually for approval of the Board of the Bank; the Board has approved allocations by appropriations from annual post tax net profits.

As per calculation of our Financial Administration Division, an amount of BDT 4.40 crore was allocated for Annual CSR Budget for the year 2016 of the Bank. According to Bangladesh Bank's CSR guideline, budgetary allocations for CSR programmes 2016 were distributed in different areas such as Education, Healthcare, Humanitarian Relief and Disaster Management, etc. Detail CSR activities for the year 2016 are furnished below:

1. Education Sector:

Under this sector, MDB has donated total amount of BDT 1,22,26,500.00 favoring different educational institution for various purposes, such as construction of academic building/classroom/laboratory, procurement of any study/research equipment/materials and operating expense to run educational institution (partially/wholly). Moreover, Bank has distributed bicycles among the meritorious but financially challenged female students specially, in the North Bengal area of the country; those are struggling to go to their school by walk. Under this sector, The Bank also donated Bangabandhu Chair of Dhaka University to conduct research on Bangabandhu Sheikh Mujibur Rahman, Father of the Nation, and also on various social, economic, political and cultural issues, relating to the progress and development of Bangladesh. Detail as furnished below:

Sl.	Particulars	Amount in BDT
1.	Donation to Bangabandhu Chair of Dhaka University for research activity	58,76,500
2.	Donation to Kasba Adarsha High School, Brahmanbaria for the construction of academic building	25,00,000
3.	Donation to Babutipara Girls High School, Muradnagar, Comilla for renovation of academic building and purchasing books for school library	5,00,000
4.	Donation to Home Economics Association of Bangladesh (HEAB)	5,00,000
5.	Distribution of bicycle among the 29 poor female physically challenged students of North Bengal area	2,00,000
6.	Donation to Shishu Bikash Kendra, Dhaka of Zonta Club III for students breakfast	1,50,000
7.	Donation to Chand Tara Jame Mosque, Comilla for learning programme of Holy Quran	5,00,000
8.	Donation to Kalagachia M. A. High School, Homna, Comilla for the construction of academic building	5,00,000
9.	Donation to Dhaka, Chittagong and Rajshahi University for renovation/modernization of Class Room/Library/Lab	15,00,000

2. Healthcare Sector:

Under this sector, MDB has donated total amount of BDT 78,00,000.00 for various purposes relating to health care, such as Curative treatment of individual patients, free medicine/health equipment to individual Patient, procurement of any medical equipment/materials, operating expense to run hospital/clinic/diagnostic center (partially/wholly), etc. Detail are as furnished below:

Sl.	Particulars	Amount
1.	Donation to Mr. Md. Mahabubur Rahman, FVP, MDB for treatment purpose	5,00,000
2.	Financial assistant to 5000 flood affected people for emergency healthcare	25,00,000
3.	Donation of 02 Ambulances to Police Hospital, Dhaka	32,00,000
4.	Donation of 01 Microbus to Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital and Nursing College	16,00,000

3. Other Sectors:

MDB has donated Tk. 2,00,00,000.00 to Bangabandhu Sheikh Mujibur Rahman Memorial. Trust is a charitable organization, works for the socio-economic wellbeing of the society. The Trust has been running different activities to uphold the spirit of the Great War of Liberation. It has been doing philanthropic work under direct guidance of honourable Prime Minister of People's Republic of Bangladesh.

MDB has donated Tk. 30,68,30.00 for purchasing blankets which was being distributed amongst winter affected poor people of the country through its branches.



Financial Statements 2016



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 corrective actions 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 of MDB has defined roles as stipulated in the "Bank Company Amended Act 2013". Therefore, the Board of Directors has developed the internal financial control system and also continuously monitored 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 2016 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 Company Act 1991, (Amended Act 2013) as per guidelines of the Bangladesh Bank, Company Act 1994, Bangladesh Securities and Exchange Rules 1987 and other applicable laws and regulations issued by the regulatory bodies from 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 of 05 Directors who has 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 ended on December 31, 2016 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 Directors for consideration and approval of these financial statements for year ended on December 31, 2016.

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 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 1991 (Amendment 2013), the rules and regulations issued by the Bangladesh Bank, Company Act 1994, the Bangladesh 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, except 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 on December 31, 2016 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

Independent Auditor's Report

To the Shareholders of Midland Bank Limited

We have audited the accompanying financial statements of Midland Bank Limited (the "Bank") which comprise the Balance Sheet as at 31 December 2016, profit and loss account, cash flow statement, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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 (BFRS) 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 Bank Company Act, 1991 and the local central bank (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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements of the Bank based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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 of the Bank. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements of the Bank that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. 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 of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in Note 2.1.

Report on Other Legal and Regulatory Requirements

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

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (ii) to the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the financial statements 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:
 - (a) internal audit, internal control and risk management arrangements of the Bank as disclosed in Note 2 to the financial statements appeared to be materially adequate;

- (b) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank during the year ended 31 December 2016;
- (iii) 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 and proper returns adequate for the purpose of our audit have been received from branches not visited by us;
- (iv) the balance sheet and profit and loss statement of the Bank together with the annexed notes dealt with by the report are in agreement with the books of account and return;
- (v) the expenditures incurred during the year were for the purposes of the business of the Bank;
- (vi) the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as related guidance issued by Bangladesh Bank;
- (vii) adequate provisions have been made for loans and advances and other assets following the guidelines of Bangladesh Bank;
- (viii) the records and statements submitted by the branches have been properly maintained in the financial statements;
- (ix) the information and explanations required by us have been received and found satisfactory;
- (x) we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 1,700 person hours during the audit; and
- (xi) Capital Adequacy Ratio (CAR) as required by the Bangladesh Bank has been maintained adequately during the year.

Dhaka, March 30, 2017


Hoda Vasi Chowdhury & Co
Chartered Accountants

Midland Bank Limited
Balance Sheet
As on December 31, 2016

Property and Assets	Notes	2016 BDT	2015 BDT
Cash	3.00	1,974,495,597	1,060,433,798
In Hand (Including Foreign Currency)		266,871,763	212,893,760
With Bangladesh Bank and its agent Bank (including Foreign Currency)		1,707,623,834	847,540,038
Balance with other Banks & Financial Institutions	4.00	5,345,768,200	2,655,271,082
In Bangladesh		5,190,207,643	2,540,120,039
Outside Bangladesh		155,560,557	115,151,044
Money at Call and Short Notice	5.00	-	80,000,000
Investments	6.00	5,973,266,299	5,428,890,074
Government		5,019,255,149	3,678,890,074
Others		954,011,150	1,750,000,000
Loans and Advances	7.00	21,044,892,968	13,887,861,789
Loans, Cash Credit, Overdrafts, etc.		21,003,711,952	13,846,572,030
Bills Purchased and Discounted		41,181,016	41,289,759
Fixed Asset including Premises, Furniture & Fixtures	8.00	235,907,314	210,766,739
Other Assets	9.00	777,694,725	569,951,258
Non-Banking Assets		-	-
Total Property and Assets		35,352,025,103	23,893,174,740
Liabilities and Capital			
Borrowing from other Banks, Financial Institutions & Agents	10.00	2,271,378,214	281,255,604
Deposit and Other Accounts	11.00	26,675,927,555	17,955,516,897
Current Deposit & Other Accounts		4,105,966,554	700,822,621
Bills Payable		144,958,753	25,902,771
Special Notice Deposit		1,895,252,148	535,449,460
Savings Deposit		1,441,176,318	604,312,485
Fixed Deposit		16,260,923,050	14,022,783,348
Deposit Scheme		2,827,650,732	2,066,246,212
Other Liabilities	12.00	1,005,647,429	589,759,096
Total Liabilities		29,952,953,199	18,826,531,597
Capital/Shareholders' Equity			
Paid up Capital	14.00	4,320,000,000	4,000,000,000
Statutory Reserve	15.00	352,783,354	150,057,099
Revaluation Reserve on Investment in Securities	16.00	249,877,044	582,359,114
Retained Earnings	17.00	476,411,507	334,226,930
Total Shareholders' Equity		5,399,071,904	5,066,643,142
Total Liabilities and Shareholders' Equity		35,352,025,103	23,893,174,740

Midland Bank Limited
Balance Sheet
As on December 31, 2016

Off-Balance Sheet Items	Notes		
Contingent Liabilities	18.0	3,604,624,085	2,288,723,296
Acceptance and endorsements		711,151,439	311,806,165
Letter of Guarantee		1,172,642,462	1,200,416,635
Irrevocable Letter of Credit		1,508,052,867	510,486,299
Bills for Collection		212,777,317	266,014,197
Other Contingent Liabilities		-	-
Other Commitments			
Documentary credits and short term trade related transactions		-	-
Forward asset purchased and forward deposit placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Liabilities against forward Purchase and Sale		-	-
		-	-
Total Off Balance Sheet Items including Contingent Liabilities		3,604,624,085	2,288,723,296


 Managing Director & CEO


 Director


 Director


 Chairman

Signed as per annexed report on even date

Dhaka, March 30, 2017


 Hoda Vasi Chowdhury & Co.
 Chartered Accountants

Midland Bank Limited
Profit and Loss Account
For the Period ended December 31, 2016

<u>Particulars</u>	Notes	2016 BDT	2015 BDT
Interest Income	20.00	2,178,907,697	1,689,531,724
Less: Interest Paid on Deposit and Borrowing, etc.	21.00	1,600,584,191	1,359,458,808
Net Interest Income		578,323,506	330,072,916
Income from Investment	22.00	1,166,785,119	974,468,320
Commission, Exchange and Brokerage	23.00	133,303,904	102,925,950
Other Operating Income	24.00	31,771,230	22,966,252
Total Operating Income		1,331,860,253	1,100,360,522
Less: Operating Expenditure			
Salary and Allowances	25.00	439,583,585	322,199,594
Rent, Tax, Insurance, Electricity	26.00	182,160,480	148,294,313
Legal Expense	27.00	1,410,342	231,321
Postage, Stamps and Telephone	28.00	15,746,761	9,864,704
Printing, Stationery, Advertisement	29.00	25,299,380	17,995,191
Managing Director's Remuneration	25.01	12,510,000	10,800,000
Directors' Fee	30.00	2,596,700	1,309,000
Audit Fee	31.00	334,500	241,500
Depreciation on and Repair to Bank's Property	32.00	62,123,900	39,244,474
Other Expenditure	33.00	88,774,942	60,850,219
Total Operating Expenses		830,540,591	611,030,316
Profit Before Provision		1,079,643,169	819,403,122
Provision for Loans, Advances & Off Balance Sheet	34.00		
General Provision		80,704,333	78,498,592
Specific Provision		16,148,551	56,319,575
Provision for Off Balance Sheet Exposures		13,159,008	10,253,426
Total Provision		110,011,892	145,071,593
Profit Before Tax		969,631,277	674,331,529

Midland Bank Limited
Profit and Loss Account
For the Period ended December 31, 2016

Less: Provision for Tax	35.00	301,220,445	191,513,451
Current Tax		307,364,330	193,034,724
Deferred Tax		(6,143,886)	(1,521,273)
Net Profit After Tax		668,410,832	482,818,078
Retained Surplus Brought Forward	17.01	14,226,930	21,475,158
		682,637,762	504,293,236
Appropriation:			
Transferred to Statutory Reserve	36.00	202,726,255	126,066,306
Transferred to CSR	37.00	3,500,000	44,000,000
		206,226,255	170,066,306
Retained Surplus, Carried Forward		476,411,506	334,226,930
Earnings Per Share		1.55	1.12

The annexed notes form an integral part of these accounts


Managing Director & CEO


Director


Director


Chairman

Signed as per annexed report on even date

Dhaka, March 30, 2017


Hoda Vasi Chowdhury & Co.
Chartered Accountants

Midland Bank Limited
Statement of Cash Flow
For the Period ended December 31, 2016

	Notes	December 31, 2016 BDT	December 31, 2015 BDT
A) Cash Flow From Operating Activities:			
Interest Received		3,276,399,798	2,604,257,265
Interest Paid on Deposits, Borrowings, etc.		(1,552,377,862)	(1,259,765,512)
Dividend Income		25,849,122	20,131,578
Fees & Commission Income		133,303,904	102,925,950
Recoveries of Loans previously written off		-	-
Cash Paid to Employees as Salaries and Allowances		(452,093,585)	(317,686,100)
Income Tax Paid		(200,776,072)	(100,451,844)
Cash Received From Other Operational Income	39.00	31,771,230	22,966,252
Cash Paid for Other Operational Expenses	40.00	(328,303,365)	(241,386,884)
Cash Flow From Operating Activities Before Changes in Net Current Asset		933,773,171	830,990,704
Changes in Net Current Asset :			
Investment in Treasury Bond		(1,673,593,944)	(1,900,953,368)
Loans & Advances		(7,157,031,178)	(7,377,592,492)
Other Asset		42,620,385	(11,900,440)
Bank Deposit		(1,320,980,256)	3,221,000,000
Customers' Deposit		9,993,184,587	6,154,852,474
Borrowing from Other Banks, Financial Institutions & Agents		1,990,122,610	(2,123,244,396)
Other Liabilities		(1,487,890)	6,263,318
		1,872,834,313	(2,031,574,904)
Net Cash Flow From Operating Activities		2,806,607,484	(1,200,584,200)
B) Cash Flow From Investing Activities:			
Investments in Shares & Bonds		795,988,850	(750,000,000)
Proceeds from Sale of Fixed Assets		185,000	-
Purchase of Fixed Asset		(78,969,216)	(78,875,667)
Net Cash Flow From Investing Activities		717,204,634	(828,875,667)
C) Cash Flow From Financing Activities:			
Receipts from Issue of Capital		-	-
Dividend Paid		-	-
Net Cash Flow From Financing Activities		-	-

Midland Bank Limited
Statement of Cash Flow
For the Period ended December 31, 2016

Notes	December 31, 2016 BDT	December 31, 2015 BDT
D) Net Increase in Cash and Cash Equivalents	3,523,812,118	(2,029,459,867)
E) Effect of Changes of Exchange Rates on Cash and Cash Equivalents	-	-
F) Opening Cash and Cash Equivalents	3,796,671,380	5,826,131,247
Closing Cash and Cash Equivalents (D+E+F)	7,320,483,498	3,796,671,380
The above closing Cash and Cash Equivalents include:		
Cash in Hand	266,871,763	212,893,760
Balance with Bangladesh Bank and its Agent Bank	1,707,623,834	847,540,038
Balance with Other Banks & Financial Institutions	5,345,768,200	2,655,271,082
Money at Call and Short Notice	-	80,000,000
Treasury Bill	-	-
Prize Bond	219,700	966,500
	7,320,483,498	3,796,671,380
Net Operating Cash Flow Per Share	6.50	-2.78

The annexed notes form an integral part of these accounts


Managing Director & CEO


Director


Director


Chairman

Dhaka, March 30, 2017

Midland Bank Limited
Statement of Changes in Equity
For the Period ended December 31, 2016

Particulars	Paid-up Capital		Statutory Reserve		Revaluation Surplus on Investments		Retained Earnings		Total	
	BDT	BDT	BDT	BDT	BDT	BDT	BDT	BDT	BDT	BDT
Balance as at January 01, 2016	4,000,000,000	150,057,099	582,359,114	334,226,930	5,066,643,142					
Stock Dividend	320,000,000	-	-	(320,000,000)	-					
Revaluation Reserve transferred during the period	-	-	(332,482,070)	-	(332,482,070)					(332,482,070)
Net Profit for the year after tax	-	-	-	668,410,832	668,410,832					668,410,832
Appropriation made during the period	-	202,726,255	-	(202,726,255)	-					-
Transfer to CSR	-	-	-	(3,500,000)	(3,500,000)					(3,500,000)
Balance as at December 31, 2016	4,320,000,000	352,783,354	249,877,044	476,411,506	5,399,071,904					
Balance as at December 31, 2015	4,000,000,000	150,057,099	582,359,114	334,226,930	5,066,643,142					

The annexed notes form an integral part of these accounts


Managing Director & CEO


Director


Director


Chairman

Dhaka, March 30, 2017

Midland Bank Limited

Liquidity Statement

For the Period ended December 31, 2016

Particulars	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
	BDT	BDT	BDT	BDT	BDT	BDT
ASSET :						
Cash in hand & Balance with Bangladesh Bank	1,974,495,597	-	-	-	-	1,974,495,597
Balance with other Banks and Financial Institutions	2,195,800,000	3,050,000,000	99,968,200	-	-	5,345,768,200
Money at Call & Short notice	-	-	-	-	-	-
Investments	219,700	8,000,000	561,900,000	1,011,946,599	4,391,200,000	5,973,266,299
Loans and Advances	3,458,000,000	3,386,200,000	6,875,900,000	6,438,500,000	886,292,968	21,044,892,968
Fixed Asset	-	-	-	128,283,117	107,624,196	235,907,314
Other Asset	-	119,700,000	-	-	657,994,725	777,694,725
Non-Banking Asset	-	-	-	-	-	-
Total Asset	7,628,515,297	6,563,900,000	7,537,768,200	7,578,729,716	6,043,111,889	35,352,025,103
LIABILITIES :						
Borrowing From Other Banks, Financial Institutions & Agents	2,215,959,121	-	-	55,419,094	-	2,271,378,214
Deposit and Other Account	5,971,400,000	9,186,500,000	5,757,600,000	3,241,600,000	2,518,827,555	26,675,927,555
Provision & Other Liabilities	50,000,000	95,000,000	120,947,429	200,000,000	539,700,000	1,005,647,429
Total Liability	8,237,359,121	9,281,500,000	5,878,547,429	3,497,019,094	3,058,527,555	29,952,953,199
Net Liquidity	(608,843,823)	(2,717,600,000)	1,659,220,771	4,081,710,623	2,984,584,334	5,399,071,904

The annexed notes form an integral part of these accounts


Managing Director & CEO


Director


Director


Chairman

Dhaka, March 30, 2017

Midland Bank Limited
Notes to the Financial Statements
As at and for the year ended on December 31, 2016

1. The Bank and its activities

1.1.1 Midland Bank Limited (MDB):

Midland Bank Limited ("the Bank") was incorporated on March 20, 2013 as a Public Limited Company in Bangladesh under Companies Act, 1994 with the registered office at N.B. Tower (Level 6 to 9), 40/7 North Avenue, Gulshan 2, Dhaka-1212. The Company was also issued Certificate of Commencement of Business on the same day. It started commercial banking operation on June 20, 2013 through opening first branch at Dilkusha Commercial Area in the name 'Dilkusha Corporate Branch.' Presently, the number of branches stood at 21 (twenty one) including 11 rural branches covering commercially important locations of the country.

1.1.2 Principal activities:

The principal activities of the Midland Bank Limited (MDB) are to provide all types of commercial banking services to customers through its branches, Corporate units and SME Center in Bangladesh. The Bank also entitled to provides money market operations, investment in merchant banking activities, financial intermediary services and any related financial services

2. Basis of preparation of financial statements

2.1 Basis of accounting

2.1.1 Statement of compliance

The financial statements of the Bank have been prepared up to 31 December 2016 under the historical cost basis, except for certain investments which are stated at fair/market value, in accordance with the First Schedule (Section 38) of the Bank 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") adopted by the Institute of Chartered Accountants of Bangladesh ("ICAB"), the Companies Act 1994, and other laws and rules applicable in Bangladesh. Adequate disclosures have been given for any material departures from the requirements of BFRS. Details are as follows:

2.1.2 Use of estimates and judgments

In 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 on an ongoing basis. Estimates and underlying assumptions are reviewed on an ongoing basis revisions of accounting estimates are recognized 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 as per Bangladesh Bank guidelines.

2.1.3 Consistency

In accordance with BFRS framework for the presentation of financial statements together with BAS 1 and BAS 8, MDB discloses its information consistently from one period to the next. Where selecting and applying a new accounting policies, changes in accounting policies, correction of errors, the amount involved are accounted for and disclosed retrospectively in accordance with the requirement of BAS 8. However, for changes in the accounting estimates, the related amount is recognized prospectively in the current period and in the next period or periods.

Midland Bank Limited
Notes to the Financial Statements

As at and for the year ended on December 31, 2016

2.1.4 Foreign currency transaction

a) Functional and presentation of currency

These financial statements are presented in Bangladesh Currency (BDT), which is the Bank's functional currency. Figures appear in these financial statements have been rounded off to the nearest BDT.

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 "BAS21 "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 published 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.

Differences arising through buying and selling transactions of foreign currencies on different dates of the year have been adjusted by debiting /crediting exchange gain or loss account.

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.

2.1.5 Statement of cash flows

Statement of cash flows have been prepared in accordance with the Bangladesh Accounting Standard 7 "Statement of Cash Flows" and under the guideline of Bangladesh Bank BRPD Circular No. 14, dated 25 June 2003. The Cash Flow Statement shows the structure of and changes in cash and cash equivalents during the year. It Cash Flows during the period have been classified as operating activities, investing activities and financing activities.

2.1.6 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.

2.1.7 Liquidity statement

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term as per the following basis:

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

Midland Bank Limited
Notes to the Financial Statements
As at and for the year ended on December 31, 2016

2.1.8 Reporting Period

These financial statements cover one calendar year from 1 January to 31 December.

2.1.9 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 recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.2 Significant Accounting Policies

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) Loans and advances are broadly classified under the heads of Continuous, Demand, Term and Short term Agriculture and Micro Credit. Continuous and Demand loans are accounted under Capitalized method, where interest accrues monthly and applied to loan account quarterly.
- c) Interest is calculated on a daily product basis but charged and accounted for on accrual 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 realized from borrowers(note #12). 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.
- d) Commission and discounts on bills purchased and discounted are recognized at the time of realization.
- e) 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 6 December 1998, BRPD Circular no. 9, 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 September 23, 2012, BRPD Circular no.19, dated December 27, 2012, BRPD Circular no 05, dated May 29, 2013 and BRPD Circular no 16, dated November, 2014.

The rates of provision for loans and advances are given below:

Particulars	Rate (%)
General provision:	
On unclassified general loans and advances	1%
On unclassified small enterprise financing (SME)	0.25%
On interest receivable on loans	1%
On off-balance sheet exposures	1%
On unclassified loans for housing finance, loans for professionals to set-up business and loans to share business	2%

Midland Bank Limited
Notes to the Financial Statements
As at and for the year ended on December 31, 2016

On unclassified consumer financing other than housing finance, loan for professionals and loans for BGs/MBs/SDs	5%
On unclassified Short Term Agricultural and Micro Credits	2.50%
On Special Mention Account (SMA) except Short Term Agricultural and Micro Credits	0.25% to 5%
Specific provision:	
On substandard loans and advances (SS) other than Short Term Agricultural and Micro Credits	20%
On doubtful loans and advances (DF) other than Short Term Agricultural and Micro Credits	50%
On bad / loss loans and advances (BL)	100%
On substandard short term Agricultural and Micro Credits	5%
On doubtful short term Agricultural and Micro Credits	

- f) 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. The Bank has no write off loan as of December 31, 2016.

- g) Amount receivable on Credit Cards are included in advances to customers at the amount expected to be fully recovered.

As per Bangladesh Bank circular issued time to time, a general provision at 0.25% to 5% has to maintain under different categories of unclassified loan and advances (Standard/SMA/Off-balance sheet exposures). However, such general provision cannot satisfy the conditions imposed by IAS 37. At the year end on December 31, 2016, the Bank has maintained an amount of BDT 221.76 million in the Balance Sheet under the head of other liabilities, as against BDT 220.76 million of regulatory requirement (note # 7.08).

2.2.3 Investment

All investment securities are initially recognized at cost, being fair value of the consideration given, including acquisition charges associated with the investment. Premiums are amortized and discounts accreted. Accounting treatment for government treasury securities (HTM/HFT) is made as per clarification of DOS circular # 5, Dated January 28, 2009.

The Valuation methods of investment 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 amortized cost-others' are classified as held to maturity. Initially these investment are recorded at cost. Subsequently, at each year end, these investments are measured at amortized cost. Any increase or decrease in the value of such investment is recognized in shareholders' equity and profit and loss account respectively. Investment (HTM) is shown in the financial statements (note # 6).

ii) Held For Trading (HFT)

Investments classified in this category are acquired principally for the purpose of selling or repurchasing in shorttrading, or if designated as such by the management. After initial recognition at cost, investments are revalued at Marked to Market (MTM) on weekly basis and any increase on such valuation is recognized as valuation gain under the shareholders' equity and any loss is recognized in the profit and loss account.

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iii) REPO and Reverse REPO

Securities purchased under re-sale agreements are treated as collateralized lending and recorded at the consideration paid and interest accrued thereon. The difference between purchase price and re-sale price is treated as interest received and accrued evenly over the life of REPO agreement.

Since September 1, 2010 transaction of REPO and Reverse REPO are recorded based on DOS circular # 06, dated July 15, 2010 of Bangladesh Bank. Securities under REPO will be excluded from the investment portfolio and hence will not be eligible for SLR purpose. Securities acquired under reverse REPO will be eligible for SLR purpose, initially at its clean price (in case of coupon bearing security) or at market value (in case of non-coupon bearing security)

Value of investments has been enumerated as follows:

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

iv) Investment in listed/quoted 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. Unrealized gains are not recognized 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 guidelines. In the reporting year, the bank has no direct investment in equity security, but the bank invested in preference share which was converted into equity share in the reporting year, which is also listed with both DSE and CSE (Note # 6.ii.b).

v) Investment in unquoted securities:

Investment in unlisted securities is reported at cost under cost method. Adjustment is given for any shortage of Net Assets Value (NAV) over cost in the profit and loss account, but no unrealized gain booking in the accounts.

2.2.4 Property, Plant and Equipments

As per BAS 16 Property, Plant & Equipments are recognized, 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 BAS16 "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 recognizes 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) revaluations 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

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determined from market based evidence by an appraisal that is normally undertaken by the professionally qualified values. Bank did not revalued of its assets since of its inception.

- d) Depreciation is charged for the year at the following rates on strait line method on all fixedassets is followed:

Category of fixed assets	Method	Rate (%)
Land	Not Applicable	Not Applicable
Building	Not Applicable	Not Applicable
Furniture and fixtures	Straight Line	10%
Office Equipments	Straight Line	20%
Library books	Straight Line	20%
Vehicles	Straight Line	20%
Software	Straight Line	20%
Computer & Peripherals	Straight Line	20%
Interior Decoration	Straight Line	10%
Category of fixed assets (ATM Assets):		
Furniture and fixtures	Straight Line	10%
Office equipment	Straight Line	20%

- e) For addition 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 (BAS 36).
- g) Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets have been capitalized as part of the cost of the asset as per BAS23.
- h) Leasehold properties are recorded at present value of minimum lease payments or fair market value, whichever is lower as per the provisions of BAS17. The carrying value of leasehold properties is amortized over the remaining lease term or useful of leasehold property, whichever is lower.

2.2.5 Intangible assets

- i) An intangible asset is recognized 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 (BAS 38).
- ii) 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 amortization and any impairment losses. Initial cost comprises license fees paid at the time of purchase and other directly attributable expenditures that are incurred in customizing the software for its intended use.
- iii) Expenditure incurred on software is capitalized only when it enhances and extends the economic benefits of computer software beyond their original specifications and lives and such cost is recognized as capital improvement and added to the original cost of software.
- iv) Software is amortized using the straight line method over the estimated useful life of 5 (five) years commencing from the date of the application software is available for use over the best estimate of its useful economic life.
- v) Preliminary Exposures: If the entity has made a prepayment for the start-up, pre-opening, and pre-operating costs [IAS 38.69], that prepayment expenses are recognized as an asset until the entity receives the related goods or

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services [IAS 38.70]. The Bank had incurred preliminary expenses of BDT 6,39,57,333 which was fully amortized and charged to the profit & loss accounts in 2014.

2.2.6 Impairment of assets

The carrying amounts of Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Any impairment loss is recognized in the profit and loss account, if the carrying amount of an asset exceeds its recoverable amount (BAS 36). No such impairment loss has been arisen and recognized during the year ended 31 December 2016.

2.2.7 Investment properties

- i) Investment property is held to earn rentals or for capital appreciation or both and the future economic benefits that is associated with the investment property, but not sale in the ordinary course of business.
- ii) 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
- iii) 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 (BAS 16).

2.2.8 Other assets

Other assets include mainly advance office rent, payment of advance income tax for which assessment of tax has not been closed yet and all other financial assets, fees and other unrealized income receivable, advance for operating and capital expenditures and stocks of stationery and stamps, etc.

2.2.9 Receivables

Receivables are recognized 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 realizable value as per BAS 2 "Inventories".

2.2.12 Leases

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".

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. The Bank has no Finance Lease or Operation lease during the year ended on 31 December 2016.

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 regards to inter-bank (in Bangladesh and outside Bangladesh) are reconciled regularly and there are no 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.

2.3 Capital / Shareholder's equity

2.3.1 Share capital

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets.

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i) Authorized capital

Authorized capital is the maximum amount of share capital that the Bank is authorized by its Memorandum and Article of Association to issue to the shareholders.

ii) Paid-up capital

Paid-up Capital represents total amount of shareholder capital that has been paid in full by the ordinary shareholders. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at shareholders meetings. In the event of a winding-up of the company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any residual proceeds of liquidation.

2.3.2 Statutory reserve

Statutory reserve has been maintained @ 20% of profit before tax in accordance with provisions of section 24 of the Bank Company Act, 1991 until such reserves along with share premium equal to its paid up capital.

2.3.3 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 recognized in the financial statements as per BA 12: "Income Taxes". During the financial year, the bank did not revalue of its fixed assets.

2.3.4 General reserve

The surplus amount after appropriation of yearly profit, surplus of tax and bonus provision of different years are being kept in General reserved fund.

2.3.5 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. The Bank yet issue any share to general public as it is not fall due to issue such share to the general public in the form of IPO.

2.3.6 Deposits and other accounts

Deposits and other accounts include non-interest bearing current deposit payable at call, interest bearing demand & short term deposits, savings deposit and fixed deposit. These items are brought to financial statements at the gross value of outstanding balance.

2.3.7 Borrowings from other Banks, Financial Institutions and Agents

Borrowed funds include call money deposits, re-finance borrowings and other term borrowings from Banks, Financial Institutions and its Agents. These are stated in the balance sheet at amounts payable. Interest paid / payable on these borrowings is charged to the profit & loss account.

Disclosures of borrowings against Repo are shown in (notes- 10, 12 and 20.02).

2.4 Basis for valuation of liabilities and provisions

2.4.1 Provision for current taxation

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period. Provision for current income tax has been made as per prescribed rate in the Income Tax Ordinance

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1984 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 with BAS 12 "Income Taxes". Tax Assets under the group head of other assets are recognized for payment of advance income tax, tax deducted at source and tax paid at the time of IT Return for the year/years for which assessment has not been yet finalized. On the other hand, the tax provision (as estimated as per BAS 12, provision of latest Finance Act, related SROs/ Guidelines, etc.) are recognized as tax liability under the group head of other liability for the year/years for which assessment has not been yet finalized.

2.4.2 Deferred Tax

Deferred tax liabilities are the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amount of income tax recoverable in future periods in respect of deductible temporary differences. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences arising between the carrying values of assets, liabilities, income and expenditure and their respective tax bases. Deferred tax assets & liabilities are measured using tax rate & tax laws enacted or substantially enacted at the balance sheet date. Tax impact on the account of changes in deferred tax assets and liabilities has also been recognized in the profit and loss account as per BAS 12 "Income Taxes".

2.4.3 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 computing the retirement benefit schemes operated by the Bank are outlined below:

i) 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 recognized provident fund within the meaning of section 2(52), read with the provisions of part B of the First Schedule of Income Tax Ordinance 1984. The Fund is operated by a Board of Trustees consisting six members (03 members from management and other 03 members 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 investments is credited to the members' account on yearly basis as per audited financial statements of the Fund.

ii) 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. 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 recognized Gratuity Fund within the meaning of Para 2,3 & 4, read with the provisions of Part C of the First Schedule of Income Tax Ordinance 1984. The Fund is operated by a Board of Trustees consisting six members (03 members from management and other 03 members 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".

iii) Welfare fund

Midland Bank 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 of "Employees Welfare Fund". Retirement benefits are also provided from this fund.

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iv) Performance 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/second month of every following calendar year and the cost is accounted for in the period to which it relates.

2.4.4 Contingent asset and contingent liability

A contingent asset is possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events and on the other hand a contingent liability is a possible obligation that arises from past events and whose existence will also be confirmed only the occurrence or non-occurrence of one or more uncertain future events. Contingent asset and liability are not recognized rather disclosed in the financial statements as per BAS 37.

2.4.5 Provision for Off-balance sheet exposures

Off-balance sheet items have been disclosed under contingent liabilities and other commitments as per Bangladesh Bank guidelines. As per BRPD Circular # 14, dated 23 September 2012, Bank was advised to maintain provision @1% against off-balance sheet exposures in addition to the existing provisioning arrangement.

2.4.6 Provision for Nostro accounts

As per instruction 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 on the un-reconciled debit balance of NostroAccounts more than 3 months as on the reporting date. Since there is no un-reconciled entries which are outstanding more than 3 months, provision has not been made during the reporting year.

2.4.7 Revenue recognition

In terms of provisions of BAS18 "Revenue", the revenues during the year are recognized as following:

- i) Interest income is unclassified loan and advances (Standard & SMA) is accounted for as income on accrual basis. Interest income is classified loan and advances (SS & DF only) is credited to interest suspense account with actual receipt of interest therefrom credited to income as and when received as per instruction contained in BRPD circular # 14, dated September 23, 2012, BRPD circular # 19, dated December 27, 2012 and BRPD circular # 16, dated November 18, 2014
- ii) If the Loans and Advances classified as Bad Loss (BL), interest ceases to apply and recorded in a memorandum account.
- iii) Dividend income is recognized at the time when it is realized.
- iv) Dividend income on preference shares is recognized on accrual basis.
- v) Income on investments is recognized on accrual basis. Capital gain on investment in shares is also included in investment income. Capital gain is recognized when it is realized.
- vi) Commission and discount on bills purchased and discounted are recognized at the time of realization.

2.4.8 Fees and commission income

Fees and commission income arises on services provided by the Bank are recognized as and when received basis. Commission charged to customers on Letters of Credit (L/C) and Letters of Guarantee (L/G) is credited to income at the time of effecting the transactions.

2.4.9 Interest paid and other expenses

In terms of the provisions of BAS 1 "Presentation of Financial Statements" interest and other expenses are recognized on accrual basis.

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2.4.10 Dividend Payments

Interim dividend is recognized when they are paid to shareholders. Final dividend is recognized when it is approved by the shareholders in the Annual General Meeting (AGM). The proposed dividend has not been recognized as a liability in the balance sheet in accordance with the BAS10 "Events after the Reporting Period".

Dividend payable to the shareholders is recognized as a liability and deducted from the shareholders' equity in the period in which the shareholders' right to receive the payment is established.

2.4.11 Earnings Per Share (EPS)

The company calculates earnings per share (EPS) in accordance with BAS 33 "earnings per share (EPS)" which has been shown on the face of Profit and Loss Account. Earnings per share (EPS) has been calculated by dividing the net profit after tax by the total number of ordinary shares outstanding at the end of the reporting year. Details are shown in note 38 to the financial statements.

i) Basic Earnings Per Share

This represents earnings for the year attributable to ordinary shareholders. Net profit after tax has been considered as fully attributable to the ordinary shareholders. Basic earnings per share is calculated by dividing profit attributable to the ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

ii) Diluted Earnings Per Share

No diluted earnings per share are required to be calculated for the period 2016, as there was no element or scope for dilution during the period under review. However, EPS is restated for the comparative years, if it requires as per BAS 33.

2.4.12 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control or common significant influence related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged as per BAS 24 "Related Part Disclosures", Bangladesh Bank and Bangladesh Securities & Exchange Commission (BSEC) guidelines. Details of Related party transactions have been disclosed in note # 41 of this financial statements.

2.4.13 Event after the reporting period

Where necessary, all the material events after the balance sheet date have been considered and appropriate adjustment/disclosures have been made in the financial statements as per BAS 10 "Event after the reporting period". The only material event after the balance sheet date is: The Board of Directors recommended stock dividend @ 11% (proposed) for the financial year 2016, in its Board Meeting no. 56, held on March 12, 2017.

2.5 Credit Rating

Credit Rating Information and Services Limited (CRISL) has rated the Bank based on December 31, 2015 with "A-" (pronounced as TripleB Plus) in the long Term and ST 3 for the Short Term. The date of rating was June 28, 2016.

Year	Long term rating	Short term rating
2015	"A-"	"ST-3"

Midland Bank Limited has been rated as "A-" (pronounced as Triple B plus) in the long Term and ST3 for the Short Term by Credit Rating Information and Services Limited (CRISL) based on audited financials of FY2015

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and other available information up to the date of rating declaration. The outlook on the rating is Stable. The rating reflects the strengths of the company which is backed by a strong team of management, growth in the non-interest income, deposits and investments, adequate capital coverage with high Tier1 capital, improved asset quality and well controlled liquidity position.

2.6 Risk Management

Bank's business decisions contain an element of risk. Therefore understanding and managing risk is fundamental to a Bank's strategic planning and decision making process. MDB's risk management stance is to proactively assist the business in delivering superior and sustainable value to shareholders. The Bank's capacity to identify, assess and mitigate the risks it faces is essential for a growing bank which has completed three years of operations. Establishing strong corporate governance and risk management culture are foundations for graceful existence. MDB's risk management framework has remained resilient throughout 2016, amidst a challenging macroeconomic environment and fierce competition. Over the past year, the Bank has taken a number of initiatives to strengthen its risk management capabilities. Some of these initiatives include adopting an integrated risk management policy, improved watch-listing of customers, streamlining reporting of past due contracts, and strengthening compliance risk management. Midland Bank Limited (MDB) established its risk management culture and governance structure following central bank guidelines; which is discussed below in short.

i) 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 arises primarily from Corporate Banking, MSMEs & ECSP and Retail loans and advances. Given the scale and materiality of 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 but fairly diversified on major business segments. Enhancement of capacity and logistics to increase exposure on retail and small business is focused for diversification of portfolio and better risk-return tradeoffs.

In determining single borrower / large loan limit, instructions of Bangladesh Bank are strictly followed. Internal audit is conducted at periodical intervals to ensure compliance of Bank and regulatory policies. Loans are classified as per Bangladesh Bank guidelines. Concentration of single borrower / large loan limit is shown in note-7.05. Bank provides provisions against outstanding loans and advances in accordance with Bangladesh Bank guidelines. Loan loss provisions both on unclassified and classified loans are shown in note-12.1.

ii) Credit Risk Management 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.

ii) Credit Rating Models

Bank uses a numerical grading system for all corporate and SME clients other than small segment customers. The grading system is called 'Credit Risk Grading Matrix' (CRGM), which is introduced by Bangladesh Bank and mandatory to use the tool before taking lending decision. CRGM compare degree of credit risk associated with a borrower but, this model does not have any predictive ability. The numeric

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grade from 1 to 8 of indicates degree of lending risk of a borrower in descending order, while 6 to 8 grades are assigned to default borrowers. Lower grade number indicates higher creditworthiness and lower likelihood of default. There is a regulatory restriction on lending new large loan customers (exposure on which customer is 10% or more than banks capital), if its CRG is 4 (marginal) or below. It is also Bank's internal policy that CRG of a borrower has to be 'Acceptable-3' or better.

Retail and Small segment borrowers are currently assessed against pre- approved criteria outlined in Product Program Guidelines (PPG) approved by the Board of Directors.

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

v) Credit Risk Mitigation

The Bank uses range of strategies to 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 factor 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 which helps the bank to mitigate 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 source of repayment, the bank is aware that accepting security from creditors does not replace the necessity for high quality standards in its credit granting 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 customer's credit risk profile and collateral arrangement with other lenders. Sometimes, regulatory instructions decides requirement for collateral. When determining security, bank is guided by 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 in the manner applicable, without difficulty.

Non-Performing Loans (NPL)

Non-performing Loans (NPL) as percentage of total loans decreased in 2016 compared to its previous year. However the amount of Default Loans did not changed significantly. Domestic financial and banking sector are stable, but NPL in the banking industry has increased and expected to increase more if a large amount of loans, restructured earlier under special arrangements, re-entered into adverse classification categories. NPL, as a percentage of Total Loans and Advances, was 0.68% at the end of 2016; sliding from 1.01% of 2015.

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vi) Liquidity Risk

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 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, liquidity ratios to include adherence 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.

vii) Market Risk Management

Market Risk is the risk that changes in equity, bond and commodity prices, as well as movements in foreign exchange rates and interest rates that 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.

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.

The exposure of market risk of the Bank is restricted to foreign exchange risk, interest rate risk and equity risk.

a) Foreign Exchange Risk

Foreign exchange risk is defined as the potential change in earnings due to change in market price of foreign exchange. 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. To Control risk, bank always keep its unhedged net open position within stipulated limit set by central bank.

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 the Bangladesh Bank.

b) Interest Rate Risk in Banking Book

Interest rate risk in the banking book arises from the structural interest rate risk caused by the differing re-pricing characteristics of the bank's assets and liabilities. The Bank is exposed to interest rate risk arising from a fixed rate liability book where re-pricing is slower than the majority of loan portfolio. However, substantial portion of loans and deposit base contractually or otherwise can be re-priced within a year which is an additional strength,

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As at and for the year ended on December 31, 2016

which serves to reduce our vulnerability to interest rate risks. Interest rate risk is assessed through regular review of net interest yields by product to ensure interest rate margins and spreads are maintained and revisiting asset and liability pricing in line with our expectations on the interest yield curve. The Bank's ALM system is used to monitor the gap between the Bank's interest rate sensitive assets (RSA) and interest rate sensitive liabilities (RSL) for the different maturity buckets. This allows the Bank to determine the change in the Bank's interest income due to a change in interest rates.

c) 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 is determined lower than the cost price at the balance sheet date. However, the Bank has no direct investment in equity security during the financial year 2016, but the Bank invested in preference share which was converted into equity share in the reporting year (Note # 6.ii.b).

d) Value at Risk Approach

The Bank uses historical Value-at-Risk (VaR) approach to derive quantitative measures for market risk under normal conditions. VaR measures the expected loss of a financial position over a given holding period for a specific confidence level. Market risk exposures for the Bank's overnight foreign exchange positions are monitored using VaR methodology. MDB uses a 1 day, 95% VaR for overnight foreign exchange positions to reflect that the daily loss will not exceed the benchmark limit. Currently Bank's proprietary of equity holding is Tk4.44crore at market price as on December 31, 2016, which was acquired by conversion of corporate bond as per indenture of the bond.

Although VaR is a valuable guide to risk, the Bank is aware of its limitations such as the use of historical data as a proxy for estimating future events, which may not encompass all potential events, particularly those which are extreme in nature, the assumption that all positions can be liquidated in one day and the use of a 95% confidence level which does not take into account losses that might occur beyond this level of confidence.

viii) Money Laundering Risk

AML Risk is one of the 6 (Six) Core Risks in banking business. In order to mitigate the risk, AML & CFT Policies of the bank have been revised in 2014 in terms of Anti Money Laundering Prevention Act 2012 and Anti-Terrorist (Revised) Act, 2013 duly approved by the Board in its 16th meeting held on 29-05-2014. Besides, 168 Executives / Officers have been brought under Training on AML / CFT issues with a view to increase their knowledge and awareness. System Check Inspection of the branches has been started to develop the compliance status on AML & CFT matters of the Branches. Connectivity with goAML software has been installed covering the CTR reportable transactions. Effective steps have been taken for introducing of UN, OFAC, EU and Local Sanction Screening Software for the monitoring purpose of the listed Individuals / Entities engaged with Terrorist Activities during opening of new accounts / reviewing of existing accounts.

Designation of Anti Money Laundering Compliance Officer (AMLCO):

Bank appointed a Deputy Managing Director as Chief Anti Money Laundering Compliance Officer (CAMLCO) and one (1) Vice president as Deputy CAMLCO who are empowered as the "Authority" of the Bank to implement and enforce the policies of AML & CFT issues and they report directly to the Chief Executive Officer (CEO) along with the Board of Directors. Besides, all the Operation Managers are designated as Branch Anti Money Laundering Compliance Officer (BAMLCO) to carry out the guidelines of AML/CFT issues.

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As at and for the year ended on December 31, 2016

ix) Operational Risk Management (ORM)

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 of and reporting of operational risk. Currently, Bank uses the Basel III defined event types for loss classification but a comprehensive loss reporting, recording and tracking database yet to establish.

The Operational Risk may arise from error and fraud due to lack of or failure of internal control and compliance. Management controls the operational procedure through various policy and operational guidelines in conformity with best practices and complying with regulators' instructions. Internal Control and Compliance Division (ICCD) of the Bank evaluates effectiveness of the Internal Control System of the Bank. In doing this, Internal Control and Compliance Division undertakes periodical and special audit of the branches and divisions at Head Office and perform monitoring of activities 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.

x) Compliance Risk

Compliance risk is the risk of 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.

xi) Internal Control and Compliance Risk:

Internal auditing is a professional, independent and objective appraisal function that uses a disciplined, evidence-based approach to assess and improve the effectiveness of risk management, control and governance processes. This is an independent, autonomous high level control function charged with the responsibility of appraising all phases of the bank businesses and operations. The Head of Internal Control and Compliance Division (ICCD) reports directly to the Managing Director & CEO of the Bank. But the Head of Audit and Inspection Department, although being a part of ICC administratively, reports directly to the Board Audit Committee and responsible to the Board Audit Committee of the Bank. The Head of Audit and Inspection and Head of ICCD have unhindered and full access to the Board Audit Committee and Senior Management and meets periodically.

The objective of Internal Audit is to examine and evaluate all activities of the bank according to appropriate best business practice recommendations as outlined in the Internal Policy and Procedures as well as in the regulators' guidelines. Internal Audit performs analyses of the effectiveness of the reviewed activities, evaluates the quality of the risk management and control systems & processes and provides recommendations for potential improvements.

There are 3 (Three) Departments working in ICCD named as (i) Audit & Inspection Department, (ii) Compliance Department and (iii) Monitoring Department. Main task of "Audit & Inspection Department" is to conduct Risk Based Audit, Surprise Inspection, Special Investigation etc. to assess the probable risks and find out violation of policy/ procedure / guidelines etc. Main task of "Compliance Department" is to ensure

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compliance of irregularities / lapses mentioned in the Internal and External audit report within stipulated time frame. Main task of "Monitoring Department" is to analyze data / information collected from various Branches / Divisions / Departments and assesses the risk of individual Branch / Divisions / Departments. ICCD plans start System Audit / "IT audit" in branches and divisions for pointing out weakness in IT security system. ICCD has already arranged an Awareness Building Program on Core Risk Areas" throughout the Branches.

ICCD has a Risk Based Audit (RBA) Format for Branches and separate RBA formats for 16 Divisions / Departments of Head Office. ICCD conducted Risk Based Audit in 20 Branches and 16 Head Office Divisions out of 19 Audit conducted. In the year 2015 Bank shifted its business model from Decentralized to Centralized. Considering the new business model as well as Bangladesh Bank's revised policy on ICC, ICCD has revised Risk Based Audit Format which is on the way of getting approval from Board of Directors of the Bank. A comprehensive Internal Control Manual including "Internal Audit Charter" has already been drafted which is expected to be used by March 2017. Considering present CBS in the bank, ICCD also took initiative to strengthen its 'IT/IS Audit' function by building capacity of the employees of the Division and recruiting some highly expert & certified IT auditors from other Banks / organizations. Consider the changed environment, a befitting organogram of ICCD has already been approved by the competent authority. Management has also got serious view to ensure proper manpower for ICCD to meet up the upcoming challenges in the near future.

xii) 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. 12, dated December 23, 2002 of Bangladesh Bank.

Pursuant to the BRPD Circular no. 08, dated June 06, 2011 and BSEC notification no. SEC/CMRRCD/2006-158/129/Admin/44 dated August 07, 2012 on Corporate Governance, the current Committee is constituted with the following 5 (Five) members of the Board and it is also comply with the BRPD Circular no. 11, dated October 27, 2013.

Details of the committee are given below:

SL	Name	Status with Bank	Status with Committee
i)	Dr. Kazi Shahidullah	Director	Chairman
ii)	Al-haj Mohammed IssaBadsha	Director	Member
iii)	Mrs. Ferdous Ara	Director	Member
iv)	Mr. Md. Kamal Hossain	Director	Member
v)	Mrs. Lufta Begum	Director	Member

During the year 2016, the Audit Committee of the Board conducted 5 (Five) meetings in which the important issues were discussed / reviewed:

- a) Inspection report on Branch / HO conducted by the Bank's internal inspection team.
- b) Inspection Report of Bangladesh Bank conducted during 2015 and 2016.
- c) Financial Statements of the Bank.
- d) Status of compliance of different rules and regulations.
- e) Review of the performance of external auditors and make recommendations to the Board for appointment of external auditors.
- f) Compliance status of Internal, Bangladesh Bank and External Auditor's report in 2015 and 2016 and submitted compliance status report to Board of Directors quarterly basis.
- g) Review of managements' certificate regarding effectives of Internal Control Policy, Practice and Procedure.
- h) Performance of ICCD in 2015 and 2016.

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xiii) 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 (Amendment) Act 2013 and it is also comply with the BRPD Circular no. 11, dated October 27, 2013.

SL	Name	Status with Bank	Status with Committee
i)	Mr. Ahsan Khan Chowdhury	Director	Chairman
ii)	Mr. Mohammad Jamal Ullah	Director	Member
iii)	Mr. Ferdous Ara	Director	Member
iv)	Mrs. Shahnaj Praveen	Director	Member
v)	Mr. Md. Rokonzaman Sarker	Director	Member

Risk Management Committee Disclosures

The Committee conducted 4 (Four) meetings during the year where the following important issues were discussed / reviewed:

- a) Sectoral concentration for loans and advances (Internal limits / risk appetite) to be set up and approved by the Board of Directors.
- b) Management was advised to put special attention and effort to create at least pari-passu charge on the assets of the borrower.
- c) Management was advised to expedite the process of obtaining credit line from foreign banks to facilitate the foreign trade business of our Bank.
- d) Disaster Recovery Centre shall be set up within shortest possible time.
- e) Credit portfolio should be diversified in terms of sector / area / large borrowers and ensure effective monitoring and supervision to mitigate to borrowers concentration.
- f) No lapses in loan documentation shall be allowed. All documentation must be completed before disbursement.
- g) Special attention to be given to mobilize low-cost deposit to make the deposit blend attractive.
- h) Dependency on large depositors to be reduced.
- i) Management should get the rating done by the borrowers as per decision taken by the Board.
- j) Concerned risk Divisions were advised to develop IT backed MIS for generating risk related Data / information in collaboration with IT Division
- k) Review of Capital to Risk Weighted Asset Ratio (CRAR), Stress testing, Duration gap for each quarter.
- l) Review of Internal Capital Adequacy Assessment Process (ICCAP) for 2015
- m) Review of risk management status of the Bank such as credit risk, market risk, operational risk, liquidity risk, reputational risk, residual risk, concentration risk, ALM risk, AML risk, Forex risk, internal control and compliance risk, ICT risk etc.
- n) Approval for formation of 'Sustainable Finance Unit' and 'Sustainable Finance Committee'

xiv) Directors' responsibility on financial statements

The Board of Directors take the responsibility for preparation and presentation of these financial statements.

xv) Memorandum items

Memorandum items are maintained to have control 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 others fall under the memorandum items. However, Bills for Collection is shown under contingent liabilities as per Bangladesh Bank's reporting format.

Midland Bank Limited
Notes to the Financial Statements

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xvi) 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.

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.

xvii) 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 / BFRS	BAS / BFRS	Status of compliance
Presentation of Financial Statements	BAS1	Applied
Inventories	BAS2	Applied
Statement of Cash Flow	BAS 7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	BAS 8	Applied
Events after the Reporting Period	BAS 10	Applied
Construction Contracts	BAS 11	N/A
Income Taxes	BAS 12	Applied
Property, Plant and Equipment	BAS 16	Applied
Leases	BAS 17	Applied
Revenue	BAS 18	Applied
Employee Benefits	BAS 19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	BAS 20	N/A
The Effects of Changes in Foreign Exchange Rates	BAS 21	Applied
Borrowing Costs	BAS 23	Applied
Related Party Disclosures	BAS 24	Applied
Accounting and Reporting by Retirement Benefit Plans	BAS 26	*N/A
Separate Financial Statements	BAS 27	N/A
Investments in Associates & Joint Ventures	BAS 28	N/A, MDB does not have any such relationship
Financial Reporting for Hyperinflationary Economics	BAS 29	N/A

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Financial Instruments: Presentation	BAS 32	Applied to the extent of compliance with BRPD Circular no. 14, dated June 2003, DOS Circular no. 5, dated 26 May 2008 and DOS Circular no. 5, dated 28 January 2009
Earnings per share	BAS 33	Applied
Interim Financial Reporting	BAS 34	Applied
Impairment of Assets	BAS 36	Applied
Provisions, Contingent Liabilities and Contingent Assets	BAS 37	Applied to the extent of compliance with BRPD Circular no. 5 dated 5 June 2006 and BRPD Circular no. 14 September 2012
Intangible Assets	BAS 38	Applied
Financial Instruments: Recognition and Measurement	BAS 39	Applied to the extent of compliance with BRPD Circular no. 14 dated June 2003, DOS Circular no. 5 dated 26 May 2008 and DOS Circular no. 5 dated 28 January 2009
Investment Property	BAS 40	N/A
Agriculture	BAS 41	N/A
Bangladesh Financial Reporting Standards (BFRS):		
First time adoption of Bangladesh Financial Reporting Standards	BFRS 1	N/A
Share Based Payment	BFRS 2	N/A
Business Combinations	BFRS 3	N/A
Insurance Contracts	BFRS 4	N/A
Non-current Assets Held for Sale and Discontinued Operations	BFRS 5	N/A
Exploration for and Evaluation of Mineral Resources	BFRS 6	N/A
Financial Instruments: Disclosures	BFRS 7	Applied to the extent of compliance with core risk management guideline of BB
Operating Segments	BFRS 8	Applied
Financial Instruments	BFRS 9	BFRS 9 will be replaced of BAS 39 on or before January 01, 2018
Consolidated Financial Statements	BFRS 10	N/A
Joint arrangements	BFRS 11	N/A
Disclosure of interest in other entities	BFRS 12	N/A
Fair value measurement	BFRS 13	Applied
Regulatory Deferral Accounts	BFRS 14	N/A
Revenue from Contracts with Customers	BFRS 15	Will be replaced of BAS 11 & 18 on or before January 01, 2018.

*N/A=Not Applicable

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* 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 of the financial year ended 31 December 2015 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 01 January 2016 or later, and have not been applied in preparing these financial statements. None of these are 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:

The financial statements of the Bank have been prepared up to 31 December 2016 under the historical cost basis, except for certain investments which are stated at fair / market value, in accordance with the First Schedule (Section 38) of the Bank 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") adopted by the Institute of Chartered Accountants of Bangladesh ("ICAB"), the Companies Act 1994, and other laws and rules applicable in Bangladesh. In case, any requirement of provisions and circulars issued by central bank differs with those of other regulatory bodies, the provisions and circulars issued by Bangladesh Bank shall prevail.

In order to comply with the rules and regulations of Bangladesh Bank, MDB departed from those contradictory requirements of BFRSs, which are disclosed below.

1) Presentation of financial statements

BFRS: As per BAS 1 financial statements shall comprise statement of financial position, comprehensive income statement, changes in equity, cash flows statement, adequate notes comprising summary of accounting policies and other explanatory information. As per para 60 of BAS 1, the entity shall also present current and non-current assets and current and non-current liabilities as separate classifications in its statement of financial position.

Bangladesh Bank: The presentation of the financial statements in prescribed format (i.e. balance sheet, profit and loss account, cashflows statement, changes in equity, liquidity statement) and certain disclosures therein are guided by the 'First Schedule' (section 38) of the Bank Company Act 1991 (amendment upto 2013) and BRPD circular no. 14

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dated 25 June 2003 and subsequent guidelines of BB. In the prescribed format there is no option to present assets and liabilities under current and non-current classifications.

Investment in shares and securities

- 2) **BFRS/BAS:** As per requirements of BAS 39 investment in shares and securities generally falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value at the year-end is taken to profit and loss account or revaluation reserve, respectively.

Bangladesh Bank: As per BRPD circular no. 14, dated 25 June 2003 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment otherwise investments are recognized at cost.

Revaluation gain / loss on Government securities

- 3) **BFRS/BAS:** As per requirement of BAS 39 where securities fall under the category of Held for Trading (HFT), any change in the fair value of held for trading assets is recognized through profit and loss account. Securities designated as Held to Maturity (HTM) are measured at amortized cost method and interest income is recognized through the profit and loss account.

Bangladesh Bank: HFT securities are revalued on the basis of mark to market on weekly basis and any gains on revaluation of securities which have not matured at the balance sheet date are recognized in other reserves as a part of equity and any losses on revaluation of securities which have not matured at the balance sheet date are charged in the profit and loss account. Interest on HFT securities including amortization of discount are recognized in the profit and loss account. HTM securities which have not matured at the balance sheet date are amortized at the year end and any losses are recognized through profit and loss account and gains on amortization are recognized in other reserve as part of equity.

- 4) **Provision on loans and advances**

BFRS/BAS: As per **BAS 39** an entity should start the impairment assessment by considering whether objective evidence of impairment exists for financial assets that are individually significant. For financial assets that are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis.

Bangladesh Bank: As per BRPD circular No.14, 23 September 2012, BRPD circular No. 19, 27 December 2012, BRPD circular No. 05, 29 May 2013 and BRPD circular No. 16, 18 November 2014, a general provision at 0.25% to 5% under different categories of unclassified loans (good / standard loans) has to be maintained regardless of objective evidence of impairment. Also provision for sub-standard loans, doubtful loans and bad losses has to be provided at 20%, 50% and 100% respectively for loans and advances depending on the duration of overdue. Again as per BRPD circular no. 10, dated 18 September 2007 and BRPD circular no. 14, dated 23 September 2012, a general provision at 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by BAS 39.

- 5) **Recognition of interest in suspense**

BFRS/BAS: Loans and advances to customers are generally classified as 'loans and receivables' as per BAS 39 and interest income is recognized through effective interest rate method over the term of the loan. Once a loan is impaired, interest income is recognized in profit and loss account on the same basis based on revised carrying amount.

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Bangladesh Bank: As per BRPD circular no. 14, dated 23 September 2012, once a loan is classified, interest on such loans are not allowed to be recognized as income, rather the corresponding amount needs to be credited to an "Interest Suspense Account", which is presented as liability in the balance sheet.

2) Other comprehensive income

BFRS/BAS: As per BAS 1 Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income statement.

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements which is applicable for all Banks. The templates of financial statements issued by Bangladesh Bank do not include the Other Comprehensive Income, nor are the elements of Other Comprehensive Income allowed to be included in a single Other Comprehensive Income (OCI) Statement. As such, the Bank does not prepare other comprehensive income statement. However, elements of OCI, if any, are shown in the statements of changes in equity.

7) Financial instruments – presentation and disclosure

In several cases Bangladesh Bank guidelines categories, recognize, measure and present financial instruments differently from those prescribed in BAS 39. As such, full disclosure and presentation requirements of BFRS 7 and BAS 32 cannot be made in the financial statements.

8) REPO transactions

BFRS/BAS: 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 or stock lending), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognized in the entity's financial statements. This transaction will be treated as loan and the difference between the selling price and repurchase price will be treated as interest expense.

Bangladesh Bank: As per PRD 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 or stock lending), the arrangement is accounted for as a normal sales transactions, and the financial assets are de-recognized in the seller's book and recognized in the buyer's book.

9) Financial Guarantees

BFRS/BAS: As per BAS 39, financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognized initially at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

Bangladesh Bank: As per BRPD 14, financial guarantees such as letter of credit, letter of guarantee will be treated as off-balance sheet items. No liability is recognized for the guarantee except the cash margin. 1% provision is maintained on such off balance sheet items as per guidelines of Bangladesh Bank.

10) Cash and cash equivalent

BFRS/BAS: Cash and cash equivalent items should be reported as cash item as per BAS 7.

Bangladesh Bank: Some cash and cash equivalent items such as 'money at call and on short notice', treasury bills, Bangladesh Bank bills and prize bond are not shown as cash and cash equivalents. Money at call and on short notice presented on the face of the balance sheet, and treasury bills, prize bonds are shown in investments.

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As at and for the year ended on December 31, 2016

11) Non-banking asset

BFRS/BAS: No indication of Non-banking asset is found in any BFRS/BAS.

Bangladesh Bank: As per BRPD 14, there must exist a face item named Non-banking asset.

12) Cash flow statement

BFRS/BAS: The Cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.

Bangladesh Bank: As per BRPD 14, cash flow statement has been guided by the Bangladesh Bank which is the mixture of direct and indirect method.

13) Balance with Bangladesh Bank: (Cash Reserve Requirement-CRR)

BFRS/BAS: Balance with Bangladesh Bank should be treated as other asset as it is not available for use in day to day operations as per IAS 7.

Bangladesh Bank: Balance with Bangladesh Bank is treated as cash and cash equivalents.

14) Presentation of intangible asset

BFRS/BAS: An intangible asset must be identified and recognized, and the disclosure must be given as per BAS 38.

Bangladesh Bank: There is no regulation for intangible assets in BRPD 14.

15) Off-balance sheet items

BFRS/BAS: There is no concept of off-balance sheet items in any BFRS / BAS. Hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.

Bangladesh Bank: As per BRPD 14, off balance sheet items (e.g. Letter of credit, Letter of guarantee, etc.) must be disclosed separately on the face of the balance sheet and 1% provision has to be maintained on it as guided by regulator.

16) Disclosure of appropriation of profit

BFRS/BAS: There is no requirement show appropriation of profit on the face of income statement.

Bangladesh Bank: As per BRPD 14, an appropriation of profit should be disclosed separately on the face of the profit and loss account.

17) Loans and advances net of provision

BFRS/BAS: Loans and advances should be presented net of provision.

Bangladesh Bank: As per BRPD 14, provision on loans and advances are presented separately as liability and cannot be netted off against loans and advances.

18) Recovery of written of loans

BFRS/BAS: As per BAS 1 an entity shall not offset assets and liabilities, or income and expenses, unless required or permitted by BFRS/BAS. The recovery of written off loans should be charged to the profit and loss account as per BAS 18.

Bangladesh Bank: As per BRPD 14, recoveries of amount previously written off should be adjusted with specific provision on loans and advances.

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As at and for the year ended on December 31, 2016

19) Uniform Accounting Policy

BFRS/BAS: As per Para 19 of BFRS 10, a company shall prepare financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

BSEC: the bank has to keep adequate provision on diminution value of investments and certain provision made on impairment of client margin loan, (if any).

2.7 General

i) Function and presentation of currency

The financial statements are presented in Bangladeshi Currency (BDT), which is the Bank's functional currency. Figures appearing in these financial statements have been rounded off to the nearest BDT.

ii) Function and presentation of currency

The financial statements are presented in Bangladeshi Currency (BDT), which is the Bank's functional currency. Figures appearing in these financial statements have been rounded off to the nearest BDT.

iii) Comparative information

Comparative information in respect of the previous year has been presented from the financial statements audited by current year auditors for the period ended on December 31, 2016. Figures of previous year have been rearranged whenever necessary to confirm the current year / period presentation.

iv) Disclosures of expenditures

Expenses, irrespective of capital or revenue nature, accrued / due, but not paid have been provided for in the books of the Bank.

v) Approval of financial statements

These financial statements have been prepared by the management, audited by the external & regulatory auditors, thereafter approved by the Board of Directors of the Bank.

	2016 BDT	2015 BDT
3.00 Cash		
In Hand (Including foreign currency) (note 3.01)	266,871,763	212,893,760
Balance with Bangladesh Bank and its Agent Bank (note 3.02)	1,707,623,834	847,540,038
	1,974,495,597	1,060,433,798
3.01 In Hand (Including foreign currency)		
Local Currency	265,357,319	210,449,838
Foreign Currency	1,514,444	2,443,922
	266,871,763	212,893,760
3.02 Balance with Bangladesh Bank and its Agent Bank		
With Bangladesh Bank		
Local Currency	1,687,413,660	811,944,608
Foreign Currency	20,141,250	35,595,430
With Sonali Bank (as agent of Bangladesh Bank-Local Currency)	68,925	-
	1,707,623,834	847,540,038

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As on December 31, 2016

3.03 Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR)

Cash Reserve Requirement and Statutory Liquidity Ratio have been calculated and maintained in accordance with section 25 & 33 of The Bank Companies Act, 1991 and Circular No.# 01 & 02 dated December 10, 2013 & June 23, 2014 respectively of Monetary Policy Department (MPD) of Bangladesh Bank.

The Cash Reserve Requirement on the Bank's Time and Demand Liabilities at the rate of 6.5% has been calculated and maintained with the Bangladesh Bank in Current Account and 13% Statutory Liquidity Ratio, including CRR, on the same liabilities has also been maintained in the form of Treasury Bills, Bonds, Foreign Currency with Bangladesh Bank. Both the reserves maintained by the Bank are in excess of the Statutory requirement.

a) Cash Reserve Requirement (CRR)

As per Bangladesh Bank MPD Circular No. 04, dated 01 December 2010 and 23 June 2014. Bank has to maintain CRR @6.5% on fortnightly cumulative average basis and minimum CRR @6% on daily basis.

	2016 BDT	2015 BDT
Required Reserve	1,502,414,160	762,563,627
Maintained Reserve	1,687,090,130	813,870,740
Surplus/(Deficit)	184,675,970	51,307,113

b) Statutory Liquidity Ratio (SLR)

Required Reserve	3,004,828,310	1,525,127,254
Maintained Reserve	5,470,802,882	3,943,091,448
Surplus/(Deficit)	2,465,974,572	2,417,964,193

Total Required Reserve

4,507,242,470

Actual Reserve held

7,157,893,012

Surplus/(Deficit)

2,650,650,542

c) Components of Statutory Liquidity Ratio (SLR)

Cash in Hand	266,871,763	212,893,760
Balance with Bangladesh Bank	-	-
Balance with Sonali Bank	-	-
Excess Reserve of CRR	184,675,970	51,307,113
Government Securities	5,019,255,149	3,678,890,574
	5,470,802,882	3,943,091,448

4.00 Balance with other Banks and Financial Institutions

In Bangladesh	5,190,207,643	2,540,120,039
Outside Bangladesh	155,560,557	115,151,044
	5,345,768,200	2,655,271,082

Midland Bank Limited
Notes to the Financial Statements
As on December 31, 2016

4.01	In Bangladesh	Transaction Currency	2016 BDT	2015 BDT
	<u>Current Account</u>			
	Standard Bank Ltd.	BDT	18,315	1,521,295
	Sonali Bank Ltd.	BDT	49,264,003	-
	Janata Bank Ltd.	BDT	49,508,850	-
	Agrani Bank Ltd.	BDT	51,509,424	-
	Rupali Bank Ltd.	BDT	6,608,850	-
	Trust Bank Ltd.	BDT	9,523,598	3,668,168
	The Premier Bank Ltd.	BDT	3,568,912	4,486,452
			170,001,952	9,675,915
	<u>Special Notice Deposit</u>			
	Mercantile Bank Ltd.	BDT	16,793,893	16,523,166
	Prime Bank Ltd.	BDT	592,056	581,868
	Eastern Bank Ltd.	BDT	2,819,742	13,339,089
			20,205,691	30,444,123
	<u>Fixed Deposits Receipt (FDR)</u>			
	Fas Finance & Investment Ltd.		300,000,000	150,000,000
	First Finance Ltd.		250,000,000	150,000,000
	Peoples Leasing & Finance Services Ltd.		400,000,000	150,000,000
	National Bank Of Pakistan		600,000,000	650,000,000
	Premier Leasing & Finance Ltd.		600,000,000	500,000,000
	Phoenix Finance & Investments Ltd.		200,000,000	200,000,000
	Bangladesh Finance & Investment Company Ltd.		300,000,000	-
	International Leasing & Financial Services Ltd.		400,000,000	-
	Fareast Finance & Investment Limited		300,000,000	-
	Union Capital Ltd.		200,000,000	200,000,000
	Industrial Promotion and Development Company of Bangladesh Ltd.		750,000,000	-
	Meridian Finance and Investment Ltd.		100,000,000	-
	Prime Finance & Investment Ltd.		100,000,000	-
	Lanka Bangla Finance Ltd.		350,000,000	-
	Bay Leasing & Investment Ltd.		50,000,000	-
	Mercantile Bank Ltd.		100,000,000	-
	National Finance Ltd.		-	400,000,000
	Reliance Finance Ltd.		-	100,000,000
			5,000,000,000	2,500,000,000
			5,190,207,643	2,540,120,039
4.02	Outside Bangladesh (NOSTRO Accounts)	Transaction Currency		
	in current account			
	AB Bank, Mumbai Branch	ACU \$	8,528,148	21,017,431
	United Bank of India	ACU \$	1,462,894	7,016,458
	Axix Bank Limited	ACU \$	2,136,470	462,309
	National Bank of Pakistan, Tokyo Japan	JPY	96,203	275,710
	Mashreq Bank Psc, NY	US\$	102,317,329	72,702,029
	Mashreq bank Psc, United Kingdom	GBP	618,726	446,227
	National Australian Bank, Melbourne	AUD	-	921,083
	Mashreq bank Psc, United Kingdom	EURO	1,228,310	560,821
	Commerz Bank-Frankfurt	EURO	212,367	277,743
	Kookmin Bank, South Korea	US\$	728,690	11,471,233
	Habib American Bank, NY	US\$	19,626,376	-
	NIB Bank, Pakistan	ACU \$	18,605,043	-
			155,560,557	115,151,044

Details of NOSTRO accounts are shown in Annexure-A

Midland Bank Limited
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		2016 BDT	2015 BDT
4.03	Maturity grouping of Balance with other Banks and Financial Institutions		
	On Demand	2,195,768,200	1,305,271,082
	Less than three months	3,050,000,000	750,000,000
	More than three months but less than one year	100,000,000	600,000,000
	More than one year but less than five years	-	-
	More than five years	-	-
		5,345,768,200	2,655,271,082
5.00	Money at Call and Short Notice:		
		-	80,000,000
		-	80,000,000
6.00	Investments		
	Government (note 6.01)	5,019,255,149	3,678,890,074
	Others(note 6.02)	954,011,150	1,750,000,000
		5,973,266,299	5,428,890,074
	i) Investment Classified as per Bangladesh Bank Circular		
	Held to Maturity (HTM)	2,662,936,649	1,169,237,574
	Held for Trading (HFT)	2,103,155,155	2,508,686,001
	Reverse Repo	252,943,644	-
	Prize Bond	219,700	966,500
	Government Securites Encumbered	-	-
	Other Investments	954,011,150	1,750,000,000
		5,973,266,299	5,428,890,074
	ii) Investment Classified as per Nature		
6.01	Government Securities		
	Treasury Bills (at present value)		
	Un-encumbered		
	28 days	-	-
	91 days	-	-
	182 days	-	-
	364 days	-	-
	5 Years	-	-
	Sub-total	-	-
	Encumbered		
	91 days	-	-
	182 days	-	-
	364 days	-	-
	Sub-total	-	-
	Total Treasury Bill	-	-
	Treasury Bonds		
	Un-encumbered		
	2 Years	-	20,533,836
	5 Years	264,132,828	427,417,237
	10 Years	2,852,949,141	2,029,615,208
	15 Years	1,290,764,463	296,657,132
	20 Years	358,245,372	903,700,161
	Sub-total	4,766,091,804	3,677,923,574
	Encumbered		
	2 Years	-	-
	5 Years	-	-
	10 Years	-	-
	15 Years	-	-
	20 Years	-	-
	Sub-total	-	-
	Total Treasury Bond	4,766,091,804	3,677,923,574
	Reverse Repo	252,943,644	-
	Prize Bonds (at face value)	219,700	966,500
	Sub Total (Government Investment)	5,019,255,149	3,678,890,074

Midland Bank Limited
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		2016 BDT	2015 BDT
6.02	Other Investments		
	Shares in quoted companies (BSRM)	12,011,150	24,000,000
	Shares in unquoted companies (at face value) :		
	Regent Energy & Power Ltd.(Preference Share)	120,000,000	150,000,000
	Union Capital Ltd.(Preference Share)	40,000,000	50,000,000
		160,000,000	200,000,000
	Bond , Debenture & Commercial Papers:		
	Convertible Coupon Bond-BSRM	132,000,000	176,000,000
	AB Bank Subordinated Bond	200,000,000	200,000,000
	Trust Bank Subordinated Bond	250,000,000	250,000,000
	UCB Subordinated Bond	200,000,000	200,000,000
	Rangs Properties Ltd.	-	100,000,000
	Flamingo Fashion Ltd.	-	300,000,000
	Star Patricle Board Ltd.	-	300,000,000
		782,000,000	1,526,000,000
	Sub Total (Other Investment)	954,011,150	1,750,000,000
6.03	Total	5,973,266,299	5,428,890,074

(i) Disclosure regarding outstanding Repo as at December 31, 2016

Counter Party Name	Agreement Date	Reversal Date	Amount
			-
Total			-

(ii) Disclosure regarding outstanding Reverse Repo as at December 31, 2016

Counter Party Name	Agreement Date	Reversal Date	Amount
International Leasing and Financial Services Ltd.	27-Dec-2016	3-Jan-2017	252,943,644
Total			252,943,644

(iii) Disclosure regarding overall transaction of Repo for the year 2016

Particulars	Minimum the year	Maximum outstanding during the year	Daily average outstanding dur the year
Securities sold under Repo:			
i) with Bangladesh Bank	-	-	-
ii) with Other Banks & Financial Institutions	218,058,896	2,313,294,836	336,873,506
Securities purchased under reverse Repo:			
i) with Bangladesh Bank	-	-	-
ii) with Other Banks & Financial Institutions	122,792,439	474,367,000	4,932,275

6.04 Maturity grouping of Investment as follows:

On Demand	219,700	966,500
Up to one month	-	-
Less than three months	8,000,000	110,000,000
More than three months but less than one year	561,900,000	694,500,000
More than one year but less than five years	1,011,946,599	1,496,600,000
More than five years	4,391,200,000	3,126,823,574
	5,973,266,299	5,428,890,074

7.00 Loans and Advances

Loans, Cash Credits, Overdrafts, etc. (note-7.01)	21,003,711,952	13,846,572,030
Bills Purchased and Discounted (note-7.02)	41,181,016	41,289,759
Total Loans and Advances	21,044,892,968	13,887,861,789

Midland Bank Limited
Notes to the Financial Statements
As on December 31, 2016

		2016 BDT	2015 BDT
7.01	Loans, Cash Credits, Overdrafts, etc.		
	In Bangladesh:		
	Term Loan	6,698,518,424	3,393,102,678
	Overdraft	4,811,690,207	3,199,987,604
	Time Loan	4,839,209,716	4,476,141,389
	Cash Credit	1,016,119,220	679,298,663
	Trust Receipt	1,714,716,284	1,413,376,422
	Consumer Loan	231,341,027	95,787,523
	Payment Against Documents(PAD)	-	12,321,843
	Agricultural Credit	1,415,635,241	346,122,495
	EDF Loan	88,969,201	15,576,576
	Packing Credit	34,128,430	50,722,774
	Staff Loan	147,900,805	155,321,522
	Other Loans and Advances	5,483,398	8,812,540
		21,003,711,952	13,846,572,030
	Outside Bangladesh	-	-
		21,003,711,952	13,846,572,030
7.02	Bill Purchased and Discounted		
	Payable in Bangladesh	30,660,516	17,687,259
	Payable outside Bangladesh	10,520,500	23,602,500
		41,181,016	41,289,759
7.03	Net Loans & Advances		
	Gross Loans & Advances (note- 7)	21,044,892,968	13,887,861,789
	Less:		
	Classified Loans & Advances (note-7.07)	143,503,196	139,687,491
	Interest Suspense (Note- 12)	15,561,542	10,290,303
	Provision for Loans & Advances- General Provision(Note -12.01)	221,757,692	141,053,358
	Net Loans & Advances	20,664,070,539	13,596,830,637
7.04	Residual Maturity grouping of Loans and Advances		
	On Demand	527,500,000	1,771,500,000
	Not more than three months	6,316,700,000	2,165,400,000
	More than three months but less than one year	6,875,900,000	6,020,500,000
	More than one year but less than five years	6,438,500,000	3,450,100,000
	More than five years	886,292,968	480,361,789
		21,044,892,968	13,887,861,789
7.05	Concentration of Loans and Advances:		
a)	Loans and Advances to Institutions in which the Directors of the Bank have interest	22,171,732	1,011,537
b)	Advances to Managing Director & other Senior Executives	147,900,805	155,321,522
c)	Advances to Industries		
	Agriculture	1,418,701,733	356,905,174
	RMG	915,322,886	675,999,130
	Textile	1,592,918,114	1,045,372,888
	Ship Building	-	-
	Ship Breaking	1,179,036,974	1,553,074,084
	Other Manufacturing industry	3,891,203,948	3,456,960,087
	SME loans	320,030,639	948,947,065
	Construction	-	-
	Power, Gas	-	415,666,379
	Transport, Storage and Communication	12,731,626	369,005,091
	Trade Service	3,641,755,907	1,882,913,933
	Commercial real estate financing	187,704,117	265,632,559
	Residential real estate financing	152,474,140	86,615,223
	Consumer credit	172,993,534	108,053,890
	Capital Market	645,184,983	465,155,067
	NBFIs	2,263,824,328	531,886,240
	Others	4,480,937,503	1,569,341,920
		20,874,820,431	13,731,528,730
		21,044,892,968	13,887,861,789

Midland Bank Limited
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	2016 BDT	2015 BDT
7.06 Details of Large Loan		
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 540.80 crore as at December 31, 2016 (BDT 464.96 crore in 2015)		
Number of Clients	24	21
Outstanding Advances (BDT)	8,162,060,478	6,120,027,580

Client wise details are given below:

Sl	Name of the clients	Status	Outstanding (BDT)		Total 2016 (BDT)	Total 2015 (BDT)
			Funded	Non - Funded		
1	Adex Group	UC	452,389,622	109,695,707	562,085,329	404,925,142
2	Elite Group	UC	-	-	-	226,676,975
3	Navana Group	UC	274,263,580	153,811,302	428,074,882	388,836,615
4	Nitol-Niloy Group	UC	324,005,431	70,598,733	394,604,164	181,433,472
5	Bangla Cat	UC	-	-	-	496,000,000
6	Abdul Monem Group	UC	74,603,790	1,379,000	75,982,790	58,788,614
7	Noman Group	UC	608,092,752	-	608,092,752	585,919,211
8	Kazi Firms Group	UC	121,222,201	-	121,222,201	156,070,547
9	Zon Ron Group	UC	325,204,891	592,246,826	917,451,717	625,257,303
10	Rangs Group	UC	473,920,831	86,023,662	559,944,493	424,727,229
11	Abul Khair Group	UC	560,088,449	17,896,098	577,984,547	597,717,931
12	T.K. Group	UC	-	-	-	118,078,925
13	Habib Group	UC	552,341,545	-	552,341,545	613,591,078
14	GPH Group	UC	663,347,523	9,675,742	673,023,265	575,616,829
15	KDS Group	UC	-	-	-	-
16	Mosharaf Group	UC	-	-	-	-
17	Pride Group	UC	186,506,056	256,554,361	443,060,417	20,350,833
18	Energypac Group	UC	280,428,259	156,115,030	436,543,289	-
19	Edotco Bangladesh Co Ltd.	UC	-	-	-	-
20	Alliance Holdings Ltd.	UC	424,685,944	-	424,685,944	-
21	Anwar Group	UC	481,072,596	-	481,072,596	345,615,626
22	Confidence Cement	UC	-	-	-	300,421,250
23	BD Group	UC	562,175,058	-	562,175,058	-
24	Florance Group	UC	141,036,462	202,679,027	343,715,489	-
	Total		6,505,384,990	1,656,675,488	8,162,060,478	6,120,027,580

7.07 Classification of Loans and Advances:

a. Unclassified (UC):

Standard
Special Mention Account (SMA)

20,558,041,991	13,651,193,170
343,347,781	96,981,128
20,901,389,772	13,748,174,298

b. Classified:

Substandard
Doubtful
Bad & Loss

2,191,751	20,232,908
4,357,849	25,440,707
136,953,595	94,013,877

Sub total
Total (a+b)

143,503,196	139,687,491
21,044,892,968	13,887,861,789

7.08 Details of Required Provision for Loans and Advances

Particulars	Base for Provision	Rate	Provision	
			Required	Maintained
Unclassified (UC):				
Standard	20,561,699,809	0.25%, 1%, 2% & 5%	217,115,615	218,115,615
Special Mention Account (SMA)	343,340,069	0.25 to 5%	3,642,077	3,642,077
Sub total			220,757,691	221,757,692
Classified:				
Substandard	644,047	5% & 20%	128,809	128,809
Doubtful	4,184,695	5% & 50%	2,092,348	2,092,348
Bad loan	70,246,970	100%	70,246,970	70,246,970
Sub total			72,468,127	72,468,127
Total			293,225,818	294,225,818
Excess/(short) Provision as at December 31, 2016				1,000,000

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	2016 BDT	2015 BDT
7.09 Details of Required Provision for Off Balance Sheet Items		
Required Provision for Off- Balance Sheet Exposures	36,046,241	22,887,233
Total Provision maintained (note 12.02)	36,046,241	22,887,233
Excess/(Short) Provision	-	-
7.10 Suits filed by the Bank		
No of Suits file	5	-
Suit Amount	155,843,415	-
7.11 Geographical location wise loans and advances		
Inside Bangladesh		
Urban		
Dhaka Division	17,135,927,698	10,362,831,693
Chittagong Division	3,276,644,397	3,319,811,131
Khulna Division	-	-
Rajshahi Division	66,403,894	-
Mymensingh	-	-
Barisal Division	-	-
Sylhet Division	-	-
Rangpur Division	-	-
	20,478,975,989	13,682,642,824
Rural		
Dhaka Division	447,142,636	205,218,965
Chittagong Division	13,637,152	-
Khulna Division	-	-
Rajshahi Division	83,034,004	-
Mymensingh	22,103,186	-
Barisal Division	-	-
Sylhet Division	-	-
Rangpur Division	-	-
	565,916,979	205,218,965
Outside Bangladesh	-	-
	21,044,892,968	13,887,861,789
7.12 Particulars of loans and advances		
(i) Loans & Advances considered good in respect of which the bank is fully secured	10,865,113,075	6,787,473,197
(ii) Loans & Advances considered good against which the bank holds no security other than the debtors' personal guarantee	10,179,779,892	7,100,388,592
(iii) Loans & Advances considered good and secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	-	-
(iv) Loans adversely classified, provision not maintained thereagainst	-	-
	21,044,892,968	13,887,861,789
(v) Loans & Advances due by directors or officers of the bank or any of them either separately or jointly with any other persons (staff loan)	170,072,537	156,333,059
(vi) Loans & Advances 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,	16,148,551	56,319,575
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'	70,246,970	48,699,710
c. Interest creditable to the interest suspense A/c;	15,561,542	10,290,303
(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	-	-

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		2016 BDT	2015 BDT
8.00	Fixed Asset including Premises, Furniture & Fixture		
	Property, Plant & equipment	76,792,098	60,914,527
	Computer and Peripherals	131,391,261	99,184,724
	Furniture & Fixture	95,777,454	72,827,184
	Office Equipment	24,266,445	24,266,445
	Motor Vehicles	20,260	20,260
	Books	17,286,990	13,036,100
	Intangible Assets	345,534,508	270,249,240
	Total Cost	345,534,508	270,249,240
	Less: Accumulated Depreciation	109,627,195	59,482,502
	Book value at the end of the year	235,907,314	210,766,739
	Details are shown in Annex-B		
9.00	Other Asset		
	Classification of Other Asset		
	A) Income generating Other Asset	-	-
	B) Non-Income generating Other Asset :		
	Advance Rent	103,377,042	139,310,149
	Interest Accrued on Investment but not collected & other income receivable	261,409,421	214,793,721
	Dividend Receivable	12,687,222	15,859,028
	Advance Income Tax (note 9.01)	371,172,676	170,396,604
	Suspense Account (note 9.02)	3,409,554	12,022,365
	Advance Subscription	2,897,580	4,891,027
	Prepaid Insurance	6,717,473	3,151,313
	Stationery, Stamps, Printing materials in stock etc.	3,520,850	3,625,097
	Sundry Assets (note 9.03)	2,878,533	4,483,840
	Stamp in Hand	1,495,656	247,354
	Branch Adjustment (note-9.04)	-	-
	Deferred Tax Assets (note-9.05)	7,127,943	984,058
	Exchange House	1,000,775	186,704
	Clearing House and BFTN Adjustment	-	-
		777,694,725	569,951,258
	Total Other Asset	777,694,725	569,951,258
9.01	Advance Income Tax		
	Opening Balance	170,396,603	69,944,760
	Less: Adjustment made during the year	-	-
	Add: Payment during the year	200,776,073	100,451,843
	Closing Balance	371,172,676	170,396,603
9.02	Suspense account represents advance paid for opening of new branch, equipment for head office etc, awaiting for adjustment.		
9.03	Sundry Assets		
	Security Deposit	266,678	247,460
	Prepaid Furniture Allowance	2,611,855	2,236,380
		2,878,533	2,483,840
9.04	Branch Adjustment (net)		
	Entries	No. of Entries	BDT
		Outstanding as on	BDT
		31-12-2016	
	Debit entries	-	-
	Credit entries	-	-
		-	-

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		2016 BDT	2015 BDT
9.05	Deferred tax asset/ (Liability)		
	Opening Balance	984,058	(537,216)
	Add: Deferred tax Income	6,143,886	1,521,273
	Less: Deferred tax	-	-
	Closing Balance	7,127,943	984,058
9.05.01	Computation of deferred tax		
	Accounting written down value- Fixed Assets	235,907,314	210,766,739
	Less: Tax base written down value- Fixed Assets	184,967,172	187,086,883
	Taxable temporary difference	50,940,142	23,679,856
	Book value - Gratuity provision	68,760,000	26,140,000
	Less: Tax base - Gratuity provision	-	-
	Deductible temporary difference	68,760,000	26,140,000
	Net taxable temporary difference	17,819,858	2,460,144
	Effective tax rate	40%	40%
	Deferred Tax Assets	7,127,943	984,058
	Deferred Tax (Expenses)/Income		
	Closing Deferred Tax Assets	7,127,943	984,058
	Opening Deferred Tax Assets/(Liability)	984,058	(537,216)
	Deferred Tax (Expenses)/Income	6,143,886	1,521,274
9.06	Classification of Other Asset		
	Unclassified	777,694,725	569,951,258
	Substandard	-	-
	Doubtful	-	-
	Bad/Loss	-	-
		777,694,725	569,951,258
10.00	Borrowing From Other Banks, Financial Institutions & Agents		
	In Bangladesh (note 10.01)	2,271,378,214	281,255,604
	Outside Bangladesh	-	-
		2,271,378,214	281,255,604
10.01	In Bangladesh:		
	Borrowing from Bank/Other Institutions:	2,150,000,000	250,000,000
	Bank Asia Ltd.	250,000,000	-
	Sonali Bank Ltd.	250,000,000	-
	Janata Bank Ltd.	400,000,000	-
	Rupali Bank Ltd.	450,000,000	-
	Eastern Bank Ltd.	-	250,000,000
	South East Bank Ltd.	200,000,000	-
	BASIC Bank Ltd.	150,000,000	-
	Dhaka Bank Ltd.	200,000,000	-
	United Commercial Bank Ltd.	150,000,000	-
	Pubali Bank Ltd.	100,000,000	-
	Repo of Treasury Bill/Bond		
	Bangladesh Bank (LS)	-	-
	Refinance from Bangladesh Bank	55,419,094	15,000,000
	Borrowing From Bangladesh Bank (EDF)	65,959,121	16,255,604
	Total	2,271,378,214	281,255,604

Midland Bank Limited
Notes to the Financial Statements
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		2016 BDT	2015 BDT
10.02	Security against Borrowing From Other Banks, Financial Institutions and Agents		
	Secured	-	-
	Unsecured	2,271,378,214	281,255,604
		2,271,378,214	281,255,604
10.03	Maturity Grouping of Borrowing From other Banks, Financial Institutions & Agents		
	On Demand	2,150,000,000	100,000,000
	Repayable within one month	65,959,121	166,255,604
	More than one month but within six months	-	-
	More than six months but within one year	-	-
	More than one year but within five years	55,419,094	15,000,000
	More than five year but within ten years	-	-
		2,271,378,214	281,255,604
11.00	Deposit and Other Accounts		
	From Banks	1,900,019,744	3,221,000,000
	From Customers	24,775,907,811	14,734,516,897
		26,675,927,555	17,955,516,897
11.01	Deposit and Other Accounts:		
	Current Deposit & Other Accounts :		
	Current Deposit	3,633,340,871	478,564,637
	Foreign Currency Deposit	4,922,062	3,882,744
	Sundry Deposit	467,703,622	218,375,240
		4,105,966,554	700,822,621
	Bills Payable :		
	Payment Order Issued	144,958,753	25,902,771
	Pay Slip Issued	-	-
	Demand Draft Payable	-	-
	144,958,753	25,902,771	
	1,895,252,148	535,449,460	
	1,441,176,318	604,312,485	
	16,260,923,050	14,022,783,348	
	Deposit Schemes:		
	MDB Super Monthly Savings	400,450,126	157,758,788
	MDB Double Benefit	1,035,379,897	880,521,366
	MDB Family Support	1,390,814,898	1,026,960,248
	MDB Corporate Support	1,005,810	1,005,810
		2,827,650,732	2,066,246,212
	Total	26,675,927,555	17,955,516,897
11.02	Maturity grouping of Deposit and Other Accounts:		
	On Demand	583,600,000	547,800,000
	Repayable within one month	5,387,800,000	2,885,200,000
	More than one month but within three months	9,186,500,000	8,557,316,897
	More than three months but within one year	5,757,600,000	3,402,100,000
	More than one year but within five years	3,241,600,000	2,275,700,000
	More than five year but within ten years	2,518,827,555	287,400,000
		26,675,927,555	17,955,516,897

Midland Bank Limited
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	2016 BDT	2015 BDT
11.02.01 Maturity grouping of Deposit from bank:		
On Demand	19,744	-
Repayable within one month	-	-
More than one month but within three months	1,900,000,000	3,221,000,000
More than three months but within one year	-	-
More than one year but within five years	-	-
More than five year but within ten years	-	-
	1,900,019,744	3,221,000,000
11.02.01 Maturity grouping of Deposit from Customers:		
On Demand	583,580,256	547,800,000
Repayable within one month	5,387,800,000	2,885,200,000
More than one month but within three months	7,286,500,000	5,336,316,897
More than three months but within one year	5,757,600,000	3,402,100,000
More than one year but within five years	3,241,600,000	2,275,700,000
More than five year but within ten years	2,518,827,555	287,400,000
	24,775,907,811	14,734,516,897
11.03 Demand & Time Deposit		
a) Demand Deposit	4,380,631,176	781,113,515
Current Deposit	3,633,340,871	478,564,637
Savings Deposit (9%)	129,705,869	54,388,124
Foreign Currency Deposit (non interest bearing)	4,922,062	3,882,744
Sundry Deposit	467,703,622	218,375,240
Bills Payable	144,958,753	25,902,771
b) Time Deposits	22,295,296,380	17,174,403,381
Saving Deposit (91%)	1,311,470,449	549,924,361
Fixed Deposit	16,260,923,050	14,022,783,348
Short Notice Deposit	1,895,252,148	535,449,460
Deposit Under Scheme	2,827,650,732	2,066,246,212
Total Demand & Time Deposits	26,675,927,555	17,955,516,897
11.04 Sectorwise Deposit		
Government	2,105,995,819	1,595,229,730
Deposit Money Banks	1,923,465,126	3,221,000,000
Other Public	3,059,376,494	1,140,959,769
Foreign Currency	7,089,681	6,623,288
Private	19,580,000,436	11,991,704,110
	26,675,927,555	17,955,516,897
12.00 Other Liabilities		
Provision for Loans and Advances (note 12.01)	294,225,818	197,372,933
Provision for Outstanding debit entries in NOSTRO Account	-	-
Provision for Off Balance Sheet Items (note 12.02)	36,046,241	22,887,233
Provision for Income Tax (note 12.03)	574,349,851	266,985,521
Interest Payable on Borrowing	1,807,861	2,654,595
Audit fee Payable	300,000	172,500
Bonus Payable	40,742,679	23,262,243
Accrued Expenses	29,166,066	11,150,102
Corporate Social Responsibility (CSR) Payable	11,576,826	44,679,786
Provision for Gratuity	-	9,000,000
Interest Suspense (note 12.04)	15,561,542	10,290,303
Provision for Share & Debenture	-	-
Other Liabilities	1,870,545	1,303,880
	1,005,647,429	589,759,096

Midland Bank Limited
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	2016 BDT	2015 BDT
12.01 Provision for Loans and Advances		
For Unclassified		
Opening Balance	141,053,358	62,554,766
Add: Provision made during the year	80,704,333	78,498,592
Less: Provision transferred to Classified Loans and Advances	-	-
Closing Balance	221,757,692	141,053,358
For Classified		
Opening Balance	56,319,575	-
Add: Provision made during the year	16,148,551	56,319,575
Less: Adjustment during the year	-	-
Add: Recoveries of amounts previously written off	-	-
Less: Loan written off during the year	-	-
Closing Balance	72,468,126	56,319,575
	294,225,818	197,372,933
12.02 Provision for Off Balance Sheet Items		
Opening Balance	22,887,233	12,633,807
Add: Provision made during the year	13,159,008	10,253,426
Less: Provision transferred to Classified Loans and Advances	-	-
Closing Balance	36,046,241	22,887,233
12.03 Provision for Income Tax*		
Opening Balance	266,985,521	73,950,797
Less: Adjustment made during the year	-	-
Add: Provision made during the year	307,364,330	193,034,724
	574,349,851	266,985,521
*Income tax provision has been made as per Income Tax Ordinance 1984 and as amended for the time being .		
12.04 Interest suspense account		
Opening Balance	10,290,303	-
Add: Addition during the year	7,781,500	10,290,303
Less: Written off during the year	-	-
Less: Recovery during the year	2,510,261	-
Closing Balance	15,561,542	10,290,303
13.00 Capital/Shareholders' Equity		
Paid up Capital (note 14.02)	4,320,000,000	4,000,000,000
Statutory Reserve (note 15.00)	352,783,354	150,057,099
Revaluation Reserve on Investment in Securities (note 16.00)	249,877,044	582,359,114
Retained Earnings (note 17.00)	476,411,507	334,226,930
	5,399,071,904	5,066,643,142
14.00 Capital		
14.01 Authorized Capital:		
1,000,000,000 ordinary shares of Tk. 10 each	10,000,000,000	10,000,000,000
14.02 Issued, subscribed and Paid-up Capital:		
432,000,000 Ordinary shares of Taka 10 each issued for cash.	4,320,000,000	4,000,000,000
	4,320,000,000	4,000,000,000

14.03 The break up of Issued, Subscribed and Paid-up Capital is as follows:

	December 31, 2016		
	No. of shares	Value of shares BDT	% of holding
Sponsors	432,000,000	4,320,000,000	100.00%
Financial Institutions	-	-	0.00%
General	-	-	0.00%
	432,000,000	4,320,000,000	100%

14.04 Capital Adequacy Ratio

In terms of section 13 (2) of the Bank Company Act 1991 and Bangladesh Bank BRPD circular no. 35 dated December 29, 2010, required capital of the Bank at the close of business on December 31, 2016 was BDT 2,321,026,598 as against available core capital 5,149,194,861 and supplementary capital of BDT 258,823,933 making a total capital of BDT 5,408,018,793 thereby showing a surplus capital of BDT 1,408,018,793. Details are given below:

Midland Bank Limited
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		2016 BDT	2015 BDT	
Total risk weighted assets		23,210,265,976	17,689,086,793	
Required Capital : 10% of total risk weighted asset		2,321,026,598	1,768,908,679	
Actual capital maintained				
Core Capital (Tier-I) :				
Paid up Capital		4,320,000,000	4,000,000,000	
Statutory Reserve		352,783,354	150,057,099	
Retain Earnings		476,411,506	334,226,930	
		5,149,194,861	4,484,284,029	
Deduction from Tier - I (Core Capital)				
Short fall provision required against investment is share		-	-	
		5,149,194,861	4,484,284,029	
Supplementary Capital (Tier-II) :				
General Provision including Off Balance Sheet items		257,803,933	163,940,591	
Revaluation Reserve on Investment in Securities		1,020,000	1,360,000	
		258,823,933	165,300,591	
Total Capital (Tier-I+Tier-II)		5,408,018,793	4,649,584,620	
Surplus		1,408,018,793	649,584,620	
Capital to Risk Weighted Asset Ratio(CRAR)		23.30%	26.29%	
14.04.01	Capital Requirement	Required	2016	
	Particulars		2015	
			Held	Held
	Tier-I	5.125%	22.18%	25.36%
	Tier-II	5.50%	1.12%	0.93%
	Total	10.625%	23.30%	26.29%
15.00	Statutory Reserve			
Opening Balance		150,057,099	23,990,793	
Add: Transferred during the year (20% of pre-tax profit)		202,726,255	126,066,306	
Closing Balance		352,783,354	150,057,099	
16.00	Revaluation Reserve on Investment in Securities			
Opening Balance		582,359,114	3,258,030	
Add: Addition during the year		547,771,133	1,038,297,094	
Less: Adjustment of Revaluation Reserve		880,253,203	459,196,011	
Closing Balance		249,877,044	582,359,114	
17.00	Retained Earnings			
Opening Balance		334,226,930	21,475,158	
Add: Profit made during the year		668,410,832	482,818,078	
Less: Transferred to Statutory Reserve		202,726,255	126,066,306	
Less: Transferred to CSR		3,500,000	44,000,000	
Less: Dividen paid		320,000,000	-	
Closing Balance		476,411,507	334,226,930	
17.01	Retained Surplus Brought Forward			
Opening Balance		334,226,930	21,475,158	
Less: Dividend paid		320,000,000	-	
		14,226,930	21,475,158	
18.00	Contingent Liabilities			
18.01	Acceptance and endorsements			
Foreign		96,156,167	117,003,000	
Local		573,584,075	172,192,189	
EPZ		41,411,197	22,610,976	
		711,151,439	311,806,165	

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		2016 BDT	2015 BDT
18.02	Letter of Guarantee		
	Foreign	4,200,000	2,659,580
	Local	1,168,442,462	1,197,757,055
		1,172,642,462	1,200,416,635
18.02.01	Letter of Guarantee		
	Money for which the bank is contingently liable in respect of guarantees given favoring :		
	Directors	-	-
	Government	-	-
	Bank and other Financial Institutions	-	-
	Others	1,172,642,462	1,200,416,635
		1,172,642,462	1,200,416,635
18.03	Irrevocable Letter of Credit		
	Letter of Credit (Sight)	29,736,424	-
	Letter of Credit (Back to Back/Deferred)	794,052,012	201,858,712
	Letter of Credit (Cash & Others)	684,264,431	308,627,587
		1,508,052,867	510,486,299
18.04	Bills for Collection		
	Foreign Bill Collection	110,503,674	175,417,570
	Local/Inland Bill Collection	102,273,643	90,596,627
		212,777,317	266,014,197
		3,604,624,085	2,288,723,296
19.00	Income Statement		
	Income:		
	Interest, Discount and Similar Income	3,323,015,499	2,639,059,439
	Dividend income	22,677,317	24,940,605
	Fee, Commission and Brokerage	38,223,475	28,034,549
	Gain less losses arising from dealing securities	-	-
	Gain less losses arising from investment securities	-	-
	Gain less losses arising from dealing in Foreign Currencies	95,080,430	74,891,401
	Income from non Banking Asset	-	-
	Other Operating Income	31,771,230	22,966,252
	Profit less losses on Interest Rate Changes	-	-
		3,510,767,950	2,789,892,246
	Expenses		
	Interest, Fee and Commission	1,600,584,191	1,359,458,808
	Losses on Loans and advances	-	-
	Administrative expenses	452,093,585	332,999,594
	Other operating expenses	327,845,543	244,155,902
	Depreciation on Banking Assets	50,601,463	33,874,820
		2,431,124,782	1,970,489,124
	Operating profit	1,079,643,169	819,403,121
20.00	Interest Income		
	Loans and Advances (note-20.01)	1,870,869,439	1,259,705,388
	Money at Call and Short Notice	1,928,442	12,836,894
	Balance with Other Banks and Financial Institutions (note-20.02)	305,901,378	416,926,344
	Bangladesh Bank Foreign Currency Clearing Account	208,437	63,098
		2,178,907,697	1,689,531,724
20.01	Interest on Loans and Advances		
	Term Loan	551,203,796	366,880,891
	Overdraft	422,091,747	324,047,091
	Time Loan	545,415,384	235,509,276
	Cash Credit	101,669,240	118,316,992
	Trust Receipt	158,242,951	169,184,276
	Consumer Loan	30,361,678	5,370,134
	Payment Against Documents(PAD)	618,300	1,188,533
	Agricultural Credit	40,766,091	18,871,970
	EDF Loan	662,083	90,201
	Packing Credit	4,002,815	753,533
	Staff Loan	8,573,001	8,531,294
	Other Loans and Advances	1,811,131	2,384,919
	Bill Purchased and Discounted	5,451,222	8,576,278
		1,870,869,439	1,259,705,388

Midland Bank Limited
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	2016 BDT	2015 BDT
20.02 Interest on Balance with other Bank and Financial Institution		
Interest on Balance with other Bank in Bangladesh	305,469,272	416,857,914
Interest on Balance held with outside Bangladesh	432,106	68,430
	305,901,378	416,926,344
21.00 Interest Paid on Deposit & Borrowing, etc.		
Interest on Deposit and Other Accounts (note-21.01)	1,318,707,155	962,932,881
Interest on Borrowing from other Banks and Financial Institutions	281,877,036	396,525,927
	1,600,584,191	1,359,458,808
21.01 Interest on Deposits and Other Accounts		
Current Deposit	102,244,557	6,090,620
Special Notice Deposit	36,410,818	38,131,100
Savings Deposits	34,200,532	15,112,008
Fixed Deposits	867,458,072	670,655,118
Deposit Scheme	278,393,175	232,944,035
	1,318,707,155	962,932,881
21.02 Interest on Borrowing from other Banks and Financial Institutions		
Call Deposits	62,589,686	81,404,194
Local Bank Account	146,302,639	167,316,667
Repurchase agreement (REPO)	70,632,598	142,164,179
Refinance	2,352,114	294,271
Bangladesh Bank	-	5,346,616
	281,877,036	396,525,927
22.00 Income From Investments		
Interest on Treasury Bill, Bond, Reverse Repo	583,542,701	386,925,405
Amortisation of Securities	(8,313,107)	8,358,073
Interest on Commercial Paper	217,419,720	154,459,544
Gain/(Loss) on Investment in shares of quoted companies	39,758,705	-
Gain on Govt. Security Trading (Note 22.01)	311,699,784	399,784,693
Dividend on Investment in Shares	22,677,317	24,940,605
	1,166,785,119	974,468,320
22.01 Gain on Govt. Security Trading		
Gain on Govt. security Trading	925,970,378	589,640,421
Loss on Govt. security Trading	(614,270,594)	(189,855,727)
	311,699,784	399,784,693
23.00 Commission, Exchange and Brokerage		
Commission (note-23.01)	38,223,475	28,034,549
Exchange(note-23.02)	95,080,430	74,891,401
Brokerage	-	-
	133,303,904	102,925,950
23.01 Commission		
Letter of Guarantee	7,515,432	7,900,795
Letter of Credit	20,645,334	14,721,695
Acceptance of Bills	6,660,338	4,611,227
Export Bills	2,001,621	291,714
PO, DD & TT	351,661	225,078
OBC/IBC	238,508	6,075
Underwriting Comm. on Treasury Bill/Bond	329,180	108,000
POS/Easy Pay Commission	481,400	169,965
	38,223,475	28,034,549

Midland Bank Limited
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	2016	2015
	BDT	BDT
23.02 Exchange		
Exchange Gain	97,851,225	109,112,537
Less: Exchange Loss	2,770,796	34,221,136
	95,080,430	74,891,401
24.00 Other Operating Income		
Postage Charge Recoveries	1,643,736	729,465
Telephone & Telegram Charge Recoveries	4	675
VISA Charge	3,349,213	2,389,480
Service and other Charges	10,354,875	7,635,820
SWIFT Charge Recoveries	3,789,710	2,396,979
Charges against cards	598,412	169,208
Locker Rent	196,600	60,750
Miscellaneous Earnings	10,974,540	7,439,725
LC Charges	864,139	2,144,150
	31,771,230	22,966,252
25.00 Salary & Allowances		
Basic Salary	149,366,154	108,771,161
Allowances	148,804,032	118,618,368
Bonus	61,032,302	42,014,693
Gratuity	42,620,000	22,140,000
Leave Fare Assistance	24,640,907	20,075,735
Provident Fund	13,120,190	10,579,637
	439,583,585	322,199,594
25.01 Managing Director's Remuneration		
Basic	6,600,000	6,000,000
Allowances	2,400,000	2,400,000
Festival Bonus	1,100,000	1,000,000
Incentive Bonus	1,000,000	450,000
Leave Fare Assistance	750,000	350,000
Provident Fund	660,000	600,000
	12,510,000	10,800,000
26.00 Rent, Tax, Insurance, Electricity, etc.		
Rent	133,647,137	117,269,193
Rates & taxes	14,498,183	10,076,234
Insurance	17,141,224	10,027,448
Power, electricity etc	16,873,936	10,921,438
	182,160,480	148,294,313
27.00 Legal Expense		
Legal Expense	1,410,342	231,321
	1,410,342	231,321
28.00 Postage, Stamps & Telephone, etc		
Postage, Stamp & Courier Service	2,050,329	600,121
Fax & internet	19,500	16,339
On-line and connectivity charges	10,731,942	7,314,951
Telephone	2,944,991	1,933,293
	15,746,761	9,864,704

Midland Bank Limited
Notes to the Financial Statements
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	2016 BDT	2015 BDT
29.00 Printing, Stationery, Advertisement etc.		
Printing & Stationery	15,368,809	11,757,533
Computer Stationery	1,896,485	1,132,792
Publicity & Advertisement	8,034,087	5,104,866
	25,299,380	17,995,191
30.00 Directors' Fees		
Meeting fee	2,596,700	1,309,000
	2,596,700	1,309,000
Each Director is paid BDT 8,000/-(excluding VAT) per meeting per attendance.		
31.00 Audit Fee		
Audit Fee	334,500	241,500
	334,500	241,500
32.00 Depreciation on & Repairs to Bank's property		
Depreciation :		
Computer and Peripherals	14,275,154	8,936,848
Furniture & Fixture	10,418,968	7,987,713
Office Equipment	17,827,971	10,172,157
Motor Vehicles	4,853,292	4,853,292
Books	4,235	1,164
Intangible Assets	3,221,843	1,923,646
	50,601,463	33,874,820
Repairs on Bank's property	11,522,437	5,369,654
	62,123,900	39,244,474
33.00 Other Expenditure		
Security & Auxiliary Service	41,749,892	26,421,975
Office Cleaning & Maintenance	101,360	41,264
Car Expense	3,514,819	4,223,939
Entertainment	7,446,358	5,356,635
Travelling	1,979,969	1,161,282
Conveyance	2,409,573	1,717,645
Newspaper & Magazines	369,832	882,137
Q-Cash, ATM Cards, VISA Cards	6,397,775	5,260,713
Medical Expenses	258,794	782,329
Training Expenses	1,593,973	1,092,435
Bank Charges	2,236,504	2,052,875
AGM Expenses	245,904	433,961
Business Development Expense	6,388,345	2,837,052
Subscription & Donation	814,387	1,101,497
Miscellaneous Expense	13,267,458	7,484,481
	88,774,942	60,850,219
34.00 Provision Against Loans and Advances		
Provision for Classified Loans & Advances	16,148,551	56,319,575
Provision for Unclassified Loans and Advances	80,704,333	78,498,592
Provision for Off Balance Sheet Items	13,159,008	10,253,426
Total amount of provision made during the year	110,011,892	145,071,593
35.00 Provision for Tax		
Current tax	307,364,330	193,034,724
Deferred tax* (note 9.05)	(6,143,886)	(1,521,273)
Total	301,220,445	191,513,451

* 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 & fixed assets.

Midland Bank Limited
Notes to the Financial Statements
As on December 31, 2016

	2016 BDT	2015 BDT
36.00 Statutory Reserve		
Transferred during the year	193,926,255	126,066,306
Add: Adjustment of previous year	8,800,000	-
	202,726,255	126,066,306
37.00 Provision for CSR		
Corporate Social Responsibility (CSR) activities	3,500,000	44,000,000
	3,500,000	44,000,000
38.00 Earning Per Share (EPS):*		
Net Profit After Tax	668,410,832	482,818,078
Number of Ordinary Shares outstanding	432,000,000	432,000,000
Earning Per Share (EPS)	1.55	1.12

*Earnings per share has been calculated in accordance with BAS-33: Earnings Per Share (EPS).

39.00 Received from Other Operational Income		
Postage Charge Recoveries	1,643,736	729,465
Telephone & Telegram Charge Recoveries	4	675
VISA Charge	3,349,213	2,389,480
Service and other Charges	10,354,875	7,635,820
SWIFT Charge Recoveries	3,789,710	2,396,979
Charges against cards	598,412	169,208
Locker Rent	196,600	60,750
Miscellaneous Earnings	10,974,540	7,439,725
LC Charges	864,139	2,144,150
	31,771,230	22,966,252
40.00 Payment for Other Operational Expenses		
Rent, Tax, Insurance, Electricity	182,160,480	143,062,578
Legal Expense	1,410,342	231,321
Postage, Stamps, Telegram & Telephone	15,746,761	9,864,704
Audit fee	334,500	184,000
Printing, Stationery, Advertisement	25,299,380	17,995,191
Directors' Fee	2,596,700	1,309,000
Repair & Maintenance	11,522,437	5,369,654
Other Expenditure	89,232,764	63,370,436
	328,303,365	241,386,884

41.00 Related Party transaction Disclosures of the Bank

i)

Name of the Directors together with a list of entities in which they have interest	Annexure- C
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ii) Significant contracts where Bank is a party and wherein Directors have interest during the year 2016:

Name of the party	Relationship	Nature of transaction	Amount
RFL Plastic Ltd.	Associated Company of Mr. Ahsan Khan Chowdhury, Director	Bicycle Purchase	196,475

iii)

Share issued to Directors and Executives without consideration or exercisable at a discount	Nil
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Midland Bank Limited
Notes to the Financial Statements
As on December 31, 2016

				2016 BDT	2015 BDT
iv) Related Party Transaction:					
Name	Relationship	Nature of Transaction	Limit	Amount Outstanding Loan	
Mr. Kazi Shayan Ekramullah	Family Member of Kazi Ekramullah, Sponsor Shareholder	Credit Card	500,000	-	
Mr. A.K.M. Badiul Alam	Director	Credit Card	500,000	11,510	
Mr. Md. Wahid Miah	Director	Credit Card	500,000	51,990	
Mr. Md. Jahangir Miah	Family Member of Mr. Md. Wahid Miah, Director	Credit Card	500,000	-	
Mr. Abdul Momin Mondol	Director	Credit Card	500,000	9,562	
Mr. Md. Rokonzaman Sarker	Director	Credit Card	500,000	142,276	
Mrs. Nilufer Zafarullah, MP	Vice Chairman	Credit Card	500,000	117,281	
Mrs. Anushka Mehreen Zafar	Sponsor Shareholder	Credit Card	500,000	329,151	
Mr. Kazi Omar Zafar	Director	Credit Card	500,000	499,354	
Mrs. Zobaida Mahaboob Latif	Family Member of Ms. Scherezad Joya Monami Latif, Director	Credit Card	500,000	19,872	
Dr. Kazi Shahidullah	Director	Credit Card	500,000	-	
Mrs. Luna Sarker	Director, Beq Knit Ltd. (Sponsor Shareholder)	Credit Card	500,000	-	
Mrs. Salma Badsha	Family Member of Mr. Mohammed Issa Badsha, Director	Credit Card	500,000	-	
Mr. Ahsan Khan Chowdhury	Director	Credit Card	500,000	61,355	
Al-haj Mohammed Issa Badsha	Director	Credit Card	500,000	4,582	
Master Abul Kashem	Director	Credit Card	500,000	-	
Mr. Mohammed Jamal Ullah	Director	Credit Card	500,000	-	
Mr. Abdul Mojid Mondol	Family Member of Mr. Abdul Momin Mondol, Director	Credit Card	500,000	-	
Mr. Rezaul Karim	Director	Credit Card	500,000	-	
Mr. Md. Kamal Hossain	Director	Credit Card	500,000	-	
Mrs. Susmita Sompá	Family Member of Mrs. Shahnaj Parveen, Director	Credit Card	500,000	-	
Mrs. Shahnaj Parveen	Director	Credit Card	500,000	-	
Ms. Scherezad Joya Monami Latif	Director	Credit Card	500,000	-	
Mrs. Sabiha Mahboob	Sponsor Shareholder	Credit Card	500,000	-	
Mr. Abdullah Ahmed Yousuf	Director	Credit Card	500,000	-	
Mr. Kazi Raihan Zafar	Sponsor Shareholder	Credit Card	500,000	141,451	
Mr. Kazi Zafarullah	Sponsor Shareholder	Credit Card	500,000	-	
Ms. Mumtahina Issa	Family Member of Al-haj Mohammed Issa Badsha, Director	Credit Card	500,000	188,435	
Ms. Mutaffin Issa	Family Member of Al-haj Mohammed Issa Badsha, Director	Credit Card	500,000	213,106	
Mr. Mohammed Jamal Ullah	Director	Overdraft	28,400,000	20,381,806	

Name	Relationship	Nature of Transaction	Amount
Mrs. Nilufer Zafarullah, MP	Vice Chairman	Letter of Credit	5,255,575

v) Lending policies to related parties: Lending to related parties is affected as per requirement of section 27(1) of the Bank company Act 1991.

Midland Bank Limited
Notes to the Financial Statements
As on December 31, 2016

2016
BDT **2015**
BDT

v) Loans and advances to concern related to Directors:

Name	Relationship	Nature of Transaction	Limit	Amount Outstanding Loan
CAPM Venture Capital and Finance Ltd.	Associated Company of family member of Director	Overdraft	50,000,000	-
		Term Loan	150,000,000	-
Southeast University	Associated Organisation of Mr. Rezaul Karim, Director	Overdraft	108,000,000	240

vii) Business other than banking business with any related concern of the Directors as per section 18(2) of the Bank Company Act 1991:

a) Lease agreement made with the Director

Name	Nature of Transaction	Name of Party	Amount
Mrs. Nilufer Zafarullah, MP	Office Rent	Hong Kong Shanghai Tower	23,409,373
Mrs. Lutfa Begum	Office Rent	Helal Tower	1,132,800
Mrs. Lutfa Begum	ATM Rent	Hazrat Amanat Shah Spinning Mills Ltd.	Free of cost
Mr. A.K.M. Badiul Alam	ATM Rent	KASBA Tower	Free of cost
Mr. A.K.M. Badiul Alam	ATM Rent	MAA Tower	Free of cost
Mr. Rezaul Karim	Collection Booth	Southeast University	Free of cost

viii) Investment in securities of Directors and their related concern	2016	2015
	Nil	Nil

42.00 Number of employees and support staffs

Employee

Regular employee

Contractual employee

	336	327
	39	8
	375	335

Support staff

Security

Messenger and cleaning staff

	203	183
	103	94
	306	277
	681	612

43.00 Others

43.1 The expenses, irrespective of capital or revenue nature, accrued or due but not paid have been provided for in the books of the Bank.

43.2 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 statement for the current year.

43.3 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, March 30, 2017

Balance with other Banks- Out Side Bangladesh (NOSTRO Account)

Currency wise position and Exchange rate applied for conversion of Balance with other Banks in Foreign Currency into Local currency as on December 31, 2016

Name of the Bank	Account Type	Currency	2016		2015	
			Foreign Currency Amount	Exchange Rate	Foreign Currency Amount	Exchange Rate
AB Bank, Mumbai Branch	CD	ACU \$	108,360	78.7022	267,737	78.50
United Bank of India	CD	ACU \$	18,588	78.7022	89,381	78.50
Axix Bank Limited	CD	ACU \$	27,146	78.7022	5,889	78.50
National Bank of Pakistan, Tokyo Japan	CD	JPY	143,673	0.6696	422,801	0.65
Mashreq Bank Psc, NY	CD	US\$	1,300,057	78.7022	926,137	78.50
Mashreq Bank Psc, United Kingdom	CD	GBP	6,430	96.2292	3,835	116.35
National Australian Bank, Melbourne	CD	AUD	-	-	16,073	57.31
Mashreq Bank Psc., United Kingdom	CD	EURO	15,030	81.7244	6,536	85.81
Commerz Bank-Frankfurt	CD	EURO	2,599	81.7244	3,237	85.81
Kookmin Bank, South Korea	CD	US\$	9,259	78.7022	146,130	78.50
Habib American Bank, NY	CD	US\$	249,375	78.7022	-	-
NIB Bank, Pakistan	CD	ACU \$	236,398	78.7022	-	-
					155,560,557	115,151,044

Midland Bank Limited

Fixed Asset Schedule

As at December 31, 2016

Annexure-B

Asset Category	Balance as at 01.01.2016		Addition during the year		Cost		Depreciation			Written down value as at 31.12.2016		
	BDT		BDT		BDT		Rate	Balance as at 01.01.2016	Charged for the year	Adjustment/ Disposal	BDT	
	BDT	BDT	BDT	BDT	BDT	BDT					BDT	BDT
Computer & Peripherals	60,914,527	15,877,571	-	767,920,988	20%	16,275,870	14,275,154	-	30,551,024	46,241,074		
Furniture & Fixture	99,184,724	35,890,485	3,683,948	131,391,261	10%	13,804,867	10,418,968	456,770	23,767,065	107,624,196		
Office Equipment	72,827,184	22,950,270	-	95,777,454	20%	16,711,178	17,827,971	-	34,539,149	61,238,305		
Motor Vehicles	24,266,445	-	-	24,266,445	20%	8,887,811	4,853,292	-	13,741,103	10,525,342		
Books	20,260	-	-	20,260	20%	5,717	4,235	-	9,952	10,308		
Intangible Assets	13,036,100	4,250,890	-	17,286,990	20%	3,797,059	3,221,843	-	7,018,902	10,268,088		
Total 2016	270,249,240	78,969,216	3,683,948	345,534,508		59,482,502	50,601,463	456,770	109,627,195	235,907,314		
Total 2015	191,373,573	78,875,667	-	270,249,240		25,607,682	33,874,819	-	59,482,501	210,766,739		

Midland Bank Limited
Notes to the Financial Statements
As on December 31, 2016

Annexure- C

Sl.	Name of the Directors of the Bank	Status with MDB	Entities where they have interest	Designation
1	Mr. M Moniruzzaman Khandaker	Chairman	Khandaker & Associates	Proprietor
2	Mrs. Nilufer Zafarullah, MP	Vice Chairman	Hong Kong Shanghai Manjala Textiles Ltd.	Director
3	Dr. Kazi Shahidullah	Director	Hong Kong Shanghai Manjala Textiles Ltd.	Director
4	Ms. Scherezad Joya Monami Latif	Director		
5	Mr. Abdullah Ahmed Yousuf	Director		
6	Mr. Kazi Omar Zafar	Director	Hong Kong Shanghai Manjala Textiles Ltd.	Director
			Kalypso Ltd.	Chairman
			Hong Kong Shanghai Manjala Power Ltd.	Managing Director
7	Master Abul Kashem	Director	MAK Corporation	Proprietor
			Master Steel Re-Rolling Mills	Proprietor
			Mother Steel Limited	Managing Director
			ABL Capital Market Services Ltd.	Shareholder
8	Mr. Mohammed Jamal Ullah	Director	Asia Insurance Limited	Director
			Silver Dal Mills Ltd.	Managing Director
			Ishfar Oil Mills Ltd.	Managing Director
			Rupali Soap & Chemical Industries (Pvt) Ltd.	Managing Director
			Bismillah Store	Proprietor
9	Al-haj Mohammed Issa Badsha	Director	Badsha Group	Managing Director
			Zuma Enterprise	Proprietor
			M.M Enterprise	Proprietor
			Musa & Issa Bros	Proprietor
			Azan Limited	Managing Director
			Badsha Oil Mills & Soap Factory	Proprietor
10	Mr. Ahsan Khan Chowdhury	Director	Advance Personal Care Limited	Director
			Agricultural Marketing Company Limited	Chairman
			Banga Agro Processing Limited	Director
			Banga Bakers Limited	Director
			Banga Millers Limited	Director
			Chorka Fashions Limited	Director
			Chorka Textile Limited	Director
			Habiganj Agro Limited	Director
			Habiganj Textile Limited	Chairman
			Mymensingh Agro Limited	Director
			Natore Agro Limited	Director
			Natore Dairy Limited	Director
			PRAN Agro Limited	Director
			PRAN Agro Business Limited	Director
			PRAN Beverage Limited	Director
			PRAN Confectionary Limited	Director
			PRAN Dairy Limited	Director
			PRAN Exports Limited	Director
			PRAN Foods Limited	Director
			Packmat Industries Limited	Director
			Sylvan Agriculture Limited	Director
Sun Basic Chemicals Limited	Director			
Sylvan Technologies Limited	Chairman			
Sylvan Poultry Limited	Director			
Banga Trading House Limited	Director			

Midland Bank Limited
Notes to the Financial Statements
As on December 31, 2016

			Rangpur Foundry Limited	Chairman
			Accessories World Limited	Managing Director
			Gonga Foundry Limited	Director
			Get Well Limited	Director
			Trade Environment Limited	Director
			AKC (pvt.) Limited	Managing Director
			AKC Management Limited	Chairman
			Allplast bangladesh Limited	Director
			Banga Building Materials Limited	Director
			Banga Plastic International Limited	Director
			Habiganj Ceramics Limited	Director
			Habiganj Glassware Limited	Director
			Multi-Line Industries Limited	Director
			RFL Construction Limited	Director
			RFL Electronics Limited	Director
			RFL Exports Limited	Director
			Rangpur Metal Industries Limited	Director
			RFL Plastics Limited	Director
			Durable Plastics Limited	Director
			Habiganj Metal Industries Limited	Director
			Logi-Care Overseas Limited	Director
			Bangladesh Lift Industries Limited	Director
			Property Development Limited	Director
			Career Builders Limited	Director
11	Mr. Md. Wahid Miah	Director	Al-Haj Karim Textiles Ltd.	Managing Director
			Abdul Karim Ltd.	Managing Director
			Jobaida Karim Jute Mills Limited	Managing Director
			Karim Jute Spinners Ltd.	Director
			Hypoid Composite Knit Ltd.	Director
			Wahid Construction Ltd	Managing Director
			Karim Shipping Lines Ltd.	Managing Director
			Karim Trading	Proprietor
			Jobaida Filling Station	Proprietor
			J.K Filling Station	Proprietor
			Karim Filling Station	Proprietor
			Karim Shipping Lines	Proprietor
			M/S Md. Wahid Miah	Proprietor
12	Mr. Rezaul Karim	Director	Kohinoor Chemical Company (BD) Ltd.	Managing Director
			Reedisha Knitex Ltd.	Managing Director
			Reedisha Textipe Ltd.	Managing Director
			PA Knit Composite Ltd.	Managing Director
			Reedisha Spinning Ltd.	Managing Director
			Reedisha Printing and Packaging Ltd.	Managing Director
			Reedisha Blended Yarn Ltd.	Managing Director
			Reedisha Food & Beverage Ltd.	Managing Director
			Bangla Tel Ltd.	Chairman
			Jibondhara Solutions Ltd.	Chairman
			BD Link Communications Ltd.	Chairman
			Islami Commercial Insurance Co. Ltd.	Vice Chairman
			Chartered Life Insurance Co. Ltd.	Director
13	Mr. A.K.M. Badiul Alam	Director	Garments Export Village Ltd.	Chairman
			Power Vantage Wear Ltd.	Chairman
			Shahjibazar Power Co. Ltd.	Director
			Eden Multicare Hospital Ltd.	Director
			Zenith Islami Life Insurance Ltd.	Director
			Amranet Ltd.	Chairman
			Bravo Apparel Manufacturer Ltd.	Chairman

Midland Bank Limited
Notes to the Financial Statements
As on December 31, 2016

14	Mr. Abdul Momin Mondol	Director	Montex Fabrics Ltd.	Managing Director
			Mark Sweater Ltd.	Managing Director
			Montrims Ltd.	Managing Director
			Mondol Yearn Dyeing Ltd.	Managing Director
			Mondol Fabrics Ltd.	Managing Director
			Cotton Field (BD) Ltd.	Managing Director
			Mondol Securities Ltd.	Managing Director
			Mondol Knitwears Ltd.	Managing Director
			Mondol Apparels Ltd.	Managing Director
			Alimknit (BD) Ltd.	Managing Director
			Mondol Knittex Ltd.	Managing Director
			Cotton Club (BD) Ltd.	Managing Director
			Cotton Clout (BD) Ltd.	Managing Director
			Trims International (BD) Ltd.	Managing Director
			Appollo Fashions Ltd.	Managing Director
			Appollo Packaging (BD) Ltd.	Managing Director
			Appollo Knitwear (BD) Ltd.	Managing Director
			Mondol & Co. Ltd.	Managing Director
			Cotton Clothing (BD) Ltd.	Managing Director
			Mondol Intimates Ltd.	Managing Director
Mondol Fashions Ltd.	Managing Director			
Tropical Knittex Ltd.	Managing Director			
Knitex Dresses Ltd.	Managing Director			
Haji-Abdul Majid Mondol Foundation	Managing Director			
15	Mrs. Ferdous Ara	Director	A-One Polar Limited	Director
			Orient Chem-Tex Limited	Director
			Liberty Knitwear Limited	Director
			Midland Knitwear Limited	Director
			Fortune Chemical (BD) Limited	Director
			Tubingen Chemicals (BD) Limited	Director
			Sungarh Tex Limited	Director
Micro Trims Limited	Director			
16	Mr. Md. Kamal Hossain	Director	That's It Sportswear Ltd	Executive Director
			Ha-Meem Travel Limited	Shareholder
			Explore Lingerie Limited	Shareholder
			Fauji Chatkal Limited	Shareholder
			M H Sports Wear Limited	Shareholder
M H Design Limited	Shareholder			
17	Mrs. Shahnaj Parveen	Director	Refat Garments Ltd.	Executive Director
			Bango Engineering Co. Ltd.	Executive Director
			Next Collection Ltd.	Shareholder
			Next Garments Ltd.	Shareholder
18	Mrs. Lutfa Begum	Director	Hazrat Amanat Shah Spinning Mills Ltd.	Director
			Amanat Shah Weaving Processing Ltd.	Director
			Standard Company Ltd.	Director
			Hazrat Amanat Shah Securities Ltd.	Director
			Amanat Shah Fabrics Ltd.	Director
M/S Faysal Entreprise	Proprietor			
19	Mr. Md. Rokonuzzaman Sarker	Director	Beq Knit Limited	Executive Director
20	Mr. Kamal uddin Ahmed	Director	Badsha Textiles Ltd.	Director
			Kamal Yarn Limited	Director
			Pioneer Knitwears (BD) Ltd.	Director
			Pioneer Knit Fashion Ltd.	Director
			Pioneer Denim Limited	Director

Midland Bank Limited

Name of the directors and their shareholding as at 31 December 2016

Annexure- D

SL	Name of the director	Status with MDB	No of shareholding	(%)
1	Mr. M. Moniruzzaman Khandaker	Chairman	11,880,000	2.75%
2	Mrs. Nilufer Zafarullah, MP	Vice Chairman	4,320,000	1.00%
3	Dr. Kazi Shahidullah	Director	1,640,000	0.38%
4	Ms. Scherezad Joya Monami Latif	Director	43,200,000	10.00%
5	Mr. Abdullah Ahmed Yousuf	Director	24,840,000	5.75%
6	Mr. Kazi Omar Zafar	Director	8,640,000	2.00%
7	Master Abul Kashem	Director	20,000,000	4.63%
8	Mr. Mohammed Jamal Ullah	Director	21,600,000	5.00%
9	Al-haj Mohammed Issa Badsha	Director	20,000,000	4.63%
10	Mr. Ahsan Khan Chowdhury	Director	21,600,000	5.00%
11	Mr. Md. Wahid Miah	Director	21,600,000	5.00%
12	Mr. Rezaul Karim	Director	21,600,000	5.00%
13	Mr. Abdul Momin Mondol	Director	21,600,000	5.00%
14	Mrs. Ferdous Ara	Director	22,680,000	5.25%
15	Mr. Md. Kamal Hossain	Director	21,600,000	5.00%
16	Mrs. Shahnaj Parveen	Director	21,600,000	5.00%
17	Mrs. Lutfa Begum	Director	21,600,000	5.00%
18	Mr. A.K.M. Badiul Alam	Director	21,600,000	5.00%
19	Mr. Md. Rokonzaman Sarker	Director	20,520,000	4.75%
20	Mr. Kamal uddin Ahmed	Director	21,600,000	5.00%

Midland Bank Limited
Financial Highlights

For the Period ended December 31, 2016

Annexure- E

SL	Items	2016	2015
1	Paid up Capital	4,320,000,000	4,000,000,000
2	Total Capital	5,408,018,793	4,649,584,620
3	Surplus in Capital Fund	1,408,018,793	649,584,620
4	Total Asset	35,352,025,103	23,893,174,740
5	Total Deposit	26,675,927,555	17,955,516,897
6	Total Loans and Advances	21,044,892,968	13,887,861,789
7	Total Contingent Liabilities	3,604,624,085	2,288,723,296
8	Lending-Deposit Ratio	78.89%	77.35%
9	Classified Loans as % of Total Loans and Advances	0.68%	1.01%
10	Profit After Provision and Tax	668,410,832	482,818,078
11	Total Classified loans and advances	143,503,195	139,687,491
12	Total Provision Maintained against Classified Loans	72,468,126	56,319,575
13	Surplus/(deficit) in Provision against Classified Loans	-	-
14	Cost of Fund	8.52%	9.73%
15	Earning Asset	32,208,366,909	21,936,871,901
16	Non-Interest Earning Asset	3,143,658,194	1,956,302,839
17	Return on Investments (ROI)	12.35%	23.16%
18	Return on Asset (ROA)	2.26%	2.48%
19	Income from Investment	1,166,785,119	974,468,320
20	Earnings per Share (BDT)	1.55	1.12
21	Net Income per Share (BDT)	1.55	1.12
22	Price-Earning Ratio (Times)	N/A	N/A

MDB Products and Services

MDB believes in service excellence with a vision to be the first choice of our customers. The Bank wants to provide quality banking services with enhanced customer focus and innovative products through first-rate delivery channels and user-friendly tools and technology.

To cater for the needs of the growing SME industries and retail customers, the Bank has developed and launched a few new products in 2015, as follows:

MICRO, SMALL & MEDIUM ENTERPRISE (MSME) PRODUCTS

MDB Green Loan

MDB Green Loan is a structured and an environment friendly lending product with a view to enabling different MSMEs, farmers, individuals, organizations to purchase Green and Renewable Energy Technologies (RETs) to reduce the dependence of traditional energy, as well as to meet up country's electricity and gas demand. Green Energy is a potential and growing sector of Bangladesh which creates an ample opportunity of lending.

MDB Baboshay

Trading sector is the largest sector in Bangladesh and plays an important role in economic development. In MSMEs, most of the entrepreneurs are engaged in trading line due to easy entry in business, less hassle to start and make good profitability. In terms of self-employment and poverty alleviation, trading sector has significant role.

MDB Halka Shilpajat

This is a customized loan product, for light engineering and plastic industrial sectors which has many important roles to play both for the bank and the country. To foster development of light engineering, light electrical, light industrial machinery, and plastic industrial sector with bank finance for working capital and fixed asset purchase, including civil construction for factory building/warehouse/shed etc.

MDB IT Uddog

MDB IT Uddog a custom-made loan product especially developed for IT based entrepreneurs. IT entrepreneurship is one of the most potential differentiating factors for the long run economic growth rate among countries. Entrepreneurship is just another way in which young people who make a living, and is susceptible to the fault-line of the gender segregated division of work. The Bank wants to render its service to this sector for inclusive banking.

MDB Janbahon

We want to provide the best-in-class services, innovative products and financial solutions from smart outlets – all with a big smile that conveys and generate happiness all the way. To meet commercial vehicle needs of any credit worthy SME customers, the Bank offers contemporary asset product MDB Janbahon Loan, for SME customers who like to enjoy commercial vehicle loan to diversify their business.

MDB Krishi

MDB Krishi is a structured loan product for agri SMEs and individual farmers. Agriculture is a potential growing sector of Bangladesh. There are a lot of emerging SMEs in agriculture which create an ample opportunity for lending. To serve this sector MDB Krishi been designed to meet up funding requirement of potential agri customers.

MDB Krishijat

MDB Krishijat is a customized loan product for agro-processing and agro-based industries. Because of its huge potentiality, agro-based industries have received special attention as a thrust sector by government policy makers. This has also been considered a priority sector in Export Policy too.

MDB Nabagoto

This is a customized loan product for the young and startup entrepreneurs, which will meet up their funding requirement and contribute to the real entrepreneurs.

MDB Nariuddog

Women Entrepreneurship is one of the differentiating factors for the economic growth of Bangladesh. The Bank contributes to this sector with a tailor-made specialized service, through dedicated service desk, for women-led business, which will meet up their funding requirement. Women Entrepreneurship is just another way in which women make a living, and our relationship managers are always by the side of women entrepreneurs. This is not just a loan – it is a financing solution for their business.

MDB NGO Link

MDB NGO Link is a customized loan product for the MFI NGO sector. The product enables the MFI NGOs to cater the financial needs of their beneficiary members. The product facilitates promoting both the micro credit and SMEs (micro & cottage enterprises and women entrepreneurs) at grass root level.

MDB Nirman

Under this facility, SME entrepreneurs are supported with bank finance, they can explore developing land having commercial opportunity and location convenience for rental. The scheme allows constructing shops, small markets, dormitories and labor shed based on the opportunity surrounding the land. This ultimately facilitates the low income business people, shop keepers, traders, factory labors, garments workers, low salaried service holders to have their housing at affordable rent.

MDB Seba

MDB Seba is a custom-made loan product which meets up funding requirement of the prospective target customers. To foster development of service sector with bank finance for working capital and fixed asset purchase including civil construction for the business.

MDB Shamoik

MDB Shamoik is a custom-made loan product which meets up funding requirement of the prospective MSME entrepreneurs at various season, occasion, event and festivals.

MDB Shilpayan

This scheme fosters development of manufacturing sector with bank finance for working capital and fixed asset purchase including civil construction for factory building / warehouse/shed etc. Working capital may be extended in the form of RL and TL, while fixed assets/construction of factory building/warehouse/shed shall be financed in the form of TL.

MDB Abiram

This is an Interest bearing Current Deposit account where customers can initially deposit BDT 1,000. The Bank provides an interest rate of 2% per annum, which is subject to change as per decision of competent authority from time to time.

MDB Sthae

This is a Fixed Deposit account specially designed for enterprises, organizations or business, service or manufacturing, and individuals related with mentioned sectors. This fixed deposit account can be opened at a minimum deposit of BDT 25,000. The interest rate will be at bank's prevailing rate as decided by the competent authority time to time.

RETAIL BANKING PRODUCTS

MDB School Saver

Children are the future leaders of the country. MDB, as per its financial inclusion drive, has introduced MDB School Saver Account for school going students. This product is a daily interest bearing and half yearly interest paying savings account. Higher interest rate is applicable on maintaining a certain balance in the account. The account comes with free Debit card facility and waiver of account maintenance fee.

MDB College Saver

For college and university going students, we have launched MDB College Saver account. This is a unique monthly savings account, where interest calculation is on daily balance basis and is credited to account on monthly basis. This account also provides higher interest rate on maintaining a certain balance and free Debit card facility. In addition, the account has free Internet Banking facility, free SMS Banking and waiver of account maintenance fee.

MDB Probashi Savings

MDB Probashi is a savings account in local currency for the Non-Resident Bangladeshis (NRBs) who are residing abroad and want to save their hard-earned money. Similar to a regular savings account with withdrawal facility for emergency requirements, where interest calculation is on daily balance basis and is paid twice a year. Higher interest is applicable on maintaining a certain balance in the account. This unique product is bundled with free Debit card facility, Account Maintenance waiver (for First year), free internet Banking and free SMS alerts. The account can also be operated through mandate agreement.

MDB Super Saver

Considering the financial requirement of the customers, MDB has introduced MDB Super Saver account. It's a slab based daily interest calculation and monthly interest paying savings account for any Bangladeshi Citizen. The benefits of the product includes higher interest rate on maintaining a certain balance in the account, free Debit Card facility (for 1st year) Free Internet Banking and Free SMS Banking.

MDB CPP Savings

We have introduced MDB Corporate Payroll Package (CPP) to facilitate payroll/ salary disbursement facility for different corporate houses.

Under MDB CPP facilities, MDB CPP Savings account is offered to the employees under the payroll package with following benefits: no minimum balance required, interest will be calculated on day end balance and credited monthly, no Account Maintenance Fee, salary disbursement charge for the organization is free, free Debit Card, cross branch transaction is free, daily withdrawal limit up to BDT 100,000 through ATM, salary transferred electronically from company account, SMS Transaction Alert free (for first year), and Free Internet banking.

MDB Secured Loan

MDB Secured Loan delivers a fast and hassle free solution to customer's quick finance needs. It is a fully secured and terminating (EMI Based) loan facility. Loan amount ranges from BDT 50,000 to maximum 90% of the applicable security. Loan tenor is from minimum 1 year to maximum 5 years. Cash securities include Midland Bank Fixed Deposits, Midland Bank Savings Scheme, and Wage Earner Development Bonds and US Dollar Bonds (US Dollar Investment Bond and US Dollar Premium Bond) issued by Midland Bank Ltd.

MDB Personal Loan

MDB Personal Loan is an all-purpose loan which does not require any collateral. Customers can obtain Maximum of BDT 10 lac loan (based on their respective monthly income level) in a hassle free manner. Customers also have the option to select flexible tenor of 1 year to 5 years based on their requirements. With attractive interest rate and quick processing time, MDB Personal Loan brings peace of mind to the customers.

MDB Car Loan

MDB Car Loan allows for purchase of brand new or reconditioned cars with maximum loan amount of BDT 40 lac and flexible tenor of 1 year to 5 years. MDB offers competitive interest rate and quick processing time for the loan. Customers can enjoy the freedom of driving their own cars with MDB Car Loan and add value to their lifestyle.

MDB Home Loan

MDB offers MDB Home Loan that suits all home financing needs. Whether it is for apartment purchase, home construction, extension or renovation, MDB Home Loan is the ideal solution. Maximum loan amount of MDB Home Loan is BDT 1.20 crore and maximum loan tenor is 20 years. Customers can experience and cherish their desired home with MDB Home Loan.

CARD PRODUCTS

MDB VISA Credit Cards

Our VISA International dual currency Platinum and Gold Cards are accepted globally and locally at all merchant outlets and restaurants showing VISA logo. Moreover, you enjoy discounts and interest free EMI on repayments at discount partners by showing your MDB Credit Cards. Some of the salient features include, waiver of annual fee for first year, complimentary card, 24/7 Contact Centre support, payment facility through BEFTN and midland online - a robust internet banking facility to pay your monthly credit card bill amount without visiting a branch.

MDB VISA Debit Card

Our VISA branded Debit card is widely used by customers due to its flexible features including access to multiple CASA accounts through a single plastic, 100% waiver on next year Annual Fee subject to making 15 transactions per year and up-to 1.00 lac per day limit through POS and ATM.

MDB VISA Prepaid Card

MDB Prepaid Card, denominated either in local currency or in US dollar, available at the counter of all branches of Midland Bank Limited for selling this card to MDB's customer and non MDB's customer. This is a dual currency card, meaning it is accepted in abroad too to make foreign trip hassle-free and convenient. This prepaid card can be used to withdraw cash and make purchase over millions of merchant establishments displaying Visa logo. It gives 24-hour access to cardholder's money. Cardholder can top-up this card from any branches of Midland Bank Limited.

MDB SERVICES

Internet Banking

Our famous internet banking service, midline online, comes with variety of features which ads convenience to your needs. You can view all your accounts with a single login and can make fund transfers in-between your accounts. You can also transfer money to any bank account at your convenience at any time leveraging electronic fund transfer (BEFTN). The same can be done through real-time-gross-settlement (RTGS) without having any concern on cyber security. All your activities on midline online are supported by two factor authentication (2FA). Our midline online service is completely free.

SMS /Alert Banking

Our SMS banking service keeps you abreast of any activity, debit or credit, in your accounts.

Locker Service

We safeguard your valuables like confidential documents or jewelries or gold ornaments. Our locker service is available in selected branches.

24/7 Contact Centre

We are always there for you, day or night, 24/7. Our Contact Centre specialists are always a call away for your important queries, or when you want to block your account in a situation when you have lost your debit or credit card.

Corporate Website

We keep our website always up-to-date with vital information, including branch details and the services they provide.

Bills Pay and BRTA Booth

Our competent branch personnel are trained to welcome you to pay your bill, WASA, DESCO, REB or DPDC for example. A few branches also accept motor vehicle fees and charges. Additionally, we have deployed a collection booth of BRTA fees for your convenience.

MDB Card Cheque

Our Card Cheque scheme ads convenience to your needs, where the chequebook comes as free with 1% processing fee, and 45 days interest free repayment period.

MDB Service Network

Branches

Sl.	Branch Name	Address	Branch Manager
1	Dilkusha Corporate Branch	Chini Shilpa Bhaban (1st floor) 3, Dilkusha, C/A, Dhaka 1000 Email: hob.dilkusha@midlandbankbd.net PABX: 09666-410901	Mr. Faisal Ahmed, FVP Phone: +8801985700356, +8801714359203 Email: faisal.ahmed@midlandbankbd.net PABX: 09666-410901 Ext.901-356
2	Principal Branch	Hong Kong Shanghai Tower (Ground floor) Plot 106, Road 11, Block C, Banani, Dhaka 1213 Email: hob.principal@midlandbankbd.net PABX: 09666-410902	Mr. Md. Shafiqul Islam, VP Phone: +8801985700167, +8801615011650 Email: shafiqul.islam@midlandbankbd.net PABX: 09666-410902 Ext.902-167
3	Agrabad Branch	As- Salam Tower (1st floor) 57, Agrabad C/A, Chittagong Email: hob.agrabad@midlandbankbd.net PABX: 09666-410903	Mr. Khorshed Kader Chowdhury, AVP Phone: +8801985700330, +8801558623861 Email: kader.chowdhury@midlandbankbd.net PABX: 09666-410903 Ext.903-330
4	Mirzapur Bazar Branch	Mannan Plaza (1st floor), Mirzapur Bazar Bhawal, Gazipur Sadar, Gazipur Email: hob.mirzapur@midlandbankbd.net PABX: 09666-410904	Mr. Md. Shakhawat Hossain, FAVP Phone: +8801985700047, +8801717667203 Email: shakhawat.hossain@midlandbankbd.net PABX: 09666-410904 Ext.904-047
5	Panchar Branch	Dia-Moni Plaza (1st floor) Panchar, Shibchar, Madaripur Email: hob.panchar@midlandbankbd.net PABX: 09666-410905	Mr. Md. Arifuzzaman, SEO Phone: +8801985700141, +8801710966955 Email: md.arifuzzaman@midlandbankbd.net PABX: 09666-410905 Ext.905-141
6	Uttara Branch	ABC Heritage (Ground floor), Plot 2 & 4 Jashim Uddin Avenue, Sector 3, Uttara, Dhaka 1230 Email: hob.uttara@midlandbankbd.net PABX: 09666-410906	Mr. Md. Rashed Akter, FVP Phone: +8801985700357, +8801841939394 Email: rashed.akter@midlandbankbd.net PABX: 09666-410906 Ext. 906-357
7	Aganagar Branch	Maksuda Garden City (2nd floor), Aganagar South Keranigonj, Dhaka Email: hob.aganagar@midlandbankbd.net PABX: 09666-410907	Mr. Lutfur Rahman, FAVP Phone: +8801985700443, +8801612031128 Email: l.rahman@midlandbankbd.net PABX: 09666-410907 Ext. 907-443
8	Dhanmondi Branch	Taj Lili Green (1st floor), House 751(Old) 51(New), Satmasjid Road, Dhanmondi, Dhaka Email: hob.dhanmondi@midlandbankbd.net PABX: 09666-410908	Mr. Naweedul Haque, AVP Phone: +8801985700210, +8801714075356 Email: naweedul.haque@midlandbankbd.net PABX: 09666-410908 Ext.908-210
9	Hemayetpur Branch	Diamond Tower (1st floor), Hemayetpur Singair Road, Savar, Dhaka Email: hob.hemayetpur@midlandbankbd.net PABX: 09666-410909	Mr. Imran Al Habib Xulius, FAVP Phone: +8801985700359, +8801976688440 Email: imran.habib@midlandbankbd.net PBX: 09666-410909 Ext. 909-359
10	Zirabo Branch	Razzak Commercial Complex, Zirabo Ashulia, Savar, Dhaka Email: hob.zirabo@midlandbankbd.net PABX: 09666-410910	Mr. Md. Nazmul Haque, PO Phone: +8801985700308, +8801712752405 Email: md.nazmulhaque@midlandbankbd.net PABX: 09666-410910 Ext.910-308
11	Gulshan Branch	NB Tower, Level 5, 40/7 North Avenue Gulshan 2, Dhaka 1212 Email: hob.gulshan@midlandbankbd.net PABX: 09666-410911	Mr. Mostofa Maynul Hasan, AVP Phone: +8801985700057, +8801914064738 Email: mostofa.maynul@midlandbankbd.net PABX: 09666-410911 Ext. 911-057

MDB Service Network

Branches

Sl.	Branch Name	Address	Branch Manager
12	Panchrukhi Branch	Panchrukhi Bazar, Araiuhajar, Narayanganj Email: hob.panchrukhi@midlandbankbd.net PABX: 09666-410912	Mr. Md. Rozdar Ali, AVP Phone: +8801985700241, +8801724953076 Email: rozdar.ali@midlandbankbd.net PABX: 09666-410912 Ext.912-241
13	Kamarpara Branch	Jom Jom Tower, Kamarpara School Road Uttara, Dhaka Email: hob.kamarpara@midlandbankbd.net PABX: 09666-410913	Mr. Md. Mafizul Islam Khokon, FAVP Phone: +8801985700486, +8801755583993 Email: mafizul.islam@midlandbankbd.net PABX: 09666-410913 Ext.913-486
14	Narsingdi Branch	Helal Tower, First & second floor 211, Shahid Shorwadi Park Road, Narshingdi Email: hob.narsingdi@midlandbankbd.net PABX: 09666-410914	Mr. Sudipto Roy Chowdhury, FAVP Phone: +8801985700235, +8801713385170 Email: sudipto.roy@midlandbankbd.net PABX: 09666-410914 Ext.914-235
15	Narayanganj Branch	55/A, Ground Floor, Tanbazar, Narayanganj Email: hob.narayanganj@midlandbankbd.net PABX: 09666-410915	Mr. Mohammad Kamrujjaman, FVP Phone: +8801985700278, +8801925993310 Email: mohammad.kamrujjaman@midlandbankbd.net PABX: 09666-410915 Ext.915-278
16	Valuka Branch	Jamirdia, Masterbari, Bhaluka, Mymensingh Email: hob.valuka@midlandbankbd.net PABX: 09666-410916	Mr. Mohammad Faruq Ur Rahman, PO Phone: +8801985700307, +8801715186240 Email: faruq.rahman@midlandbankbd.net PABX: 09666-410916 Ext.916-307
17	CDA Avenue Branch	EVE's Centre (1st floor) A 1/47 P, East Nasirabad Panchlaish, Chittagong Email: hob.cda@midlandbankbd.net PABX: 09666-410917	Mr. Md. Shaiful Alam Chowdhury, VP Phone: +8801973423777, +8801713423777 Email: shaiful.alam@midlandbankbd.net PBX: 09666-410917 Ext.917-127
18	Mokamtola Branch	Majeda Plaza (1st floor), Talukdar Market Mokamtola, Shibganj, Bogra Email: hob.mokamtola@midlandbankbd.net PABX: 09666-410918	Mr. Md. Rezaul Huq, PO Phone: +8801985700269, +8801718527925 Email: rezaul.huq@midlandbankbd.net PABX: 09666-410918 Ext.918-269
19	Chowdhuryhat Branch	Abdul Rashid Market (1st & 2nd floor) Chowdhuryhat, Hat Hajari, Chittagong Email: hob.chowdhuryhat@midlandbankbd.net PABX: 09666-410919	Mr. Syed Mohammed Omar, FAVP Phone: +8801985700355, +8801819863857 Email: syedmohammed.omar@midlandbankbd.net PABX: 09666-410919 Ext.919-355
20	Bogra Branch	Amicus Plaza, Shahid Abdul Jabbar Sarak Joleshwaritola, Bogra Email: hob.bogra@midlandbankbd.net PABX: 09666-410920	Mr. Kudrat-E-Khoda Md. Samiul Karim, AVP Phone: +8801711951247 Email: samiul.karim@midlandbankbd.net PABX: 09666-410920 Ext.920-312
21	Dalal Bazar Branch	Montaz Patwary Mansion (1st floor) Dalal Bazar, Lakshampur Sadar, Lakshampur Email: hob.dalalbazar@midlandbankbd.net PABX: 09666-410921	Mr. Asaduzzaman Khan, PO Phone: +8801985700461, +880177797807 Email: asaduzzaman.khan@midlandbankbd.net PABX: 09666-410921 Ext.921-461

Agent Banking

Sl.	Agent Name	Address
1	United Social Human Advancement Foundation (USHA)	Dighi Borabo, Jatramura, Rupganj, Narayanganj



Contact Centre : +88 096 66 410 888, +88 096 11 410 888

MDB Service Network

ATMs

SL	Name of ATM	Address
1	Banani	Hong Kong Shanghai Tower, Plot 106, Road 11, Block C, Banani, Dhaka
2	Agrabad	As-Salam Tower, 57, Agrabad Commercial Area (1st floor), Chittagong
3	Dhanmondi	Taj Lili Green, 1st Floor, H 51 (New), Sat Masjid Road, Zikatola, Dhanmondi, Dhaka
4	Hemayetpur	Diamond Tower, Hemayetpur, Shyampur, Tetulzhora, Savar, Dhaka
5	Mirzapur Bazar	Mannan Plaza, Mirzapur Bazar, Bhawal, Mirzapur Sadar, Gazipur
6	Panchar	Dia-Moni Plaza (1st floor), Panchar, Shibchar, Madaripur
7	Aganagar	Maksuda Garden City (Ground floor), Aganagar, South Keranigonj, Dhaka
8	Gulshan	NB Tower, Level 5, 40/7 North Avenue, Gulshan 2, Dhaka 1212
9	Panchrukhi	Panchrukhi Bazar, Araiহার, Narayanganj
10	Kamarpara	JomJom Tower, Kamarpara School Road, Dhaka
11	Narshingdi	Helal Tower, First & second floor, 211 Shahid Shorwadi Park Road, Narshingdi
12	Narayanganj	55/A, Ground floor, Tanbazar, Narayanganj
13	Valuka	Jamirdia, Masterbari, Bhaluka, Mymensingh
14	Amtranet - Tongi	Garments Exports Village Ltd., Amtranet Group, Maa Tower (Ground Floor), KBM Road, Tongi I/A, Gazipur
15	Mokamtola	Majeda Plaza (Ground floor), Talukdar Market, Mokamtola, Shibganj, Bogra
16	Chowdhuryhat	Abdul Rashid Market (Ground floor), Chowdhury Hat, Hat Hajari, Chittagong
17	CDA Avenue	EVE's Centre (Ground floor), A 1/47 P, East Nasirabad, Panchlaish, Chittagong
18	Bogra	Amicus Plaza, 1st floor, Shahid Abdul Jabbar Sarak, Joleshwari Tola, Bogra
19	Zirabo	Razzak Commercial Complex, Zirabo, Ashulia, Savar, Dhaka
20	Uttara	ABC Heritage (Gr. flr.), Plot 2 & 4, Sector 3, Jashimuddin Avenue, Uttara, Dhaka
21	Amtranet - Savar	Amtranet Limited, KASBA TOWER, Rajashan Industrial Area, Savar
22	Amanat Shah - Narsingdi	Hazrat Amanat Shah Spinning Mills, Vatpara, Panchdona, Narsingdi
23	Dalal Bazar	Montaz Patwary Mansion (Ground floor), Dalal Bazar, Lakshmipur Sadar, Lakshmipur

Collection Booths

SL	Name of Collection Booth	Address
1	BRTA Collection Booth	DC Office, Bogra
2	Southeast University Fees Collection Booth	251/A & 252, Tejgaon I/A, Dhaka
3	Fees Collection Booth	Narsingdi Powrashava, Narsingdi
4	Southeast University Fees Collection Booth- 2	House # 64, Road # 18, Block-3, Banani, Dhaka-1213

Head Office: N.B. Tower (Level 6-9), 40/7 North Avenue, Gulshan 2, Dhaka 1212
PABX: (+88) 096 66 410 999, (+88) 096 11 410 999, Fax: (+88) 02 8837735
Contact Centre: (+88) 096 66 410 888, (+88) 096 11 410 888, Website: www.midlandbankbd.net

